

FICOM Pension Stakeholder Engagement Forum



Single Employer Target Benefit Plans

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Health • Benefits • Employee Assistance • Retirement

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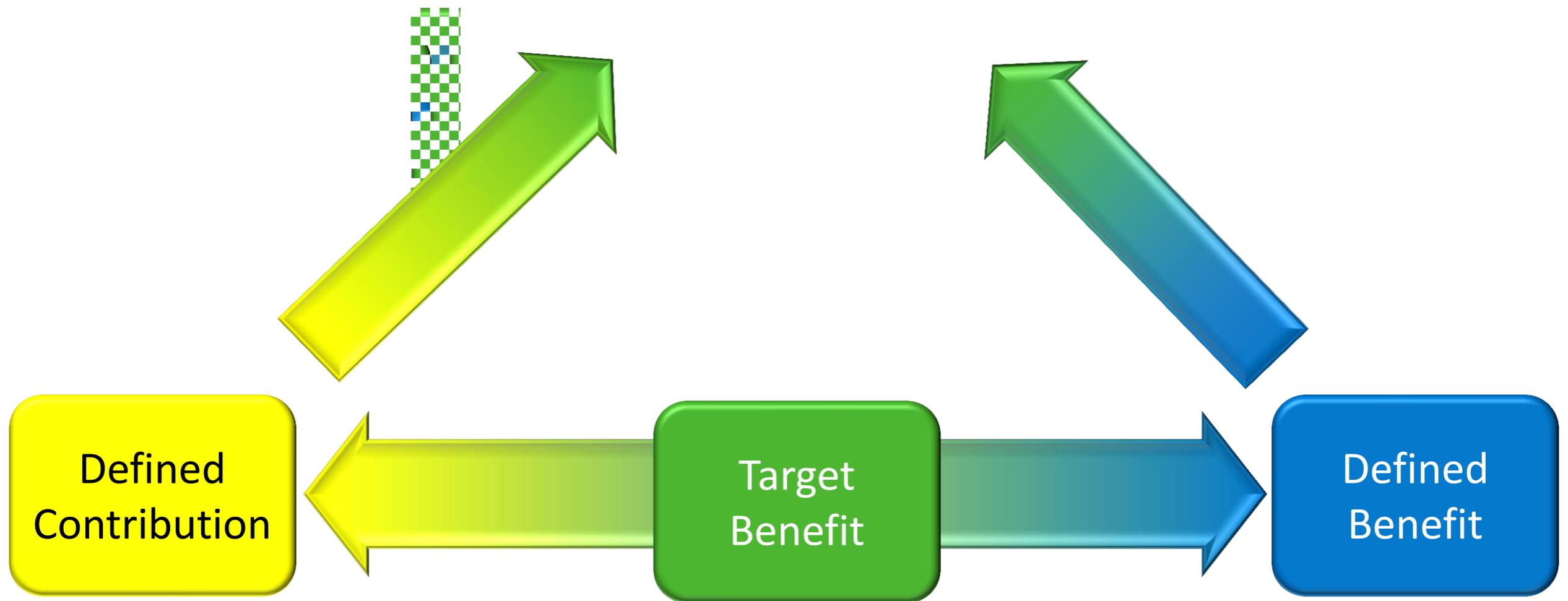
The Case for Target Benefit Plans

Final report of the Joint Expert Panel on Pension Standards

“Standards should accommodate a wider variety of pension arrangements than were contemplated in the current statutes...”

Recommendation 8.2.1-A – “A new category should be created in the pension legislation for funding and disclosure for single and multi-employer plans with similar characteristics, called specified contribution target benefit plans.”

Types of Pension Plans



Why Consider Target Benefit Plans (TBP)?

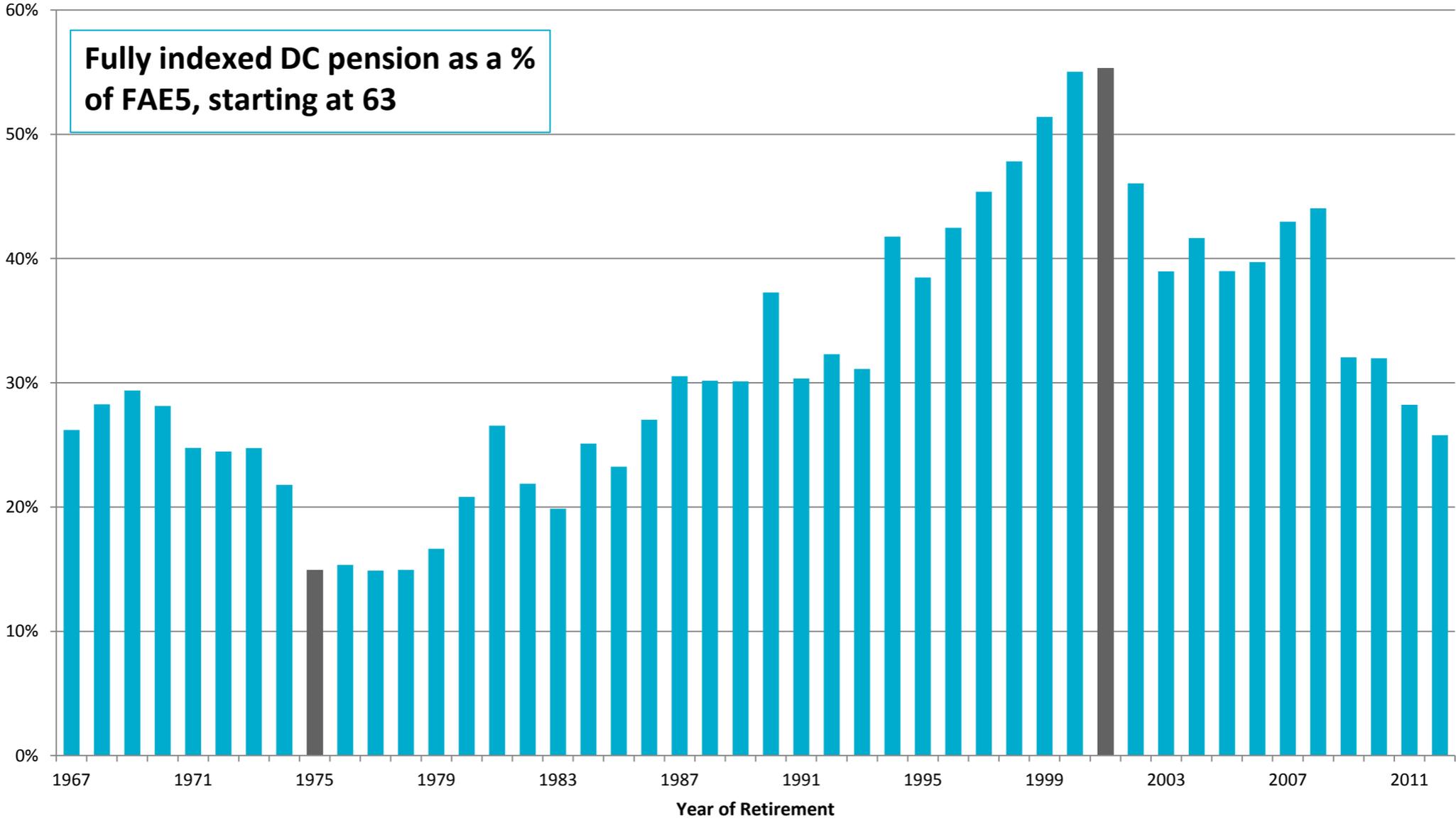
DB Plans

- More predictable costs
- Considering change to DC or RRSP
- Exemption from solvency

DC Plans

- Pooling of risks
- Decumulation
- Better investment returns
- Address retirement date pension volatility

Retirement Date Winners and Losers



Current Hurdles

- How do you treat past benefits?
 - Should not prevent future service TBP
- Income Tax Act issues
 - “Not allowed”
 - Pension Adjustment (PA) rules
 - Equal and periodic payments
 - Not impossible – AB, NB, OSFI

Conversion of Past DB Benefits

- Should they be allowed?
 - NO (generally)
 - At minimum, require full funding of solvency
- Exceptions
 - Jointly Sponsored Pension Plans (JSPP)
 - With member consent?
 - Need further consultations
 - Special situations

Conversion of Past DC Benefits

- Should they be allowed?
 - YES, at member's option
- Issues/considerations
 - PSPA issue
 - Communication strategy – significant shift in delivery model
 - Additional plan costs
 - External – actuarial, consulting, legal, audit
 - Internal – oversight, governance
 - Employee DC contribution rate > Employer

Other Considerations

- Administration model
 - Board of trustees? Company sponsored? Member representation?
- Funding rules
 - Current MEPP TBP rules – only as a starting point
- Surplus issues
 - Belongs to plan beneficiaries
 - Only used to improve benefits
- Employer insolvency
 - Less of a concern in a MEPP TBP
- If prospective only – will plans take advantage of it?

Key Takeaways

- ➔ JEPPs recommended new plan designs and specially mentioned single employer TBPs
 - We need more options for single employer plan sponsors beyond traditional DB and DC
- ➔ Conversion of past DB benefits presents a challenge but this should not stop moving forward with single employer TBPs on a go forward basis
- ➔ Address the need for better decumulation options in DC plans
- ➔ Suggestion for Superintendent to gather experts from industry for further consultations



Thank you

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