

Osler, Hoskin & Harcourt LLP

# Exploring Pension Policy on Auto-Pilot - New Brunswick, Canada

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September 13, 2019

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## Overview

1. Background re: Canadian pension landscape
2. New Brunswick's Shared Risk Plans
  - How did they come about?
  - What are they?
  - Key Design Features
  - Experience to date?
3. Shared Risk/Target Benefit Plans Elsewhere in Canada

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## Canadian Pension Landscape

- Pension Standards Legislation
  - 9 Provinces
  - Federal
- 3-legged Stool
- Tax Limits

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## New Brunswick SRPs – How did they come about?

- Task force struck by New Brunswick government to look at pensions in province (private sector and public sector)
- 2012: Changes to New Brunswick's *Pension Benefit Act* and new Regs
- Plan design option
  - Public/private
  - Simple employer/multi-employer
  - Union/non-union

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## New Brunswick SRPs – What are they?

- SRP New Plan design – spectrum between DB & DC
  - DB features such as defined benefit formula and risk pooling
  - DC features such as fixed contributions/cost certainty
  - Ability to adjust benefits
- Create anew or convert existing plan
- Several public sector plans converted under new regime

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## New Brunswick SRPs – Key Design Features

### Key Design Features

- Two Classes of Benefits
  - Base Benefits – afforded more protection
  - Ancillary Benefits
- Contributions
  - Fixed (but may vary up or down in a narrow permissible band in accordance with funding policy)
- Target Benefit
  - Ability to adjust benefits in accordance with funding policy

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## New Brunswick SRPs – Key Design Features (cont'd)

### **Funding**

- Funding policy required – acts as roadmap
- Exempt from solvency funding

### **Risk Management**

- Probabilistic testing
- Asset liability modeling
- Annual valuation and compliance requirements

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## New Brunswick SRPs – Key Design Features (cont'd)

### **Administration**

- Trustee, board of trustees or non-profit corporation
- Trustees required to act independently of appointing party

### **Conversion of accrued benefits**

- Permissible
- Most contentious element



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## New Brunswick SRPs – Experience to date?

### Experience So Far

- Many have granted conditional COLA consistently
- Not aware of any SRPs having to reduce benefits
- One converted plan subject to ongoing litigation in respect of conversion
- Feedback otherwise generally positive

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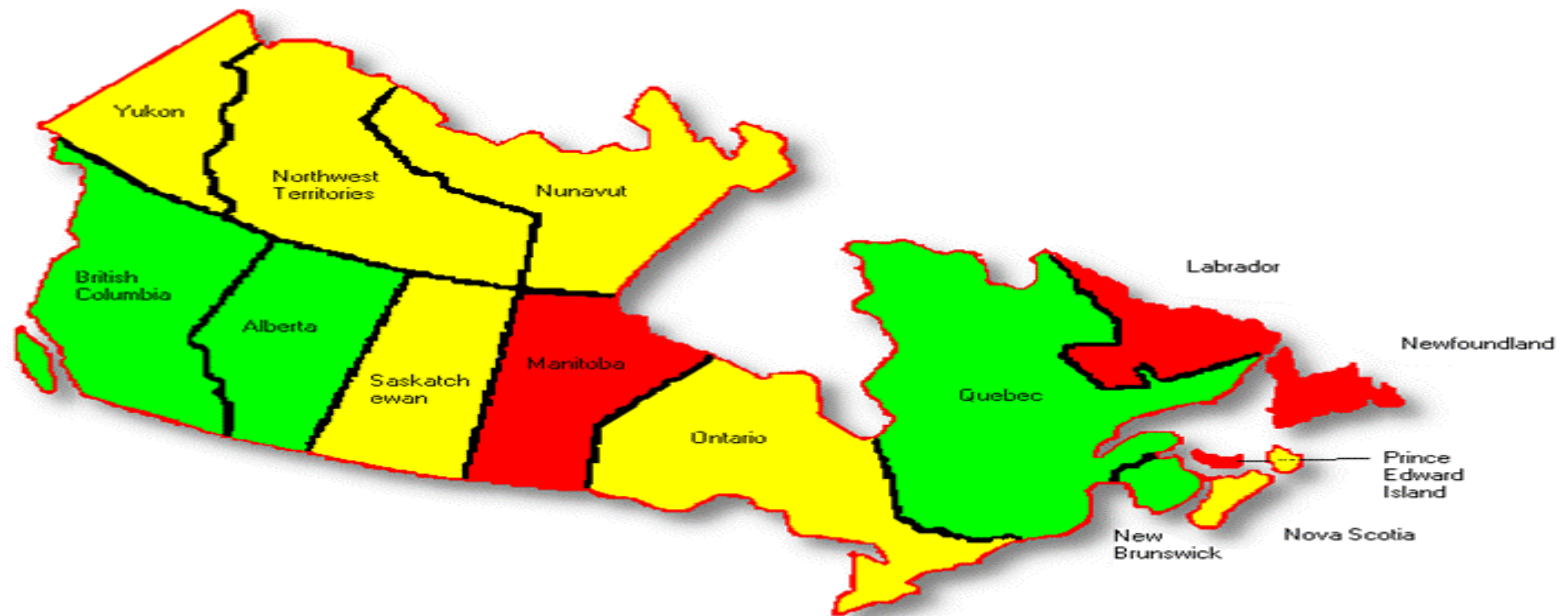
## New Brunswick SRPs – Experience to date? (cont'd)

### **Some challenges**

- Accounting treatment
- Actuarial inputs in modeling
- Tax rules
- Communication
- Increased compliance requirements/obligations

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## Shared Risk/Target Benefit Plans In Canada



Source: diymaps.net (c)