



Exposure draft – Amendments to Section 3500 of the Practice-Specific Standards for Pension Plans – Pension Commuted Values

Comments by the Multi-Employer Benefit Plan Council of Canada (MEBCO)

2017.09.11

The Multi-Employer Benefit Plan Council of Canada (MEBCO) was established in 1992 to represent the interests of Canadian multi-employer pension and benefit plans (MEPs). MEBCO consults with provincial and federal governments regarding proposed or existing legislation and policies affecting these plans. MEBCO is a federal no-share capital corporation, operating on a not-for-profit basis.

MEBCO is representative of all persons and disciplines involved in MEPs, including trustees (union, independent, professional and employer), professional third party administrators, non-profit or “in-house” plan administrators, and professionals including actuaries, benefit consultants, lawyers, investment managers, investment counsel and chartered public accountants. MEBCO is administered by a Board of Directors consisting of representatives from each of the above groups. The Board of Directors serve MEBCO on a volunteer basis, and are responsible for identifying issues that impact MEPs, developing a strategy to address those issues, and then carrying out the strategy. MEBCO’s member-plans provide comprehensive health coverage to over 1,000,000 Canadians.

As the representative organization for traditional target benefit multi-employer pension plans (MEPPs), the Multi-Employer Benefit Plan Council of Canada’s (MEBCO) comments are limited to subsection 3570, Target Pension Plans. MEBCO is pleased that the exposure draft (ED) recognizes the special nature of MEPPs.

MEBCO is opposed to the payment of transfer values to MEPP participants (other than for small amounts), because that permits participants to convert a defined benefit type pension entitlement into something that was not bargained on their behalf – a defined contribution benefit. However, MEBCO recognizes that such a change would not be possible without legislation, and that is beyond the jurisdiction of actuarial standards.

In general, MEBCO believes that the scope of subsection 3570 is appropriate. However, MEBCO notes that the New Brunswick Pension Benefits Act (NB PBA) currently forbids the reduction of accrued benefits for all ongoing plans of solvent employers that are not “shared risk plans.” Notwithstanding that legislation, MEBCO is aware of a national MEPP that was permitted, by ministerial action, to reduce its New Brunswick participants’ accrued benefits identically to those elsewhere in Canada when benefits needed to be reduced. MEBCO would

like the ED to be clear that traditional MEPPs where some or all of the participants are subject to the NB PBA may apply subsection 3570.

MEBCO proposes that MEPPs should be permitted to elect to cap transfer values at either 100% of the going concern funded amount or 100% of the amount that would be payable from a plan that does not qualify for subsection 3570, or the greater or lesser of the two computations, where that is legally permitted.

The Québec Supplemental Pension Plans Act (QC SPPA) embraces the concepts of subsection 3570, but requires the actuarial computations to be determined on a solvency funding basis. MEBCO believes that this computation should be accepted actuarial practice. Indeed, we believe that any reasonable determination, such as the going concern basis without removing PfADs, should be accepted actuarial practice.

MEPPs are constrained by the fact that contributions are fixed in collective agreements, so the consequence of additional actuarial calculations is an increase in administrative expenses and therefore a decrease in the assets available to provide benefits. The requirement to do a recalculation within three months of the commuted value date, and the requirement to remove PfADs from the assumptions, both necessarily increase the cost of the actuary's work, to the detriment of the non-terminating participants. As a minimum, a roll-forward of the actuarial present values should be clearly permitted.

Determining the funded ratio based on the actuarial cost method last filed makes sense under individual determinations of the actuarial accrued liability, but not under aggregate methods. The unit credit actuarial cost method should be required where the filed valuation used an aggregate method.

Because most MEPPs have portability among employers, deferred members may not take their deferred pension at the most valuable age. It should be made clear that the assumed retirement age may be based on actual experience, not the most valuable age. It should also be made clear that reciprocal agreements¹ with other plans may be reflected consistent with the actuarial assumptions.

Please feel free to contact us to discuss these matters.

Yours truly

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¹ Reciprocal agreements between MEPPs deal with participants whose employment has included periods under both a "home" plan and another plan that typically covers workers who are members of the same union.

