

## Policy Bulletin #31 Publicly Funded Pension Plans

Issued August 2006

Effective August 10, 2006, the *Employment Pension Plans Act* and *Regulation* (the Act and Regulation) are amended to permit the Superintendent of Pensions to designate certain pension plans as “publicly funded plans” to which special provisions apply. The Bulletin is drafted to outline the specific provisions applicable to these plans. The key legislative provisions are found in section 2(q.1), section 68(5) and Schedule 0.2 of the Regulation.

This Bulletin has no legal authority. The Act and Regulation should be used to determine specific legislative requirements

### Definition of a Publicly Funded Pension Plan

A publicly funded plan is defined as a pension plan that

- is wholly or partially funded, whether directly or indirectly, from a public entity operating on a non-profit basis and that is, was or has the potential to be an employer under a pension plan covered by the *Public Sector Pension Plans Act* or Schedule 1 to the *Teachers' and Private School Teachers' Pension Plans* (AR 203/95) or from a source related to such an entity, and
- is designated by the Superintendent as a publicly funded plan for the purposes of the Act and Regulation.

To be considered a publicly funded plan, a plan must receive written designation from the Superintendent.

Once the plan is designated, an administrator may apply to have some or all of the exemptions applied to his plan.

Such a plan may be providing basic benefits, or it may be supplemental to another public sector plan but still be required to be registered under the Act because it provides benefits that do not exceed the federal *Income Tax Act* limits.

**Joint Employee / Employer Funding Provisions of Publicly Funded Plans**

Section 48(4) of the Act provides that where a plan has been designated as a publicly funded plan, the administrator of the plan may apply to the Superintendent – and the Superintendent may consent – to permit joint employee / employer funding of the Plan.

Joint funding requires that both the employer or employers and the employees share the responsibility for funding not only the normal cost of benefits but also the amortization of unfunded liabilities and solvency deficiencies.

**Employee Contributions with Interest Cannot Exceed 50% of the Commuted Value of the Benefit**

Where the Superintendent of Pensions permits a publicly funded plan to be jointly funded, the requirements of section 37 of the Act still apply.

That is, where a member contributes to a pension plan in respect of a defined benefit provision, not more than 1/2 of the commuted value of the pension accrued by the member during the contributory period, so far as it relates to his membership, may be provided by those contributions with interest.

**Ongoing Solvency Payment Exemption**

The Superintendent may exempt a publicly funded plan, on any conditions that the Superintendent considers appropriate, from making solvency special payments while the plan is ongoing if the administrator makes a written application to the Superintendent that includes

- (a) an undertaking to file, at least triennially, solvency valuations with the Superintendent, as part of the regular triennial valuation,
- (b) an acknowledgement that the Superintendent may refuse any amendment to the plan that affects solvency if the plan has a solvency deficiency or its solvency ratio is less than one, and
- (c) agreement from the contributing employers to immediately pay any deficiency should the plan be terminated.

## Further Exemptions for Supplemental Plans

### Definition of Pension Partner

The Superintendent may, on application in writing, exempt a publicly funded plan that is supplemental to another Alberta public sector pension plan (for example, supplemental to Local Authorities Pension Plan) from the requirement to use the Act's definition of pension partner so long as that plan uses the corresponding definition in the plan to which it is supplemental.

### Deemed Selection of Portability or Deferral

Where a publicly funded plan is supplemental to another Alberta public sector plan, and a member makes an election on portability (or deferred pension commencement) under that Alberta public sector plan, that person can be deemed to have made the same election in the supplemental plan.

### Termination of a Publicly Funded Pension Plan

If a publicly funded plan that is supplemental to another Alberta public sector plan terminates in whole but the "base" Alberta public sector plan does not, the supplemental plan is **not** required to wind up (disburse assets).

The Plan will be recognized by the Superintendent as being in a delayed windup status and the disbursement of assets related to that termination does not have to commence forthwith as normally required by section 76(1) of the Act and pension benefits may continue to be paid from the plan.

Where these situations occur, the administrator of the supplemental plan must continue to monitor and report to the Superintendent the financial status of the plan by filing solvency actuarial valuation reports on a triennial basis, and fund the supplemental plan on the basis of those valuation reports.

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