Régie des rentes du Québec

Supplemental Pension Plans

Newsletter express

7 July 2005

Deadlines for an employer to take advantage of the temporary measures to ease the burden of funding defined benefit pension plans

The *Act respecting the funding of certain pension plans* (the Act) came into force on 17 June 2005. It provides two temporary measures to ease funding requirements: **consolidation of solvency deficits** and **amortization of a consolidated deficit over a maximum period of 10 years.** An employer who wishes to take advantage of these measures must give the required instructions in writing to the pension committee within the **prescribed periods.** This issue of *Newsletter Express* contains information on the deadlines and on the employer's right to set the date of an actuarial valuation. This information will be completed by the publication of a regular *Newsletter* covering the application procedures for the temporary measures.

The relaxed measures apply only to the *first* complete actuarial valuation of a plan carried out at a date after 30 December 2004. Any solvency deficit determined in a subsequent actuarial valuation will have to be amortized over a maximum period of **5 years.**

The employer's right to set the date for the first actuarial valuation does not override the obligation under the *Supplemental Pension Plans Act* (SPP Act) to have an actuarial valuation carried out once every 3 years. For example, if a plan must be the object of an actuarial valuation on 31 December 2004 to be in conformity with the provisions of the SPP Act, the employer cannot set a later date.

The Act provides transitional rules that will be in effect only until 16 August 2005. Thereafter, other rules will apply.

The transitional rules

The transitional rules give the employer more latitude to set the date of an actuarial valuation, if the employer sends the pension committee, no later than **16 August 2005,** the instructions required to take advantage of the temporary relaxed measures.

Where a pension committee has asked an actuary, prior to 17 June 2005, to carry out a complete actuarial valuation of a plan at a date after 30 December 2004, the committee must notify the employer in writing, no later than 18 July 2005.

An employer who gives the required instructions to the pension committee no later than 16 August 2005 can set the date of the actuarial valuation at a date prior to more than 90 days before the date of the instructions. That date must be prior to the date set by the pension committee, but cannot be before 31 December 2004.

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An employer who has not received a notice from the pension committee on preparations for an actuarial valuation can ask the committee to make preparations for a valuation and can set the date and provide the other instructions required. If the employer sends the instructions before 17 August 2005, the valuation date can be set retroactively to a date no earlier than 31 December 2004.

The Régie can authorize an amendment to or the replacement of a report on an actuarial valuation made at a date after 30 December 2004 where such report is submitted to the Régie and does not take into account the employer's instructions for the application of the temporary relaxed measures.

If the first complete actuarial valuation is carried out at a date prior to 1 April 2005 in accordance with the employer's instructions for the application of the temporary relaxed measures, the report on that valuation must be submitted to the Régie **no later than 31 December 2005.**

The regular procedure

As of 17 June 2005, the pension committee that asks an actuary to prepare the first complete actuarial valuation of a plan as provided must notify the employer thereof within 10 days.

An employer who wishes to take advantage of the temporary relaxed measures must give the required instructions to the pension committee no later than **30 days** after receipt of the committee's notice.[1] The employer's instructions can also change the valuation date provided the new date is **before the date set by the pension committee** and **not more than 90 days prior to the date of the employer's instructions.**[2]

An employer who has not received notice from the pension committee relating to preparations for an actuarial valuation may, at any time, ask the committee to make preparations for such valuation, set the date of the valuation and provide the other instructions required to take advantage of the temporary relaxed measures. The valuation date **cannot be more than 90 days** before the date of the instructions.[2]

Multi-employer plans

In the case of a multi-employer plan, even not considered as such, the required instructions must be given jointly by each of the employers.

After expiry of the periods provided for in the Act, an employer can still ask the pension committee to have an actuarial valuation that takes into account the temporary relaxed measures carried out at a date more than 90 days prior to the date of the employer's request. It will than be up to the pension committee to decide whether or not to grant the employer's request.

(Version originale française disponible sur notre site Web)

1 However, under the transitional rules, the period granted to the employer to send instructions to the pension committee cannot end before 16 August 2005.

2 The reference here is to instructions sent by the employer to the pension committee after 16 August 2005. The transitional rules give more latitude for instructions sent on or before 16 August 2005.

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