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**From:** Scott Ellement [mailto:scott.ellement@element.ca]  
**Sent:** Monday, May 28, 2012 2:53 PM  
**To:** Fichter, Leah SFSC  
**Cc:** Ting Kwok  
**Subject:** FW: SFSC Consultation - Funding on Pension Plan Termination

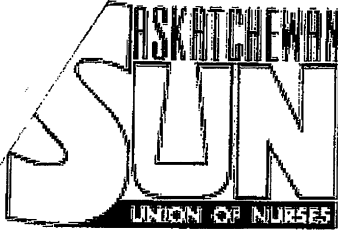
Hi Leah,

I think the protection of benefits is good for non-connected pension plans (i.e. 10% shareholders or related to such person(s)); however, in your list of exemptions noted in point 2, I would include individual pension plans (IPPs) where the only member or members are connected individuals. Furthermore, I would exempt connected IPPs from the majority of the requirements under the Act (e.g. minimum funding requirements), with few exceptions.

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~~B.C. and Manitoba Pension Benefit Acts are excellent examples to follow for connected IPPs.~~

Regards,  
Scott



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*Healthy Members, Healthy Union, Healthy Communities*

June 4, 2012

Leah Fichter, Director, Pensions Division  
Saskatchewan Financial Services Commission  
601 - 1919 Saskatchewan Drive  
Regina, Saskatchewan  
S4P 4H2  
E: [leah.fichter@gov.sk.ca](mailto:leah.fichter@gov.sk.ca)

Dear Ms. Fichter:

### **Introduction of Terminal Funding Obligations to Pension Plan Regulation**

We write with reference to your correspondence of May 28, 2012 regarding the Saskatchewan Financial Service Commission's (SFSC) consultation on the introduction of a new terminal funding obligation for employer sponsors of registered pension plans in Saskatchewan.

The Saskatchewan Union of Nurses (SUN) represents almost 9,000 Registered Nurses (RNs), Registered Nurse (Nurse Practitioner)s (RN(NP)s), and Registered Psychiatric Nurses (RPNs) and graduates employed in rural and urban: acute care hospitals, long-term care facilities, home care services, community health, integrated facilities, public and mental health services, school boards, Canadian Blood Services offices, as well as nurses working in advanced practice roles.

The majority of our members participate in the Saskatchewan Healthcare Employees Pension Plans and the Regina Civic Pension Plan. Other plans that some SUN members are enrolled in are the Public Service Superannuation Pension Plan and the Public Employees Pension Plan.

We understand that the government is considering introducing a new legislative provision of the *Pension Benefits Act, 1992* requiring the funding by a plan sponsor of any funding deficiency in the plan upon termination of the plan. We understand the elements of this proposed obligation to be as follows:

- The funding deficiency will be determined in the final wind-up report.
- The deficiency shall be amortized by payments from the employer that may be made in no more than 60 equal monthly installments.
- The obligation shall apply to all defined benefit plans, but shall not apply to plans in which an employer's liability with respect to the funding of the plan is limited pursuant to a collective bargaining agreement or other contract.
- ~~Employer plan sponsors shall not be responsible for any employee contributions required to fund a funding deficiency where such contributions are required by plan terms.~~
- Upon plan termination, an initial distribution of assets shall be made (in the form of commuted value transfers or the purchase of annuities) adjusted for the solvency ratio of the plan at termination, and a second distribution made after the amortization of the deficiency.

We support the introduction of terminal funding of pension plans in Saskatchewan. We note that all other jurisdictions in Canada require the funding of plan deficiencies on termination. We believe that the absence of such an obligation creates an unintended incentive to wind-up pension plans while under-funded and weakens the protection of the pension promise itself.

We are unsure what is intended by the term "or other contract" as it applies to fixed-cost contributions of employers to pension plans. In addition, we are concerned that the limitation of an employer's liability for members' portion of a wind-up deficiency is described too broadly and will have unintended consequences that defeat the purpose of introducing the terminal funding obligation.

We believe that the terminal funding provisions should apply to all plans with very limited exceptions. Those exceptions should only be circumstances in which:

- employees and members of the plan have expressly bargained the employer's limited liability with respect to the plan through a collective bargaining agent; and
- employees and members of the plan have expressly bargained proportional liability for wind-up deficiencies in the plan through their collective bargaining agent.

We do not believe that any form of contractual arrangement made by employer sponsors should be sufficient to defeat a terminal funding obligation. We believe that only a clear and express provision of a plan established through collective bargaining or its close equivalent should be sufficient basis to displace the terminal funding obligation.

Additionally, we are aware of plans that have bargained employee liability for proportions of plan funding deficiencies during the life of the plan, but that expressly include obligations that the employer fund deficiencies on plan termination. Such arrangements are intended to incent the parties to share responsibility for plan costs during its lifetime, while at the same time encourage maintaining, and discourage terminating, the plan itself. These objectives are harmonious with the purpose of pension regulation in Saskatchewan and broader public policy objectives of encouraging retirement savings through pension plans.

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Finally, we note that the termination of large pension plans typically requires several years to complete and the purchase of annuities within that context may not be possible in a single "distribution" of plan assets. We recommend that the procedure for the distribution of plan assets on termination be flexible to accommodate the most efficient (and least costly) form of wind-up.

We thank you again for the opportunity to make submissions on this consultation. If you would like to discuss our submissions further, please contact us at your convenience.

Yours truly,



Rosalee Longmoore RN  
President

cc Donna Trainor, Executive Director  
Marg Romanow, Benefits Officer

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**From:** Colyn Lowenberger [mailto:CLOWENBE@regina.ca]  
**Sent:** Thursday, June 07, 2012 2:44 PM  
**To:** Fichter, Leah SFSC  
**Subject:** Re: SFSC Consultation - Funding on Pension Plan Termination

Leah,

This item was brought to my attention earlier this week. As such, we have not had sufficient time to review the proposed changes or develop a full and comprehensive response. Generally speaking, the Administrative Boards of the Regina Civic Employees' Superannuation and Benefit Plan and The Regina Police Pension Plan are in favour of amendments to the Act that require an employer to fully fund solvency deficiencies when a plan is terminated. At this time, we are not in a position to provide further comment.

In the future, it would be helpful to receive adequate and direct notice in regard to items the SFSC is seeking input.

---

Regards,  
Colyn

**Colyn R. Lowenberger, MBA**  
Director  
Pension & Disability Administration



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[www.regina.ca](http://www.regina.ca)

6/7/2012

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**From:** Brad Garvey [mailto:BGARVEY@shepp.ca]

**Sent:** Thursday, June 07, 2012 2:44 PM

**To:** Fichter, Leah SFSC

**Cc:** Andrew Huculak; Jim Tomkins (jim.tomkins@uregina.ca); Kay Robertson (kayrobertson@shaw.ca); Marg Romanow; Markewich, Dale (3sHealth); Natalie Horejda (gov1@hsa-sk.com); Russell Doell (Russell.Doell@seiuwest.ca); Warawa, Ted HE0

**Subject:** RE: SFSC Consultation - Funding on Pension Plan Termination

Good afternoon Leah.

I am writing to you on behalf of the SHEPP Board of Trustees.

Thank you for inviting SHEPP to comment on the proposal to amend *The Pension Benefits Act, 1992* to require that an employer fully fund a solvency deficiency when a plan is terminated. The Board has considered the proposed amendment, as clarified by you to me on June 5, and wishes to inform you that it has no objection to the proposal.

Brad Garvey

Chief Executive Officer

Saskatchewan Healthcare Employees' Pension Plan | 4th Floor, 295 Henderson Dr | Regina, SK S4N 6C2

Tel: 306.751.8316 | Fax: 306.751.8301 | [www.shepp.ca](http://www.shepp.ca)



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**From:** Benning, Garry [mailto:BenningG@spsd.sk.ca]  
**Sent:** Thursday, June 07, 2012 4:44 PM  
**To:** Fichter, Leah SFSC  
**Subject:** RE: SFSC Consultation - Funding on Pension Plan Termination

Hi Leah, I agree in principle with what you are proposing, subject to the condition that a solvency exemption is provided to public pension plans.

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## Communications, Energy and Paperworkers Union of Canada

June 7, 2012

Saskatchewan Financial Services Commission – Pensions Division  
Attention: Leah Fichter, Director  
Suite 601 – 1919 Saskatchewan Drive  
Regina, SK S4P 4H2



*Via Courier*

Dear Ms. Fichter:

This letter is the submission of the Communications, Energy and Paperworkers Union of Canada (CEP), in reply to the Saskatchewan Financial Services Commission's Consultation Paper re Terminal Funding.

CEP is the largest union in several key sectors of Canada's economy, including telecommunications, energy, forestry and media. The union's 130,000 members work at a wide variety of jobs in hundreds of different workplaces across the country.

CEP represents approximately 10,000 members in Saskatchewan. A significant portion of these members belong to Defined Benefit Pension Plans. Thus we appreciate the opportunity to comment.

**The CEP submits that in developing new actuarial funding standards and legislation, the SFSC should require employers to fully fund a solvency deficiency prior to the termination of a pension plan.**

The proposal for amortization payments over not more than five years is problematic. It is likely that plan sponsors will maximize the amortization period, thus exposing plan members and retirees to financial hardship for a considerable length of time.

Further the calculation of liability of employers respecting terminal funding should include an evaluation of whether or not employers have taken a contribution holiday. This is because the holiday may have in fact contributed to the deficiency.

**The CEP submits that where employers have taken a contribution holiday, a payment equal to the amount of the holiday plus interest should be provided to the plan prior to the final valuation at plan termination.**

2...





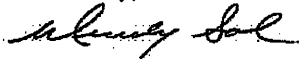
The Consultation Paper includes a proposal that allows for opting-out of the terminal funding rules where an employer's liability is limited pursuant to a collective bargaining agreement or other contract. CEP does not agree with this proposal. Further, this is inconsistent with the pension standards law in some other Canadian jurisdictions.

**CEP submits that terminal funding rules should apply to all defined benefit pension plans.**

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We would be happy to discuss this with you.

Yours truly,



Wendy Sol,  
Administrative Vice President

CEP – Western Region

cfg -  343



**Canadian Union of Public Employees  
Saskatchewan Division**

3725 E Eastgate Drive, Regina, SK S4Z 1A5

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June 7, 2012

Leah Fichter, Director  
Saskatchewan Financial Services Commission—Pension Division  
601-1919 Saskatchewan Drive  
REGINA, SK S4P 4H2

Dear Ms. Fichter:

**RE: INTRODUCTION OF TERMINAL FUNDING OBLIGATIONS TO PENSION PLAN REGULATION**

On behalf of the over 29, 000 members of the Canadian Union of Public Employees (CUPE) – Saskatchewan Division, I am writing in response to your email correspondence of May 28, 2012 in which you indicate that the Government of Saskatchewan is planning on introducing terminal funding obligations for employer sponsors of registered pension plans in Saskatchewan.

We are supportive of this prospective change to the *Pension Benefits Act, 1992* requiring the funding of a plan sponsor of any funding deficiency in the plan upon termination of the plan and, further, we believe that this obligation should apply to all pension plans with very limited exception.

Any other form of contractual obligation made by employer sponsors should not be sufficient to defeat or compromise a terminal funding obligation.

If you would like to discuss this submission further, please do not hesitate to contact our office.

Yours sincerely,

A handwritten signature in black ink that reads "Tom Graham". The signature is written in a cursive style.

Tom Graham,  
President, CUPE Saskatchewan

/nm cope 342





**Gordon B. Lang & Associates Inc.**

Suite 260, 1209 - 59<sup>th</sup> Avenue SE  
Calgary, Alberta T2H 2P6  
Phone: (403) 249-1820 Fax: (403) 246-2431  
www.gblinc.ca

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June 7, 2012

Ms. Leah Fichter  
Director  
Pension Division

---

Saskatchewan Financial Services Commission  
601-1919 Saskatchewan Drive  
Regina, SK  
S4P 4H2

Dear Ms. Fichter:

In response to request for comments regarding the proposal to require employers to fully fund solvency deficiencies when a plan is terminated, we would like to take this opportunity to provide suggested changes, along with supporting rationale, to the pension benefits legislation in Saskatchewan. We feel that these changes would have several advantages, both to your office as regulator as well as to the plan sponsors of a specific category of defined benefit pension plans; the designated plan.

Gordon B. Lang & Associates Inc. is a full service actuarial and consulting firm specializing in providing small and medium-sized corporations with benefits that respond to the needs of their employees. We manage over 1,000 pension plans across the country; most of which meet the definition of a designated plan as per Section 8515 of the Income Tax Act.

Our products address an increasing need among small business owners for retirement security and are concerned that the current pension legislation in the province of Saskatchewan could severely limit the accessibility to such products in your province; perhaps even resulting in the relocation of the business to a province with greater flexibility.

At present there is no distinction made in the legislation between designated plans and non-designated plans, or for connected persons and non-connected persons. The proposed change requiring full funding upon termination would be an extremely onerous requirement in the case of designated plans.

We feel strongly that designated plans for specified individuals should be exempt from all provincial regulation. The majority of these plans that fall into the designated plans category under the Income Tax Act are implemented for either connected members or highly paid non-connected employees. The deficits in these plans have typically been funded by means of lump sum payments rather than amortization payments over a specified time period. With these types of plans, either the business owner or a key

employee is the plan member, and thus the benefit security concerns that exist for broad-based plans, are not applicable in these cases.

Several of the other provincial jurisdictions have recognized this and have exempted all designated plans, or designated plans for connected persons, from certain, or all, of their requirements. The mandate of the provincial jurisdictions is a laudable one of ensuring the security of benefits and protection of participant's interests in the plan. Since designated plans are often implemented in situations where the business owner is also the plan member, the role of the regulator is much less significant in these cases.

This exemption, if provided to designated plans, will have no negative impact on the funding requirements for broad based plans and will likely have a positive influence on the defined benefit coverage for employers in your jurisdiction. This will also allow your office, as the regulator for the province of Saskatchewan, to concentrate your oversight on the types of arrangements where benefit security and solvency funding is not as well assured, thus enhancing your regulatory role in the supervision of Saskatchewan's defined benefit pension plans.

We would be pleased to provide additional clarification on the above points, if required, and look forward to your response to our proposal to exempt plans with less than ten members from provincial regulation altogether.

Respectfully submitted,

---

Gordon B. Lang, FCIA  
President & Chief Actuary

June 7, 2012

Ms. Leah Fichter, Director  
Saskatchewan Financial Services Commission  
Suite 601, 1919 Saskatchewan Drive  
Regina, SK S4P 4H2

Dear Ms. Fichter:

**Re: Proposed Amendments to *The Saskatchewan Pension Benefits Act (PBA), 1992***

Further to your emails of May 28, 2012, the University of Regina agrees in principle to your recommended changes to the PBA as it relates to the vesting requirements. However, our understanding is that the proposed changes to the vesting requirements would not alter the minimum eligibility conditions. Our view is that the minimum eligibility conditions are different than the vesting provisions, and should not be subject to change.

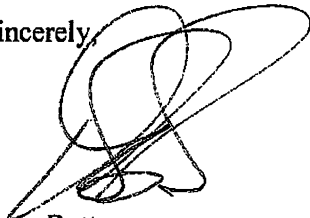
With respect to the terminal funding issue, our expectation is that this issue would have been part of a broader consultation on reforming the minimum funding standards. Our concern with the proposal is that it eliminates flexibility for an employer to explore not funding its deficit in order to prevent bankruptcy. In the current environment, it is conceivable that a financially viable employer would terminate its plan to avoid inevitable bankruptcy brought on by the onerous solvency funding requirements. While plan beneficiaries would suffer if the employer left any deficit unfunded, the employer would remain in business and continue contributing to the broader economy. If such flexibility is removed and solvency funding remains in place, bankruptcy may well follow thereby leaving both plan beneficiaries and the broader economy worse off.

Furthermore, given the current uncertainty surrounding the priority of pension deficits in the face of bankruptcy, we would be concerned that regulating terminal funding may lead to plans with significant solvency deficits being wound up on the order of the Superintendent. Such action taken in relation to an otherwise financially viable employer could lead to unwarranted consequences.

In the context that solvency funding is eliminated and sponsors are allowed to take a longer term view of their plans, we would be less concerned about regulating that sponsors terminally fund deficits.

We thank you for soliciting our input and respectfully request that our comments be considered in making amendments to the Act.

Sincerely,

A handwritten signature in black ink, appearing to be "Dave Button", written over a large, circular scribble.

Dave Button  
Vice-President (Administration)

c.c. Tami Dove, Saskatchewan Financial Services Commission  
University of Regina Joint Pension Investment Committee  
Aon Hewitt- Attention: Don Ireland

**From:** Fortosky, Heather [mailto:heather.fortosky@usask.ca]  
**Sent:** Wednesday, June 13, 2012 4:13 PM  
**To:** Fichter, Leah SFSC; Dove, Tami SFSC  
**Subject:** RE: SFSC Consultation - Funding on Pension Plan Termination

Leah & Tami

Sorry for the delayed response.

Further to your emails of May 28, 2012, the University agrees in principle to your recommended changes to the PBA as it relates to the vesting requirements. However, our understanding is that the proposed changes to the vesting requirements would not alter the minimum eligibility conditions. Our view is that the minimum eligibility conditions are different than the vesting provisions, and should not be subject to change.

With respect to the terminal funding issue, our expectation is that this issue would have been part of a broader consultation on reforming the minimum funding standards. Our concern with the proposal is that it eliminates flexibility for an employer to explore not funding its deficit in order to prevent bankruptcy. In the current environment, it is conceivable that a financially viable employer would terminate its plan to avoid inevitable bankruptcy brought on by the onerous solvency funding requirements. While plan beneficiaries would suffer if the employer left any deficit unfunded, the employer would remain in business and continue contributing to the broader economy. If such flexibility is removed and solvency funding remains in place, bankruptcy may well follow thereby leaving both plan beneficiaries and the broader economy worse off.

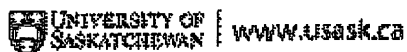
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In the context that solvency funding is eliminated and sponsors are allowed to take a longer term view of their plans, we would be less concerned about regulating that sponsors terminally fund deficits.

Should you wish to discuss any of the above, please feel free to contact myself, Laura Kennedy or Troy Milnthorp, Aon Hewitt.

✉ **Heather Fortosky**

**Director, Pensions, Financial Services Division**  
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105 Maintenance Road  
Saskatoon, SK S7N 5C5  
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