Ontario budget touts variable benefits from DC pension plans

Jann Lee | April 28, 2017

The Ontario government is moving to allow for variable benefits from defined contribution pension plans, according to the 2017 budget tabled yesterday.

"I think it's positive the Ontario government gets that [addressing] decumulation is a rising need for capital accumulation plans," says Joe Nunes, president of Actuarial Solutions Inc. But he cautions that the proposed solution, which gives members an opportunity to adjust how much they take out of their plan after retirement, may not work for everyone. "My worry would be flexibility for some is tremendous, but for others, it becomes a quick road to overspending and exhausting your funds too quickly."

Read: Employers, government must step up to address decumulation dilemma

The budget says the government will introduce regulations around variable benefits this spring. In other moves, the government said it would consult plan sponsors and pension experts on changing the rules governing disclosure to members in order to make communications more modern and transparent.

The budget also addresses the challenge of finding missing plan beneficiaries. The government plans to instruct the superintendent of financial services to develop a policy that will provide more guidance to administrators on how to locate missing beneficiaries.

The superintendent will also have power to waive the requirement for plan administrators to send periodic statements to beneficiaries if they can prove they're missing. In addition, the government is looking at creating a registry of information about missing members and their benefit entitlements.

Read: Pension industry hamstrung in efforts to find missing plan members

The move is great news for a pension industry that has "long wanted some more effective way of dealing with people who are lost, especially those who have very small benefits," says Nunes.

"We're happy if the government sets up some regime that lets us turn that money over and leave it available if those people ever come forward but take it out of the plan so that plan doesn't have to be managed. And in particular, when a plan winds up, sometimes the cost of looking for someone well exceeds the value of the benefit you're trying to give them. So it's pretty inefficient economically," says Nunes.

Read: Eliminating solvency funding on the table as Ontario reviews DB rules

The Ontario government also provided updates on the following pension issues:

1. **Solvency funding review:** The government plans to release guiding principles for the new framework later this spring and draft regulations for public consultation in the fall.

2. **Target-benefit multi-employer pension plans:** The government is developing a regulatory framework that would replace the rules that currently apply to specified Ontario multi-employer pension plans. It plans to release the framework this spring and draft regulations in the fall.

3. **Financial Services Regulatory Authority:** The government will appoint the board of directors this spring. It also plans to make legislative changes related to the new authority's mandate and structure as well as that of the Financial Services Tribunal by the end of 2017.