Recent Developments in Pensions and Employee Benefits Law

November 2, 2017
Regulatory and Case Law Update

Presented by: Adam Ngan
Introduction

• Regulatory update
  – recent notable regulatory changes
  – administrative monetary penalties and Ontario solvency funding discussed later on

• Case law update
  – discussion of interesting cases
Ontario

- Bill 127 – Ontario 2017 Budget Bill
  - introduced April 27, 2017 and received royal assent on May 17, 2017
Ontario (cont’d)

• Bill 127 PBA changes in force
  – s. 23.1 – Superintendent authority to order administrator to hold a meeting to discuss specified matters
  – s. 25.1 – Superintendent may order administrator to provide members, former members, retired members and other persons entitled to benefits with specified information
**Ontario (cont’d)**

- **Bill 127 PBA changes in force**
  - s. 27(3) – Superintendent may waive requirement to provide biennial statements
  - s. 80.4 – SEPP to JSPP
    - s. 80.4(13) para 7 – Superintendent consent
    - s. 80.4(13.1) and (13.2) – CV transfers
  - technical amendments
Ontario (cont’d)

- Bill 127 PBA changes not in force
  - s. 39.1 – variable benefits
- Bill 127 changes to the *Financial Services Commission of Ontario Act, 1997*
  - allows FST to combine proceedings
Ontario (cont’d)

• Financial Services Regulatory Authority of Ontario
  – established by the Financial Services Regulatory Authority of Ontario Act, 2016, which was proclaimed in force June 29, 2017
  – first board of directors appointed in June 2017
  – Ontario “expects to introduce legislative amendments regarding FSRA’s mandate and governance structure, as well as the structure and powers of the Financial Services Tribunal, by the end of 2017.”
Consultations

- Superintendent Consent for Annuity Purchases on Wind Up & Extended Allocation of Payments from PBGF
  - comments were due September 8, 2017
Ontario (cont’d)

• MOF May 19, 2017 announcement
  – solvency funding framework discussed later today in seminar
  – additional changes announced
    • discharge of liabilities for annuity purchase
    • funding and governance policies
    • increasing monthly guarantee from PBGF
  – legislation intended to be introduced in the fall
• New SOMEPP framework
  – permanent solvency funding exemption
  – legislation to be introduced in the fall and regulations in 2018 to be released for consultation
  – current SOMEPP solvency exemption extended by one year
Ontario (cont’d)

• FSCO missing members policies
  – A300-900 – Searching for Plan Beneficiaries
    • methods for plan administrators to consider when searching for plan beneficiaries
  – A300-901 – Waiver of Biennial Statements for Missing Former and Retired Members
    • as per section 27(3) of the PBA
Federal Department of Finance consultation paper

- consideration being given to modernizing the Bank of Canada’s “unclaimed balance” program
- possibly used for missing plan beneficiaries?
- released August 11, 2017 and comments were due September 29, 2017
• SOR/2017-145
  – letter of credit changes – increase from 15% of assets to 15% of liabilities in lieu of solvency deficiency payments
  – technical amendments to the PBSR and PRPP Regulations
  – came into force June 23, 2017
OSFI draft derivatives guide

- outlines OSFI’s expectations for administrators of federally regulated pension plans using derivatives
- intended to replace prior 1997 OSFI derivatives guidelines
- comments were due September 29, 2017
Federal (cont’d)

• OSFI
  – revised instruction guide for preparation of actuarial reports for defined benefit plans – updated from prior 2016 guide to reflect amendments to PBSR regarding LOC’s, and other OSFI expectations

• Reminder: New CRA form T920, Application to Amend a Registered Pension Plan
Quebec

• Draft regulations to amend Regulation respecting supplemental pension plans under the SPPA
  – published on July 12, 2017 for 45 day comment period
  – includes changes to implement amendments from Bill 57, including funding policy requirements, annuity purchasing policy for statutory discharge, variable benefits and other changes
Other Provinces

- **British Columbia**
  - records retention guideline released in September 2017

- **Alberta**
  - extension to file valuation reports prepared as at December 31, 2016 by six months, to March 31, 2018 (does not apply to collectively bargained multi-employer plans)
Other Provinces (cont'd)

- Saskatchewan
  - Limited Liability Plans – SK PBA Regulations amended in August 2017 to establish new funding and regulatory regime

- New Brunswick
  - solvency funding relief regulation, September 2017
  - applies to multi-jurisdictional plans
Other Provinces (cont’d)

• Nova Scotia
  – Nova Scotia solvency funding relief, August 8, 2017
  – Nova Scotia consultation on pension funding framework
    • released September 6, 2017 and comments are due November 10, 2017
  – Technical amendment to Nova Scotia PBA to allow portability for “retired members”
CAPSA

- Consultation paper released in July 2017 for future agreement respecting the regulation of multi-jurisdictional pension plans
- Current 2016 agreement applies to British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan
Future agreement is being developed in response to changes in solvency funding across Canada

Sets out two possible options for funding

1. Major Authority Focus
2. Potential Minor Authority Recognition

Comments were due August 31, 2017
Excise Tax Act

• Proposed Changes to *Excise Tax Act*
  – 33% GST/HST rebate currently available for administration costs for pension plans, but this rebate was not available for pension master trusts
  – proposed change from Department of Finance, September 8, 2017 to extend this 33% GST/HST rebate for pension plan administration costs for pension master trusts
  – applies to pension plans in all jurisdictions
  – comments were due October 10, 2017
• *Bell v. Ontario Power Generation Inc.*
  
  - issue: was the plaintiff, Ms. Bell, a “spouse” and therefore entitled to survivor benefits?
  - Mr. Shestowsky was a member of the OPG pension plan; retired in 2003, died in 2011
  - Ms. Bell claimed to be Mr. Shestowsky’s “spouse” for the purposes of the PBA
Bell v. Ontario Power Generation Inc.

- “Spouse” under the PBA
  - married; or
  - not married and are living together in a conjugal relationship, (i) for three years, or (ii) in a relationship of some permanence if they are the parents of a child

- “Spouse” at the time of retirement would receive survivor benefits upon pensioner’s death

- Trial judge found that Ms. Bell had not lived with Mr. Shestowsky for three years and was therefore not a “spouse” at the time of his retirement
Bell v. Ontario Power Generation Inc.  (cont’d)

- Ontario Court of Appeal affirmed the trial judge’s reliance on “objective, contemporaneous evidence”
  - cohabitation agreement signed in 2002 stating that the parties “intend to commence cohabitating”
  - change of address notification
  - letter from OPG advising Mr. Shestowsky that his pension records indicated that he did not have a spouse at retirement
Bell v. Ontario Power Generation Inc. (cont’d)

- Evidence relied on by OCA (cont’d)
  - pension election form signed by Mr. Shestowsky
  - letter from OPG to Mr. Shestowsky confirming election
  - Mr. Shestowsky received benefits until his death and never sought to amend election
  - tax returns
Threlfall v. Carleton University

• Issue: recovery of pension payments
• Mr. Roseme was a professor and member of Carleton University’s pension plan
  – began pension commencement of a “life only” pension in 1996
  – disappeared in 2007
  – Ms. Threlfall was Mr. Roseme’s “tutor”
Carleton University indicated that it intended to cease payments

However, Mr. Roseme was presumed to be alive for a period of seven years following his disappearance pursuant to section 85 of the Civil Code of Québec (CCQ)

Carleton University resumed payments
Threlfall v. Carleton University  
(cont’d)

• July 2013, Mr. Roseme’s remains were found in his neighbour’s backyard
  – coroner’s report indicated that Mr. Roseme’s death occurred in 2007

• Carleton University argued that pension payments should have ceased in 2007 and subsequent payments should be repaid

• Ms. Threlfall argued that Mr. Roseme’s death was only established when his death was certified and therefore past payments should not be repaid
Threlfall v. Carleton University

(cont’d)

• Trial level and Quebec Court of Appeal
  – Carleton University had obligation to continue payments as a result of presumption of life under the CCQ, but such payments were erroneous once the presumption of life had been refuted
  – pension payments for “life only” pension should have ended in 2007 and subsequent payments were subject to restitution
Resolving Administrative Errors and Ontario’s New Administrative Monetary Penalties

Presented by:
Jeff Sommers and Caroline Helbronner
Administrative Errors

• Background
  – in Ontario, the consequences of administrative errors are increasing with the adoption of Administrative Monetary Penalties (AMPs)
  – number of clients seeking assistance with administrative errors has been increasing
    • perhaps more errors are being identified by an increasing number of plan audits
Administrative Errors (cont’d)

– administrator has a fiduciary duty to correct administrative errors
  • may not always be possible to put members in the position as if the error had not occurred
– regulators cannot condone a failure to properly administer a plan
  • OSFI will not approve or provide advice on correcting errors (InfoPensions, May 2014)
Administrative Errors  (cont’d)

• Common types of errors
  1. Over contributions
  2. Missed contributions
  3. Payments to deceased pensioners
  4. Late/non-compliant member statements
1. Over Contributions
   • Common Causes
     – failure to monitor for the ITA limits (DC Plans)
     – failure to calculate contributions based on the plan’s definition of “earnings”
   • Often the error occurs over multiple years
• **Corrective Measures**
  – need to comply with the Income Tax Act (ITA) and pension legislation

• **ITA Requirements**
  – s. 147.1(19) allows withdrawal of over contributions due to “reasonable error”
  – must be paid to the contributor
  – no later than December 31 of the year following the year in which the over contribution was made
Administrative Errors (cont’d)

- Pension Law Requirements
  - Ontario
    - *Pension Benefits Act*, s. 62.1, s. 63
    - Regulations, s. 47(13) – (14)
  - Alberta and B.C.
    - no specific provisions
    - principle-based regimes
    - regulator would work with plan sponsor on ad hoc basis
2. Missed Contributions

• Common Causes
  – failure to enroll members in accordance with the plan’s terms
  – failure to calculate contributions based on the plan’s definition of “earnings”

• Often the error occurs over multiple years
Administrative Errors (cont’d)

• Corrective Measures
  – need to comply with the plan’s terms and applicable law
  – plan may include a general provision allowing additional contributions to correct missed contributions
  – Alternatively, may amend the plan to specifically allow the catch-up contribution
    • must comply with “class” requirements of the PBA
    • must adhere to the ITA contribution limits
      – could result in having to remit missed DC plan contributions over multiple calendar years
3. Payments to Deceased Pensioners
   • Often results from the administrator not being notified of a pensioner’s death
     – quite common for at least a short time after death
     – could result from fraud by those with control over the deceased’s estate
Administrative Errors (cont’d)

• Preventative Measures
  – administrator could
    • reach out to pensioners (particularly older pensioners) and ask for confirmation of status
    • conduct obituary searches for older pensioners who don’t respond to communications

• Corrective Measures
  – administrator must determine appropriate steps to try to recover overpaid amounts
    • fiduciary duties require a cost/benefit analysis of trying to recover the overpaid amounts
    • sometimes litigation will be the appropriate step
      – as in the Carleton University case
4. Late/non-compliant Member Statements

- Risk of errors relating to member statements increased with the recent requirement to provide statements to former members and retiree
- Regulators are reviewing statements as part of plan examinations/audits
- PBA member statement requirements contain ambiguities
  - for example, it’s not clear how certain requirements apply to DC Plans
Administrative Errors (cont’d)

- some requirements involve judgment calls by the administrator
- administrator is ultimately responsible even if its service provider prepares the statements

• Preventative Measures
  - ensure statements are sent out on time
    • be aware of the applicable deadlines
  - ensure statements comply with legal requirements
    • where there is any uncertainty, seek legal advice
Administrative Monetary Penalties

• Background
  – September 15, 2017: New regulations filed under PBA to introduce Administrative Monetary Penalties (“AMPs”), effective January 1, 2018
  – related sections of PBA to be proclaimed in force on January 1, 2018
  – new AMP regime does not replace existing regulatory enforcement tools available to Ontario pension regulator
  – two types of AMPs
    • general
    • summary
1. General Administrative Monetary Penalties

   • What can trigger a general AMP?
     – 109 prescribed provisions in the PBA or its regulations that, if contravened, may trigger a general AMP
     – failure to comply with an Order of the Superintendent
     – failure to comply with obligations assumed by way of undertaking within last five years
Administrative Monetary Penalties (cont’d)

• AMPs capped at C$25,000/contravention for a person, other than an individual, and at C$10,000/contravention for an individual

• Note apparent discretion given to Superintendent to levy an AMP for each contravention

• Prescribed process for imposing general AMPs

• What criteria may the Superintendent consider when determining the amount of a general AMP?
Administrative Monetary Penalties (cont’d)

2. Summary Administrative Monetary Penalties
   • 12 prescribed provisions of the PBA that may trigger a summary AMP, in the amount of a prescribed daily penalty
   • Prescribed process for imposing summary AMPs
Administrative Monetary Penalties (cont’d)

3. Payment of Administrative Monetary Penalties
   • May **not** be paid from the pension fund
   • What are the implications if administrator not the employer and does not have assets?
4. Proactive Steps for Administrators to Take Now

• Renewed focus on governance and compliance
  – are roles and responsibilities relating to compliance clearly documented?
  – review service provider agreements
  – are compliance processes in place?
  – are processes in place to deal with instances of non-compliance?
Outsourced Pension Investment Structures – What are the Legal Ramifications?

Presented by:
Jeremy Forgie
Outsourced Pension Investment Structures – Pension Regulatory

- Delegation of investment decisions and monitoring
- Common law
- Pension legislation
  - Ontario Pension Benefits Act-sections 22 (1), (2), (5), (7) and (8)
  - Federal Pension Benefits Standard Act, 1985 – sections 8(3), (4), (4.1), (5) and (5.1) with special provisions for member directed DC investment options: sections 8 (4.2), (4.3) and (4.4)
Outsourced Pension Investment Structures
– Roles and Service Providers

- Administrator/sponsor
- Pension fund trustee/custodian
- Investment consultant (sometimes “manager of managers”)
- Investment managers
  - affiliate of investment consultant?
  - strategic alliance with investment consultant?
- Sub-investment managers
- Pooled fund custodians
Outsourced Pension Investment Structures – Roles and Service Providers
Outsourced Pension Investment Structures – Investment Consultant

- Advice on investment strategy, investment mix, development of SIPP
- Investment manager review and engagement/termination of investment managers
- Recommending engagement/termination of investment manager – “outside” pooled funds or certain types of funds – e.g., hedge funds or real estate funds
Outsourced Pension Investment Structures – Investment Consultant (cont’d)

- Reporting to administrator/sponsor
- Contractual relationship with investment consultant-part of general retainer with pension consultant?
  - application of general retainer provisions such as limitation of liability provisions and indemnities
Outsourced Pension Investment Structures – Investment Manager

• Portfolio construction and management of investment options (e.g., pooled funds)
• Fund on fund structures (investment in underlying pooled funds managed by sub-managers)
• Contractual relationship with investment manager (group of pooled funds managed by investment manager or its affiliates)
Outsourced Pension Investment Structures – Investment Manager (cont’d)

– does the administrator/sponsor have a contractual relationship with the investment manager?
– if there is a separate investment management/services agreement or other contractual relationship with investment manager: compliance, liability and standard of care provisions
Outsourced Pension Investment Structures – Investment Manager (cont’d)

• Contractual relationship with other “external” pooled funds
  – separate investment management/investment services agreement with “external” investment manager?
  – separate subscription agreement with manager of external pooled fund?
  • role of investment consultant in dealing with manager of external pooled fund
Outsourced Pension Investment Structures – Sub-Investment Managers

• Portfolio construction and management of underlying or second tier pooled funds (fund on fund structures)

• Contractual relationship with sub-manager
  – if investment manager engages sub-managers, who is responsible for pension investment regulation compliance and SIPP compliance?
  – who handles reporting back up to the administrator/sponsor (investment manager through investment consultant?)
Outsourced Pension Investment Structures  
– Custodian

• Does the administrator/sponsor have any relationship with a custodian or sub-custodian of pooled funds?
  – responsibility for regulatory/tax reporting forms (e.g., CRS/FATCA Certification and U.S. W 8 BENE)
  – responsibility for completion of subscription agreements (including foreign law representations)
Outsourced Pension Investment Structures – Multi Fund Structures

- Increasingly common for foreign equity holdings
- What type of structure (trust, limited partnership, corporation or co-ownership)?
- Type of structure could have significant tax implications including access to tax treaty benefits (e.g. Article XXI of Canada/U.S. Tax Convention – 0% U.S. withholding tax on U.S. source dividend and interest income) and other U.S. taxes (FIRPTA tax)
Outsourced Pension Investment Structures – Multi Fund Structures (cont’d)

- Application of 10% concentration limit under federal investment regulations
- Ensuring separate liability and rights with respect to each fund or cell in a multi-fund structure
Privacy and Cybersecurity – What Every Plan Administrator Needs to Know

Presented by:
Elizabeth Boyd and Wendy Mee
Statistics

95% of large companies are targeted by malicious traffic

66 days Average time to resolve a cyber attack

54% of breaches remain undiscovered for months

$6M Average total cost of a breach in Canada

$255 Average cost of data breach per record
Plan Administrator Fiduciary Duties

• Statutory Duty of Care (PBA)
  – s.22(1)
    • the administrator of a pension plan shall exercise the care, diligence and skill in the administration and investment of the pension fund that a person or ordinary prudence would exercise in dealing with the property of another person
  – s.22(2)
    • the administrator of a pension plan shall use in the administration of the pension plan and in the administration and investment of the pension fund all relevant knowledge and skill that the administrator possesses, or by reason of the administrator’s profession, business or calling ought to possess
Common Law Duties

• The fiduciary concept
  – a fiduciary stands in a position of trust to another individual
  – a fiduciary must act in a manner consistent with the best interests of the beneficiary
  – the actions of the fiduciary will be viewed with a strictness unknown to most other areas of law
Primary Duties of a Fiduciary

• Duty of Loyalty / Good Faith
  – fiduciary must act towards the beneficiary with a heightened sense of loyalty, fidelity and even-handedness
  – avoidance of potential conflicts of interest

• Duty of Care
  – demonstrate a level of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances
Primary Duties of a Fiduciary (cont’d)

• Duty of Prudence
  – about process, not results – ensure that prudent and thoughtful consideration goes into all decisions
  – key is whether appropriate steps taken in decision-making process
  – essential elements in pension context:
    • establishing and supervising an appropriate plan administration structure
    • good faith reliance on professional advice may be permitted subject to terms of governing documents and reasonableness
Cyber Security Considerations

- Plan administrator responsible for creation and maintenance of plan records
- FSCO policy requires administrator to implement and maintain prudent record keeping practices
- Plan administrator must comply with applicable law, including privacy laws, which require appropriate safeguards
Cyber Security Considerations

(cont’d)

• Plan records typically contain substantial personal information about plan members, their spouses and beneficiaries

• Information maintained in respect of pension fund includes financial information about employer, fund investments and possibly banking information of members (e.g., where fund holder acts as paying agent)
Cyber Security Considerations
(cont’d)

• Records may be created and maintained by third parties
  – service providers
  – fund holder

• Administrator is ultimately responsible for operation of plan and fund, including plan records, subject to potential legal recourse against third parties
Cyber Security Considerations (cont’d)

• FSCO guidance
  – cybersecurity policies should comply with legislation and take into account size and complexity of “business” (pension plan)
  – cybersecurity procedures and practices to be reviewed regularly for relevance, effectiveness
  – obtain professional advice
Cybersecurity Framework

• Identify
• Protect
• Detect
• Respond
• Recover
Identify

- Establish a **written** information governance program
  - create a data map
  - identify key assets ("crown jewels") that require the greatest protection
  - conduct a risk assessment
  - ongoing monitoring of threats and vulnerabilities
Protect

- Implement **appropriate** physical, technological and operational data security measures
- Create and operationalize information security policies and procedures
- Awareness and training
- Management of service providers
  - on-boarding due diligence process
  - data protection terms
  - auditing
Detect, Respond and Recover

• Have systems, processes and procedures in place to monitor and detect anomalies and events

• Develop incident response plan
  – involve key players (IS, IT, HR, communications, legal, operations, sales, etc.)
  – have external resources lined up in advance

• Test plan with breach simulation

• Modify plan based on “lessons learned”
Mandatory Breach Reporting under PIPEDA

• Enacted in 2015, but not yet in force
• Once in force
  – notify affected individuals and Commissioner of a breach that poses “real risk of significant harm” to affected individuals
  – notify government institutions/other organizations in some cases
  – maintain records of all data breaches and report to Commissioner upon request
  – failure to report/record an offence punishable by fines of up to C$100,000
Draft Regulations

- Draft regulations published in September
- Set out prescribed requirements for
  - form, content and manner of reporting breach to Commissioner.
  - form, content and manner of providing notice to affected individuals.
  - requirements for maintaining records of breaches.
- Six (or more) month delay between publication of final regulations and coming into force
Ontario Funding Reform
Where Are We Now?

Presented by:
Kathryn Bush
Timeline

- November 26, 2015 – Solvency Funding Review announced [Link]
- July 26, 2016 – Consultation Paper released [Link]
- May 19, 2017 – Framework for Funding Rules announced [Link]
- June 29, 2017 – Transitional Measures released [Link]
- Fall 2017?
Current Rules

• Going Concern Funding
  – assumes that the plan continues
  – allows a long-term fund return related discount rate
  – assumptions are best estimates of the plan sponsor
  – deficits are amortized over 15 years
Current Rules (cont’d)

• Solvency Funding
  – assumes that the pension plan winds up immediately
  – discount rate is determined by annuity rates
  – assumptions are prescribed
  – deficits are amortized over five years
Proposed Changes

• Requiring funding on a solvency basis in the event that a plan’s funded status falls below 85%

• Changes to the going concern funding rules, including shortening the amortization period from 15 years to 10 years for funding a shortfall and consolidating special payment requirements into a single schedule
Proposed Changes (cont’d)

• Requiring funding of a reserve within the plan, called a Provision for Adverse Deviation or PfAD
• Providing funding rules for benefit improvements and restricting contribution holidays
• Providing a discharge of liabilities when annuities are purchased for retirees or deferred plan members
• Requiring the development of funding and governance policies
Proposed Changes (cont’d)

- Increasing the monthly guarantee for a member’s pension guaranteed by the Pension Benefits Guarantee Fund by 50%, from C$1,000 a month to C$1,500 a month
- Studying an agency to deal with wound-up pension plans
- Transitional measures
Specific Outstanding Questions Regarding the Funding Reform

• Level of the PfAD
  – there are no public details regarding the level of the PfAD

• How should the PfAD vary
  – we expect that there will be a grid reflecting the two main factors of investment risk, i.e., % in variable securities and the duration mismatch between assets and liabilities
Specific Outstanding Questions Regarding the Funding Reform (cont’d)

• Contribution holidays and benefit improvements
Notional Accounts?

• Many have recommended to the government that:
  – all contributions in excess of the current service cost (including those to fund going concern deficit and to fund the PfAD) should accumulate in a notional account
  – such account should be refunded to the sponsor on wind-up, if all benefits are paid
Notional Accounts? (cont’d)

– in addition, as in Quebec, there should be rules to allow withdrawals from the notional account on an ongoing basis if there is excess surplus

– there has been no indication as to whether the government will permit such notional accounts
JSPPs and MEPPs

- There is no guidance as to whether the funding rules will be different for JSPPs and MEPPs although we would expect that there will be different funding rules
Discharge on Buy-Out

• We expect a full discharge of obligations on a buy-out transaction
New Policies to be Required

- There is no guidance yet on the requirements for policies on funding, governance and risk management that are to be required as part of the new Ontario funding framework
Example – A Real Plan and the Effects of the Proposed Changes
Example: Impact of Funding Reform on Contributions

Employer Contributes the Minimum Permitted – “Expected Scenario”

Employer Contributions: Deficit + Normal Cost

- Current Rules & Current Asset Mix

PV of Contributions = $8.6 M

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Example: Impact of Funding Reform on Contributions

Employer Contributes the Minimum Permitted – “Expected Scenario”

Employer Contributions: Deficit + Normal Cost

- Current Rules & Current Asset Mix
- New Rules & Current Asset Mix

PV of Contributions = $8.6 M
PV of Contributions = $7.4 M

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Example: Impact of Funding Reform on Contributions

Employer Contributes the Minimum Permitted – “Expected Scenario”

- Employer Contributions: Deficit + Normal Cost

- Current Rules & Current Asset Mix
- New Rules & Current Asset Mix
- New Rules & New Asset Mix

PV of Contributions = $8.6 M
PV of Contributions = $7.4 M
PV of Contributions = $6.6 M

60% equities and 40% bonds

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Example: Impact of Funding Reform on Contributions
Employer Contributes the Minimum Permitted – “Bad Scenario”

Employer Contributions: Deficit + Normal Cost

PV of Contributions = $15.8 M
Example: Impact of Funding Reform on Contributions
Employer Contributes the Minimum Permitted – “Bad Scenario”

Employer Contributions: Deficit + Normal Cost

- Current Rules & Current Asset Mix
- New Rules & Current Asset Mix

PV of Contributions = $15.8 M
PV of Contributions = $10.5 M
Example: Impact of Funding Reform on Contributions
Employer Contributes the Minimum Permitted – “Bad Scenario”

Employer Contributions: Deficit + Normal Cost

- Current Rules & Current Asset Mix
- New Rules & Current Asset Mix
- New Rules & New Asset Mix

PV of Contributions:
- $15.8 M
- $10.5 M
- $10.8 M

60% equities and 40% bonds
Conclusion

- Fall 2017, we expect more details
- Regulations may be later
- Costs will need to be assessed
  - PfAD
  - PBGF
- Planning can then truly begin