



# COVID-19: Key Regulatory Considerations for Canadian Plan Sponsors

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CIBC Mellon's top priority for pension benefit services is supporting our clients in delivering on the pension promise. In these unprecedented times, we know that retirees and plan members depend on the delivery of pension payments.

CIBC Mellon remains at the forefront of these changes and continues to actively monitor federal and provincial regulators for their latest guidance with regard to the COVID-19 pandemic.

## Current Considerations for Federally-Regulated Pension Plans

As a result of the COVID-19 crisis, the Office of the Superintendent of Financial Institutions (OSFI) has made adjustments to its policies to protect the interests of pension plan members and beneficiaries and to allow administrators of federally regulated private pension plans to focus their efforts on addressing the many challenges posed by this crisis.

**Below are some measures that may impact CIBC Mellon and its clients.**

### KEY MEASURES ANNOUNCED BY OSFI FOR PRIVATE PENSION PLANS INCLUDE:

- Temporarily freezing portability transfers and annuity purchases to protect the benefits of plan members and beneficiaries.
- Extending deadlines for certain actions and annual filings to allow plans more flexibility to focus on issues at hand.

### FULL FREEZE ON PORTABILITY TRANSFERS

OSFI has revised the Directives of the Superintendent pursuant to the Pension Benefits Standards Act, 1985 effective March 27, 2020, to implement a full freeze on portability transfers and annuity purchases relating to defined benefit provisions of pension plans. Transfers and annuity purchases are being prohibited at this time to protect the benefits of plan members and beneficiaries, given that current financial market conditions have negatively affected the funded status of pension plans.

The payment of pensions to retirees and other beneficiaries is not impacted by the freeze on portability transfers and annuity purchases. OSFI has advised that it will review this temporary measure in the coming months as it continues to monitor the impact of this crisis on defined benefit pension plans.

During the temporary freeze period, administrators may request OSFI's consent to a transfer or annuity purchase based on plan-specific or special circumstances.

On May 7, 2020, the Directives of the Superintendent (the Directives) were revised to ease the restrictions on portability for members who are within 10 years of meeting their plan's requirements for an unreduced pension (i.e. "pensionable age"), and therefore eligible for early retirement. The changes do not affect members who have not yet reached that point.

The Directives were recently revised to provide the Superintendent's automatic consent to portability transfers to locked-in vehicles for members who are within 10 years of pensionable age (i.e. for those eligible for early retirement) subject to three transfer criteria designed to ensure that the amount transferred out takes into account recent information about the pension plan's financial position.

1. Specifically, the amount of the initial transfer cannot exceed the "transfer value" (i.e. the commuted value of the pension benefit multiplied by the plan's "transfer ratio"). The transfer ratio is the lesser of:
  - i. the solvency ratio determined in the most recent actuarial report of the plan; and
  - ii. this same solvency ratio projected to a date no earlier than March 31, 2020.
2. Where the plan's transfer ratio is less than one, the full commuted value can only be transferred if the plan administrator remits to the fund the amount by which the commuted value exceeds the transfer value. This amount is the "transfer deficiency".
3. Where the full amount of the commuted value is not transferred to an individual, the transfer deficiency shall be transferred on the earlier of:
  - i. five years from the date the commuted value of the pension benefit was calculated; and
  - ii. the date on which the solvency ratio of the plan is determined to be one, based on an actuarial report with a valuation date no earlier than March 31, 2020.

In addition, the transfer deficiency shall include interest at the same rate used to determine the commuted value, calculated from the date the commuted value was calculated to the date of the transfer.

### **EXTENSION OF FILING DEADLINES**

OSFI is also extending the deadlines for certain actions and annual filing requirements under the Pension Benefits Standards Act, 1985 (PBSA) and the Pooled Registered Pension Plans Act (PRPPA).

As a result of the OSFI directive, CIBC Mellon can assist clients with stopping lump sum payments payable April 1, 2020 and onwards. Going forward, federally regulated DB plans should hold their instructions as per OSFI's direction. During the temporary freeze period, plan administrators will require OSFI's consent to a transfer or annuity purchase.

Payment of pensions to retirees and other beneficiaries is not impacted by the freeze on portability transfers and annuity purchases.

### **FAQS FOR FEDERALLY REGULATED PRIVATE PENSION PLANS**

Following OSFI's announcement on March 27, 2020 to address issues stemming from COVID-19, OSFI has prepared a series of questions and answers (FAQs) regarding the measures taken by OSFI to protect pension plan members, former members and other beneficiaries and to allow plan administrators to focus their efforts on addressing the many challenges posed by this crisis.

For a full list of FAQs, visit OSFI's [webpage](#).

**For additional information, we encourage you to visit the following websites:**

- [https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/nr\\_20200327.aspx](https://www.osfi-bsif.gc.ca/Eng/osfi-bsif/med/Pages/nr_20200327.aspx)
- [https://www.osfi-bsif.gc.ca/Eng/pp-rr/ppa-rra/Pages/Pen20200327\\_let.aspx](https://www.osfi-bsif.gc.ca/Eng/pp-rr/ppa-rra/Pages/Pen20200327_let.aspx)
- [https://www.osfi-bsif.gc.ca/Eng/pp-rr/Pages/PenFAQ\\_Cov.aspx](https://www.osfi-bsif.gc.ca/Eng/pp-rr/Pages/PenFAQ_Cov.aspx)

For additional information, we encourage you to visit the following website:

<https://www.fsrao.ca/newsroom/fsra-announces-changes-regulatory-requirements-due-covid-19>

## Considerations for Provincially Regulated Pension Plans

### FSRA'S CHANGES TO REGULATORY REQUIREMENTS

In addition, the Financial Services Regulatory Authority of Ontario (FSRA) announced changes to its regulatory requirements regarding provincial pension plans.

#### REGULATORY FILINGS

The FSRA notes that plan administrators or their authorized agents who are registered on FSRA's Pension Services Portal (PSP) may submit filing extension requests of up to 60 days via the PSP. If the filing extension request is for a period beyond 60 days, the FSRA requests submissions by email to your assigned Pension Officer.

#### MEMBER DISCLOSURE

If a plan administrator or their agents are facing challenges in complying with the prescribed timelines, the FSRA asks that you let your assigned Pension Officer know via email as soon as possible. While the FSRA does not have discretionary powers to extend the prescribed timelines as they relate to member disclosures, effective immediately, provided you have advised the FSRA of the challenges you are experiencing and a reasonable proposed plan of action, summary administrative monetary penalties will not be levied with respect to non-compliance in this area until further notice.

At this time, CIBC Mellon continues to process transfers and lump sum payments other than to federally-regulated plans. Following OSFI's direction, we are monitoring provincial regulators for guidance on transfers and annuity purchases. We also note that these processes are reliant on physical cheques as well on the ability of the relevant counterparties to accept and process cheques. We will keep clients apprised on the status of our ability to support these processes.

If you have questions related to portability transfers or payments currently in process with CIBC Mellon, please contact your service director, relationship manager or pension benefit services, administrator.

For additional information, we encourage you to visit the following website:

<https://www.retraitequebec.gouv.qc.ca/en/actualites/2020/Pages/20200416.aspx>

### QUÉBEC IMPLEMENTS TEMPORARY EASING MEASURES FOR ADMINISTRATORS OF SUPPLEMENTAL PENSION PLANS

In the context of the COVID-19 outbreak, Retraite Québec has implemented two temporary easing measures to assist administrators of supplemental pension plans. Once parliamentary proceedings resume, the measures may be subject to specific legislative provisions.

#### Key measures announced by Retraite Québec for supplemental pension plans include:

- The extension of deadlines for certain regulatory and legal obligations
- An update to the degree of solvency that must be taken into account for payments (transfers and refunds) under defined benefit pension plan.

### THE ASSOCIATION OF CANADIAN PENSION MANAGEMENT SUMMARIZES ADVOCACY FOR PENSION PLAN RELIEF RELATED TO COVID-19

For more information, see the [ACPM's letter](#).

The Association of Canadian Pension Management (ACPM) released a consultation letter on challenges for pension plans posed by the COVID-19 situation and potential measures that could assist pension plan administrators and employers.

ACPM has advised that it will be in contact with federal and provincial governments and agencies through the extent of the COVID-19 situation and during the economic recovery in order to advocate for changes to provide relief for retirement income plans.

## CANADA POST AND COURIER SERVICES

CIBC Mellon is monitoring potential service disruptions at Canada Post related to COVID-19.

These include increasing disruptions to international shipments across a large number of regions, as well as some disruptions or delays in regional areas across Canada.

Potential disruptions include extended timelines for delivery of packages and materials currently in flight, as well as potential closures of individual offices and services across both organizations – and even the potential for mail or courier services to be unable to deliver to certain locations. In the event of a disruption to any or all of these services, please be advised that CIBC Mellon may no longer be able to serve clients or retirees that do not leverage electronic services.

As a result, we strongly encourage clients, plan sponsors, plan members, and all other stakeholders to move to electronic means for the following means:

- Cheque payments for CIBC Mellon purposes
- Cheques payable to your fund accounts, investors, pension accounts, retirees, etc.
- Any other correspondence that requires physical delivery to CIBC Mellon or third-party providers and industry platforms

For more information, see the [Canada Post's delivery service alerts page](#).

## For more information

Contact your Relationship Executive or Relationship Manager or visit [www.cibcmellon.com](http://www.cibcmellon.com).

## KEY CONSIDERATIONS FOR PENSION PLAN SPONSORS AT THIS TIME:

1. How many of our pensioners rely on physical pension cheques? Are any in international regions that are currently experiencing or likely to experience mail disruptions?
2. What processes still require our physical presence in the office? What can be done to minimize these?
3. Are there portability or payment freezes that may impact the plan or its members? How will the impacts be communicated?
4. How would our operations be impacted if 30% of our team were unavailable? 50%?
5. How well positioned is our organization to sustain operations if this situation persists through an extended period?
6. Under what conditions would the plan consider resuming various operations or activities that have been suspended? What are the associated regulatory requirements and expectations associated with this decision?

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