

## Draft Regulation

Supplemental Pension Plans Act  
(chapter R-15.1)

An Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans (2015, chapter 29)

### Supplemental pension plans — Amendment

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), that the Regulation to amend the Regulation respecting supplemental pension plans, appearing below, may be submitted to the Government for approval on the expiry of 45 days following this publication.

The purpose of the draft Regulation is to follow up on various measures concerning the funding of pension plans made by the Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans (2015, chapter 29). The measures concern mainly:

— the contents of the report on the actuarial valuation report of a pension plan and the various statements provided for under the Supplemental Pension Plans Act (chapter R-15.1);

— the requirements for the funding policies for defined benefit pension plans;

— the requirements that a plan's annuity purchasing policy must meet, the funding requirements for settling benefits under the policy and the method for calculating and making a special annuity purchasing payment;

— letters of credit;

— the rules concerning the transfer of benefits between spouses and the seizure of benefits;

— the specific conditions regarding variable benefits;

— the required fees.

The draft Regulation does not have a negative impact on businesses, particularly on small businesses.

Further information may be obtained from Mr. Patrick Provost, Retraite Québec, Place de la Cité, 2600, boulevard Laurier, 5<sup>e</sup> étage, Québec (Québec) G1V 4T3 (telephone: 418 643-8282; fax: 418 643-7421; email: patrick.provost@retraitequebec.gouv.qc.ca).

Any person wishing to comment on the draft Regulation is asked to send his or her comments in writing before the expiry of the 45-day period mentioned above to Mr. Michel Després, President and Chief Executive Officer of Retraite Québec, Place de la Cité, 2600, boulevard Laurier, 5<sup>e</sup> étage, Québec (Québec) G1V 4T3. Comments will be forwarded by Retraite Québec to the Minister of Finance, who is responsible for the application of the Supplemental Pension Plans Act (chapter R-15.1).

CARLOS LEITÃO,  
*Minister of Finance*

## Regulation to amend the Regulation respecting supplemental pension plans

Supplemental Pension Plans Act  
(chapter R-15.1, s. 244, 1st par., subpars. 1, 2, 2.1, 3.1.1, 7, 8, 8.0.3, 8.0.4, 8.5, 10.1 and 14)

An Act to amend the Supplemental Pension Plans Act mainly with respect to the funding of defined benefit pension plans (2015, chapter 29, s. 76)

**1.** The Regulation respecting supplemental pension plans (chapter R-15.1, r. 6) is amended by inserting “, notices” in the heading of Division I after “registration”;

**2.** The Regulation is amended by inserting, before section 1, the following heading:

“§1. *Application for registration*”.

**3.** The Regulation is amended by inserting, after section 3, the following heading:

“§2. *Notices*”.

**4.** Sections 4 to 11. are replaced by the following:

“§3. *Actuarial valuation report*

General provisions

**4.** Any actuarial valuation report referred to in section 120 of the Act must contain the following information:

(1) the name of the plan and the number assigned to it by Retraite Québec;

(2) the date of the actuarial valuation;

(3) the name of the signatory, the signatory's professional title, the name and address of the signatory's office and the date of signing.

Unless otherwise indicated, the provisions of this sub-division are applied using a funding basis.

#### Complete actuarial valuation

5. The report on a complete actuarial valuation shall contain the information and statements of the actuary provided for in Section 3260 of the Standards of Practice of the Canadian Institute of Actuaries, those provided for under sections 6 to 9, under sections 10 to 11.1 where applicable, and under section 11.3, as well as the following information:

(1) the number of active members apportioned, if applicable, according to whether their benefits are accumulated under defined benefit provisions or money purchase provisions within the meaning of section 965.0.1 of the Taxation Act (chapter I-3) or both types of provisions, the number of non-active members to whom no pension is being paid and the number of the other non-active members and beneficiaries whose benefits are covered by the actuarial valuation;

(2) a summary of the provisions of the plan that must be taken into account for the purposes of the valuation, including those bearing on contributions, normal retirement age, conditions to be met to be entitled to an early pension, the pension indexation formula, assumptions used in accordance with the second paragraph of section 61 of the Act and the refunds and benefits payable under the pension plan;

(3) the value of the plan's assets, and the actuarial assumptions and methods used to determine that value;

(4) the value of the plan's liabilities distributed among the group of active members of the plan, the group of non-active members to whom no pension is paid and the group of the other non-active members and beneficiaries, and the actuarial assumptions and methods used to determine the value;

(5) the plan's funding ratio.

6. The report must also contain the following financial information:

(1) the current service contribution projected for the fiscal year or the part of the fiscal year immediately following the actuarial valuation;

(2) the portion of the current service contribution that constitutes the stabilization provision referred to in section 128 of the Act;

(3) the rule used to determine the current service contribution for the fiscal year or the part of the fiscal year referred to in subparagraph 1 and for the two subsequent fiscal years;

(4) the amounts to be paid respectively by the employer and by the members for each fiscal year or part of a fiscal year referred to in subparagraph 3 and, for each amount in the case of a defined benefit plan for which certain provisions are identical to those of a defined contribution plan, the share that must be paid for those provisions and the share that must be paid for the defined benefit provisions;

(5) where the members contribute to amortization payments, the types of amortization payments to which they contribute, the portion for which they are responsible, and the amount, hourly rate or rate of the remuneration that must be paid for the purpose;

(6) the employer contribution under the plan, where it is greater than the contribution provided for in section 39 of the Act;

(7) a description of the contribution adjustments resulting from the application of the third paragraph of section 41 of the Act;

(8) the total amount of the letters of credit and the amount taken into account in the assets of the pension plan on a funding basis and on a solvency basis;

(9) amounts recorded pursuant to section 42.2 of the Act.

In the case of a pension plan to which Chapter X.2 of the Act applies, the report must also include a certification of the actuary that the negotiated contributions are sufficient or a mention by the actuary that the contributions are insufficient.

7. The report must contain, with regard to the stabilization provision, the following information:

(1) the target level of the stabilization provision, established in accordance with Division VI.2;

(2) the list of the categories of investments provided for in the investment policy of the plan that is in force at the date of the actuarial valuation;

(3) the target of the investment policy for each category of investment along with the acceptable deviation from its target;

(4) the percentage of the assets allocated to fixed-income securities, within the meaning of section 60.8, and to variable-yield investments;

(5) the duration of each category of investment provided for in the investment policy, determined in accordance with the second paragraph of section 60.9;

(6) the duration of the assets, determined in accordance with the first paragraph of section 60.9;

(7) the duration of the liabilities;

(8) the proportion of assets of the plan allocated to each category of investment provided for in the investment policy.

**8.** The report must contain, for each type of funding deficiency referred to in section 130 of the Act, the following information:

(1) the date of its determination as well as the date of the end of the period provided for its amortization;

(2) the monthly payments related to amortization payments to be made until the end of that period and their present value.

The report must also contain a description of the amendments made pursuant to section 135 of the Act to improvement unfunded actuarial liabilities indicated in the most recent report on an actuarial valuation of the plan.

**9.** The report must also contain the following information, determined on a solvency basis:

(1) the value of the plan's assets, and the actuarial assumptions and methods used to determine those values;

(2) the value of the plan's liabilities distributed among the group of active members of the plan, the group of non-active members to whom no pension is paid and the group of the other non-active members and beneficiaries, and the actuarial assumptions and methods used to determine the value;

(3) the degree of solvency of the plan;

(4) the estimated amount of the administration costs referred to in the first paragraph of section 141 of the Act;

(5) where the plan provides for obligations to which the last sentence of the first paragraph of section 142.1 of the Act applies:

(a) a description of the obligations;

(b) the scenario used by the actuary to determine the plan's liabilities and, where that scenario results in liabilities that are less than the value of the obligations arising from the plan assuming that the plan is terminated at the valuation date in such circumstances that the benefits accrued by the members must be estimated at their maximum value, the maximum value;

(6) the description of the approach used to estimate the premium referred to in section 142.3 of the Act.

**10.** Where the actuarial valuation considers for the first time an amendment to the plan that has an impact on the plan's funding, the report must also contain a summary of the amendment, the date on which the amendment occurred, and its effective date.

If additional obligations arise due to the amendment, the report must also contain the following information:

(1) the value of the additional obligations as well as the value of the target level of the stabilization provision with regard to the obligations;

(2) the special improvement payment determined pursuant to section 139 of the Act, where applicable;

(3) the amount of surplus assets that may be appropriated to the payment of the value of the additional obligations;

(4) the value, determined on a solvency basis, of the additional obligations.

Where the amendment has the effect of reducing the plan's obligations, the report must indicate the value of the reduction of the liabilities on a funding basis and on a solvency basis.

The report must also indicate the effect of the amendment, where applicable, on each piece of information required under sections 5 to 9.

In the case of a plan referred to in Chapter X.2 of the Act, the report must include a certification of the actuary that the negotiated contributions are sufficient even taking into account any additional obligations arising from the amendment, or a statement by the actuary that the contributions are insufficient.

**11.** Where the valuation is required under subparagraph 3 of the first paragraph of section 118 of the Act, the report must also contain the following information:

(1) for the sole purpose of gaging the effect of the purchase of annuities on plan funding, the information required under sections 5 to 9 without taking into account the purchase of annuities;

(2) a summary of the provisions of the plan's annuity purchasing policy taken into account for the purposes of the actuarial valuation, including the circumstances under which annuities are purchased and the selection criteria for the pensions affected by the purchase;

(3) the number of members and beneficiaries in the group affected by the purchase of annuities and a description of the main characteristics of that group;

(4) the characteristics of the annuities purchased from the insurer with the mention, where the first paragraph of section 61.0.8 is applied, that the pension committee has confirmed that it obtained the written consent of the members and beneficiaries;

(5) the amount of the premium required by the insurer or the fact that the annuities were paid by subrogating the members and beneficiaries in the rights of the pension fund, as the case may be;

(6) the amount of the special annuity purchasing payment required under section 61.0.2;

(7) the information required under sections 5 to 9 adjusted to take into account the purchase of annuities.

In order to take into account the purchase of annuities for the purpose of subparagraph 7 of the first paragraph, it must be assumed that the benefits were paid at the date of the valuation and the assets of the plan must, at that date, be increased by the special annuity purchasing payment required under section 61.0.2, if applicable.

**11.1.** In the case of a valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act, the report must include the maximum amount of the surplus assets that can be used, established in accordance with section 146.7 of the Act. It must also include the amount of the surplus assets that are expected to be used and the conditions for their allocation in accordance with section 146.8 and, where applicable, section 146.9 of the Act.

Partial actuarial valuation

**11.2.** The report on a partial actuarial valuation must contain the following information:

(1) the financial information mentioned in the first paragraph of section 6;

(2) the target level of the stabilization provision determined in accordance with Division VI.2.

Where the actuarial valuation considers for the first time an amendment to the plan that has an impact on the plan's funding, the report must also contain

(1) any adjustment made to the rule referred to in subparagraph 3 of the first paragraph of section 6 that is related to the fiscal year immediately following the actuarial valuation, to take into account the amendment;

(2) the information referred to in the first paragraph of section 8 that is related to each improvement unfunded actuarial liability determined in accordance with section 134 of the Act;

(3) the information referred to in section 10 but not including the information pertaining to section 8, accompanied with the actuary's certification that, on a funding basis, the value of the additional obligations arising from the amendment was determined using the same actuarial assumptions and methods as those used during the most recent complete actuarial valuation of the plan, unless those assumptions and methods are not appropriate to the nature of the amendment.

Where a valuation is referred to in subparagraph 3 of the first paragraph of section 118 of the Act, the report must also contain:

(1) for the sole purpose of gaging the effect of the purchase of annuities on plan funding, the information required under the first paragraph established without taking into account the purchase of annuities;

(2) the information referred to in section 8 and in subparagraphs 2 to 6 of the first paragraph of section 11;

(3) for the sole purpose of determining whether a special annuity purchasing payment must be paid in accordance with section 61.0.2, the degree of solvency of the plan as at the of the valuation, established without taking into account the purchase of annuities;

(4) the degree of funding of the plan as at the date of the valuation, established without taking into account the purchase of annuities;

(5) the degree of funding and the degree of solvency of the plan established taking into account the purchase of annuities in accordance with the second paragraph of section 11;

(6) the effect of the purchase of annuities on each piece of information required under the first paragraph, determined in accordance with the second paragraph of section 11.

Where the valuation is referred to under subparagraph 5 of the first paragraph of section 118 of the Act, the report must also contain the information required under section 11.1, accompanied with the certification referred to in section 146.7 of the Act.

#### Special measures

**11.3.** A report relating to an actuarial valuation of the plan at a date that is prior to 1 January 2019 must include, where the measures provided for under section 318.4 of the Act are used:

(1) the amount of the employer amortization payments determined in accordance with the Act as it read on 31 December 2015, taking into account any instruction referred to in the third paragraph of that section;

(2) the sum of the employer amortization payments and employer current service stabilization contribution determined in accordance with the rules set forth in the Act as of 1 January 2016;

(3) the proportion of the difference between the amounts provided for under paragraphs 2 and 1 that is required for the fiscal year;

(4) the portion of the stabilization amortization payment that can be paid using a letter of credit.”

#### **5.** Section 14 is amended

(1) by inserting, in the fourth paragraph after “to produce”, “the notice required under section 119.1 of the Act.”;

(2) by inserting, after “section 120 of the Act” in the fourth paragraph, “, barring the report on the actuarial valuation referred to in subparagraph 1 of the first paragraph of section 118 of the Act.”;

(3) by striking out, in the fourth paragraph, “ended on the date of the actuarial valuation”.

**6.** Section 15.0.0.2 is amended by replacing, in the table in paragraph 2, “Dominion Bond Rating Service” with “DBRS”.

#### **7.** Section 15.0.0.4 is amended

(1) by replacing paragraph 2 with the following:

“(2) the following conditions are met:

(a) the report on the last actuarial valuation of the plan shows that, on a funding basis, the assets, alone or increased by the amount by which the letter of credit exceeds the amount taken into account pursuant to section 122.2 of the Act, are greater than the liabilities of the plan increased by the value of the target level of the stabilization provision plus five percentage points;

(b) the report on the last actuarial valuation of the plan or, if the notice referred to in section 119.1 is more recent and shows a degree of solvency that is less than the one established in the actuarial valuation, the notice showing that, on a solvency basis, the assets of the plan, alone or increased by the amount by which the letter of credit exceeds the amount taken into account pursuant to section 122.2 of the Act, are greater than 105% of the liabilities of the plan.”;

(2) by adding, at the end, the following paragraph:

“The assets and liabilities of the plan must be adjusted to take into account the use of any surplus assets since the last actuarial valuation of the plan or any expected use thereof until the next actuarial valuation, as well as any expected payment of benefits during the fiscal year of the plan in accordance with the plan’s annuity purchasing policy.”

#### **8.** Section 15.0.0.5 is replaced by:

**15.0.0.5.** Where the amount of the letters of credit exceeds the maximum amount that can be taken into account pursuant to section 122.2 of the Act, the reduction provided for in subparagraph 2 of the first paragraph of section 15.0.0.4 may not be greater than the lesser of the following amounts:

(1) the lesser of:

(a) the amount by which the letters of credit exceed the maximum on a funding basis;

(b) the amount by which the letters of credit exceed the maximum on a solvency basis;

(2) the amount by which, on a funding basis, the total assets of the plan and the surplus amount of the letters of credit established in accordance with subparagraph *a* of subparagraph 1 of the first paragraph exceed the liabilities of the plan plus the value of the target level of the stabilization provision increased by five percentage points;

(3) the amount by which, on a solvency basis, the total assets of the plan and the surplus amount of the letters of credit established in accordance with subparagraph *b* of subparagraph 1 of the first paragraph exceed 105% of the liabilities of the plan.

The amounts referred to in subparagraph *b* of subparagraph 1 and subparagraph 3 of the first paragraph are established using the most recent notice referred to in section 119.1 of the Act where it is more recent than the latest report on the actuarial valuation of the plan and contains a certification that the degree of solvency is less than the one established in the actuarial valuation.”

**9.** Section 15.0.0.6 is amended by replacing the first and second paragraphs with the following:

“**15.0.0.6.** Where the plan’s assets alone exceed the amounts determined in accordance with subparagraphs *a* and *b* of subparagraph 2 of the first paragraph section 15.0.0.4, the reduction provided for under subparagraph 2 cannot be greater than the lesser of the two excess amounts.

**10.** Section 15.0.0.7 is amended:

(1) by replacing “under the third paragraph of section 123” with “under section 122.2”;

(2) by inserting “funding basis and a” after “assets determined on a”;

(3) by replacing “paragraph 2” with “subparagraph 2 of the first paragraph” where it occurs.

**11.** Division II.0.1, which contains sections 15.0.1 to 15.0.3, is revoked.

**12.** Section 15.3 is amended:

(1) by adding, at the end of the first paragraph, the following sentence: “The pension committee shall keep a record of that amount as well as the adjustments made thereto in accordance with the fourth paragraph.”;

(2) by adding the following paragraph at the end:

“The amount referred to in the first paragraph must be adjusted to take into account any change to the normal pension occurring or taking effect after the date on which the early benefit is paid and which would have had an impact on the value of the member’s benefits at that date. Where the change has an effect on the amount of the normal pension, that amount must be adjusted in a proportion equal to the one that applies to the amount of the normal pension determined as at the date of the payment. Where the change affects a condition or a characteristic of the normal pension, the condition or characteristic thus modified must be applied to the portion of the pension that corresponds to the amount referred to in the first paragraph.”

**13.** The Regulation is amended by inserting, after section 15.4, the following division:

### “DIVISION II.3 VARIABLE BENEFITS

**15.5.** Where a pension plan provides for the payment, as a life income, of the variable benefits referred to in section 90.1 of the Act, the following rules apply:

(1) for each fiscal year, the member or his spouse sets the income to be received as variable benefits;

(2) the maximum income paid is set in accordance with sections 20 and 20.1, which apply with the necessary modifications, and with schedules 0.6 and 0.7.

**15.6.** Where a pension plan provides for the payment of variable benefits as a temporary income, the following rules apply, according to the age of the member or his spouse at the end of the year preceding the one concerned by the payment:

(1) where he is at least 55 years of age but less than 65 years of age, the conditions set out under sections 19.1, 20.3, 20.4, 21 and 22.2, along with schedules 0.4, 0.8 and 0.9, apply with the necessary modifications;

(2) where the member is less than 55 years of age, the conditions set out under sections 19.2, 20.5, 21 and 22.2, along with schedules 0.5 and 0.9.1, apply with the necessary modifications.

**15.7.** The minimum income paid as variable benefits during a fiscal year is the one prescribed under subsection 5 of section 8506 of the Income Tax Regulations (C.R.C., c. 945), enacted by the Income Tax Act (R.S.C. 1985, c. 1 (5th Suppl.)).

**15.8.** The pension committee shall, at the beginning of each year, provide the member with a statement that indicates the information provided for in the first paragraph of section 24, with the necessary modifications.

Where the plan provides for the payment of a temporary income and the member is at least age 55 or will reach that age during the fiscal year, the pension committee shall also accompany the statement with a copy of the declarations that are prescribed in schedules 0.4 and 0.8, with the necessary modifications.”.

**14.** Section 20 is amended by replacing “or”, in the description of “C” and after “a life income fund” with “, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 or from”.

**15.** Section 20.3 is amended by inserting “from a supplemental pension plan that offers the variable benefits referred to in Division II.3” after “of the purchaser,” in the description of “C”.

**16.** Section 20.4 is amended by inserting, after “of the purchaser,” in subparagraph 2 of the second paragraph “from a supplemental pension plan that offers the variable benefits referred to in Division II.3”.

**17.** Section 20.5 is amended by adding “or from a supplemental pension plan that offers the variable benefits referred to in Division II.3” in the first paragraph and after “from another life income fund”.

**18.** Section 22.2 is amended by inserting “from a supplemental pension plan that offers the variable benefits referred to in Division II.3” after “from a life income fund of a given purchaser,”.

**19.** Section 24 is amended by inserting “from a supplemental pension plan that offers the variable benefits referred to in Division II.3”

(1) after “of the purchaser,” in subparagraph 2 of the first paragraph;

(2) after “of the purchaser,” in subparagraph 7 of the first paragraph.

**20.** Section 24.1 is amended by inserting “from a supplemental pension plan that offers the variable benefits referred to in Division II.3,” after “of the purchaser” in the first paragraph and in paragraph 1.

**21.** Section 33 is amended by striking out “, and benefits relative to the additional pension benefit provided for in section 60.1 of the Act” at the end of the definition of “pension benefits”.

**22.** Section 36.1 is amended by striking out subparagraph 3 of the second paragraph.

**23.** Section 37 is amended by replacing the fourth paragraph with the following:

“However, in the case of a member who has not received the payment of a benefit provided for under Subdivision 0.1 of Division III of Chapter VI of the Act and whose benefits correspond to a deferred pension to which the member would be entitled if the member terminated active membership on the valuation date, the value of the benefits related to excess member contributions, with accrued interest, in excess of the limit set in section 60 of the Act is established assuming that, with respect to the member’s recognized service related to the period during which that section applied with regard to the member, the value of the pension referred to in subparagraph 1 of the first paragraph of that section is established according to the formula provided for in the third paragraph.”.

**24.** Section 39 of the Regulation is amended by inserting “or in section 16.2 of this Regulation” after each occurrence of “section 69.1 of the Act” in subparagraphs *a* and *b* of subparagraph 1 and in subparagraph 2 of the first paragraph.

**25.** Section 50 of the Regulation is amended by inserting after “where the spouse does not have benefits under the plan,” in subparagraph *b* of subparagraph 2 of the first paragraph “and only with regard to capital benefits,”.

**26.** Section 52 is revoked.

**27.** Section 54 is amended:

(1) by replacing “execution” in the first sentence of the first paragraph with “valuation for the purpose”;

(2) by replacing “paid to the spouse or transferred to the spouse’s account” in the first paragraph with “granted to the spouse”;

(3) by adding, at the end of the last sentence of the first paragraph, “as well as the adjustments made thereto in accordance with the second paragraph of section 55”;

(4) by replacing “execution” in the second paragraph with “valuation for the purpose”;

(5) by striking out “, if the plan so provides,” in the third paragraph;

(6) by replacing, in the third paragraph, “an index of rate provided for in the plan” with “the index or rate provided for under the plan, if applicable”.

**28.** The Regulation is amended by inserting, after section 54, the following:

“**54.1.** Where, for the purpose of the partition or transfer of pension benefits, the value of the benefits of the member is determined taking into account the degree of solvency of the plan as at the date of the valuation, the amount referred to in section 54 is established using the sum granted to the spouse divided by that degree of solvency.”.

**29.** Section 55 is amended:

(1) by replacing the first bullet point of subparagraph 2 of the first paragraph with the following:

“- any retirement, disability or replacement pension being paid to the member at the date of valuation for the purpose of the partition or transfer of pension benefits is reduced, after having been, where required, re-determined under section 89.1 of the Act, by the proportion represented by the sum granted to the spouse over the value of the benefits of the member at the date of the valuation;”;

(2) by replacing, in the second bullet point of subparagraph 2 of the first paragraph, “execution of the partition or transfer” with “date of the valuation for the purpose of partition or the transfer of benefits”;

(3) by inserting, after “section 69.1 of the Act” in the third bullet point of subparagraph 2 of the first paragraph, “or in section 16.2”;

(4) by replacing, in the third bullet point of subparagraph 2 of the first paragraph “by the value of the pension of which the amount is referred to in section 54” by “by the amount referred to in section 54 or the value thereof”;

(5) by inserting, after the first paragraph, the following:

“For the purposes of subparagraph 2 of the first paragraph, the amount referred to in section 54 must be adjusted to take into account any change to the normal pension made after the date of the valuation that would have had an effect on the value of the benefits of the member at that date. Where the change has an effect on the amount of the normal pension, the amount referred to in section 54 must be adjusted in a proportion equal to the one that applies to the amount of the normal pension determined at the date it is valued. Where the change affects a condition or a characteristic of the normal pension, the condition or characteristic thus modified must be applied to the portion of the pension that corresponds to the amount referred to in section 54.

Furthermore, where pension amounts have been received between the date of the valuation for the purpose of the partition or transfer and the date of its execution, the pension paid on the latter date must be reduced in proportion to the accrued value of the amounts received in excess of the value of the pension paid, those values having been determined using the assumptions provided for under the second paragraph of section 37.”.

**30.** Section 56.0.2 of the Regulation is replaced with:

“**56.0.2.** The value of the benefits accrued by the member is determined in accordance with sections 36 to 37.1 at the date of the declaration referred to in article 711 of the Code of Civil Procedure (chapter C-25.01).”.

**31.** Section 56.0.3 is amended

(1) by replacing, in the first paragraph, “that, determined according to the value of the benefits attributed to the spouse, would have been paid to the member by the plan for that pension” with “that corresponds to the proportion that the value of the benefits attributed to the spouse represents of the value of the benefits of the member”;

(2) by adding, at the end of the first paragraph, “as well as the adjustments made thereto in accordance with the second paragraph of section 56.0.6”;

(3) by inserting, after the second paragraph, the following:

“Where, for the purpose of the seizure of benefits, the value of the benefits of the member is determined taking into account the degree of solvency of the plan at the date on which the seizure is effected, the amount referred to in the first paragraph is determined using the value of the benefits granted to the spouse divided by that degree of solvency.”.

**32.** Section 56.0.6 is amended by inserting, after the first paragraph, the following:

“For the purposes of subparagraph 2 of the first paragraph, the amount referred to in section 56.0.3 must be adjusted, in accordance with the rules provided for under the second paragraph of section 55, to take into account any change to the normal pension made after the date the seizure is effected that would have had an effect on the value of the benefits of the member at that date.”.



**33.** Section 57 is amended:

(1) by replacing “member contributions” in subparagraph 10 of the first paragraph with “member’s current service contributions and amortization payments”;

(2) by replacing “benefits that the member would have been able to transfer” in subparagraph 1 of the second paragraph with “member’s benefits”;

(3) by inserting, after subparagraph 1 of the second paragraph, the following:

“(1.1) the value referred to in subparagraph 1, adjusted in proportion to the plan’s degree of solvency or as provided for in the plan text, that the member would have been able to transfer, accompanied with the mention provided for in subparagraph 1;

(1.2) a mention that the value of the member’s benefits that may be transferred will be calculated using the most recent degree of solvency of the plan and determined on the date of payment in accordance with the most recent actuarial valuation of the plan or, if it is more recent, the notice referred to under section 119.1 of the Act;

(1.3) with regard to the payment of residual benefits, a mention of the rules provided for under sections 143 to 146 of the Act or, where applicable, the rules set out in the plan text;”;

(4) by inserting, after subparagraph 2 of the second paragraph, the following:

“(2.1) with regard to the time limits applicable for exercising a right to transfer, a mention of the rules established under the second paragraph of section 99 of the Act or, where applicable, the rules set out in the plan text;”.

**34.** Section 58 is amended

(1) by striking out subparagraph *f* of paragraph 4;

(2) by striking out subparagraph *e* of paragraph 5;

(3) by striking out subparagraph *c* of paragraph 8;

(4) by replacing paragraph 9 with the following:

“(9) the most recent degree of solvency of the plan that applies according to the plan and determined, at the date of the statement, using the most recent actuarial valuation of the plan or, if it is more recent, the notice referred to under section 119.1 of the Act;

(9.1) a mention that the degree of solvency may vary between the date of the statement and the date on which the payment is made;

(9.2) with regard to the payment of the balance of the benefits, a mention of the rules provided for under sections 143 to 146 of the Act or, where applicable, the rules set out in the plan text;

(9.3) with regard to the time limits applicable for exercising a right to transfer, a mention of the rules established under the second paragraph of section 99 of the Act or, where applicable, the rules set out in the plan text;”;

(5) by adding, after paragraph 10, the following subparagraph:

“(11) the mention that the plan has an annuity purchasing policy.”.

**35.** Section 59 is amended:

(1) by striking out subparagraph *f* of subparagraph 4 of the first paragraph;

(2) by replacing subparagraph 5 of the first paragraph with the following:

“(5) where the value of the member’s benefits has been paid only in part, a mention of the rules provided for under sections 143 to 146 of the Act or set out in the plan text with regard to the payment of the balance of the benefits and a mention of each year in which a payment will be made, where applicable”;

(6) where final payment of a portion of the member’s benefits has been made in accordance with the plan’s annuity purchasing policy:

(a) the name and contact information of the insurer from which the portion of the annuity was purchased, along with the number of the insurance contract and the date on which the agreement was made with the insurer;

(b) the amount of the portion of the annuity initially purchased from the insurer and, where in accordance with the second paragraph of section 61.0.7 the characteristics of the pension differ from those of the pension payable under the plan, its characteristics;

(c) the amount of the portion of the pension paid under the plan;

(d) a mention of the rules set out under section 182.2 of the Act.”;

(3) by replacing “benefits that may be transferred” in subparagraph 1 of the second paragraph with “member’s benefits”;

(4) by inserting, after subparagraph 1 of the second paragraph, the following:

“(1.1) the value referred to in subparagraph 1, adjusted in proportion to the plan’s degree of solvency or in accordance with the provisions of the plan, that may be transferred, accompanied with the mention provided for in subparagraph 1;

(1.2) the most recent degree of solvency that applies according to the plan and determined, at the date of the statement, using most recent actuarial valuation of the plan or, if it is more recent, the notice referred to under section 119.1 of the Act;

(1.3) a mention that the degree of solvency may vary between the date of the statement and the date on which the payment is made;

(1.4) a mention that the value of the member’s benefits that may be transferred will be calculated using the most recent degree of solvency that applies according to the plan and determined on the date of payment using the most recent actuarial valuation of the plan or, if it is more recent, the notice referred to under section 119.1 of the Act;

(1.5) with regard to the payment of the balance of the benefits, a mention of the rules provided for under sections 143 to 146 of the Act or, where applicable, the rules set out in the plan text;

(1.6) with regard to the time limits applicable for exercising a right to transfer, a mention of the rules established under the second paragraph of section 99 of the Act or, where applicable, the rules set out in the plan text;”

**36.** Section 59.0.1 is amended by inserting, after paragraph 5, the following:

“(5.1) where final payment of a portion of the member’s benefits has been made in accordance with the plan’s annuity purchasing policy, the information provided for in subparagraph 6 of the first paragraph of section 59;”

**37.** Section 59.0.2 is amended:

(1) by replacing subparagraph 1 of the first paragraph with the following:

“(1) the degree of funding of the pension plan determined at the date of the most recent complete actuarial valuation of the plan and the degree of solvency of the plan determined at the date of the most recent actuarial valuation of the plan or, if it is more recent, at the date the notice referred to under section 119.1 of the Act;”;

(2) by inserting, after subparagraph 1 of the first paragraph, the following:

“(1.1) the target level of the stabilization provision of the plan determined at the date of the most recent actuarial valuation of the plan;”;

(3) by replacing “member contributions” in subparagraph 4 of the first paragraph with “member’s current service contributions and amortization payments;”;

(4) by inserting, after subparagraph 4 of the first paragraph, the following:

“(4.1) the amounts recorded in accordance with section 42.2 of the Act;”;

(5) by replacing subparagraph 5 of the first paragraph with the following:

“(5) the portion of the surplus assets used during the fiscal year in accordance with section 146.8 and, as the case may be, section 146.9 of the Act, including how they were appropriated.”;

(6) by replacing “there of used” in the second paragraph with “thereof used to pay additional obligations arising from an amendment to the plan and”.

**38.** Section 60 is amended

(1) by inserting, after paragraph 4, the following:

“(4.1) the funding policy of the plan;

(4.2) the recovery plans of a pension plan to which Chapter X.2 of the Act applies;”;

(2) by inserting, after paragraph 7.1, the following:

“(7.2) the annuity purchasing policy of the plan;”.

**39.** Division VI.1, which contains sections 60.1 to 60.5, is revoked.

**40.** The Regulation is amended by inserting, after section 60.11, the following division:

### “DIVISION VI.3 FUNDING POLICY

**60.12.** The funding policy provided for under section 142.5 of the Act must

(1) indicate that its purpose is to establish the principles related to plan funding that must guide the pension committee in the performance of its duties;

(2) describe the main characteristics of the employer and the market trends observed in the employer’s sector that could affect plan funding;

(3) describe the type of pension plan, its main provisions and the demographic characteristics that could affect plan funding;

(4) describe the funding objectives of the pension plan with regard to variations in and the level of contributions and benefits;

(5) identify the main risks related to funding of the pension plan and the employer’s and active members’ level of tolerance thereto.

**60.13.** The funding policy may also provide specifications with regard to any question related to the pension plan’s investment goals, particularly with regard to the determination of the value of the liabilities and the determination of the value of the assets for, among other things, the smoothing of assets, for the use of an implicit margin, and for the circumstances giving rise to the reduction of a letter of credit, with regard to the frequency of actuarial valuations not referred to under section 118 of the Act, and with regard to the measures that could be used to quantify and manage the risks related to plan funding.”.

**41.** The Regulation is amended by inserting, after section 61, the following divisions:

### “DIVISION VII.0.1 ANNUITY PURCHASING POLICY

#### *§1. Funding with regard to the annuity purchasing policy*

**61.0.1.** The funding requirements provided for in this subdivision apply to the payment of benefits according to the annuity purchasing policy referred to in section 142.4 of the Act.

**61.0.2.** Where the actuarial valuation as at the date of the agreement with the insurer shows that the degree of solvency of the plan, established without taking into account the premium required by the insurer, is less than 100%, a special annuity purchasing payment must be paid

into the pension fund to maintain the degree of solvency of the plan at the level established before the purchase of the annuities.

Where the degree of solvency is greater than or equal to 100%, the payment of benefits must not cause the degree of solvency of the plan to be less than 100%. Otherwise, a special annuity purchasing payment must be paid into the pension fund to maintain the degree of solvency at 100%.

**61.0.3.** In order for benefits to be paid under the annuity purchasing policy, the employer must consent in writing to pay into the pension fund the special annuity purchasing payment required under section 61.0.2.

**61.0.4.** The special annuity purchasing payment is payable in full as of the date following the date of the actuarial valuation referred to in subparagraph 3 of the first paragraph of section 118 of the Act.

**61.0.5.** The annuities purchased directly from an insurer in respect of service credited under a pension plan, but not pursuant to the annuity purchasing policy of the plan, may be paid in accordance with the annuity purchasing policy of the pension plan by subrogating the member or beneficiary of the annuity in the rights of the pension fund as regards the contract entered into with the insurer.

#### *§2. Annuity purchasing policy*

**61.0.6.** This subdivision determines the requirements for a plan’s annuity purchasing policy established in application of section 182.1 of the Act.

**61.0.7.** The annuity purchased from an insurer must have the same characteristics as the pension payable under the pension plan.

However, if no annuity of the type to which the member or beneficiary is entitled is available on the market due to its nature, in order to have an insurer guarantee the pension, the characteristics of the annuity that make it unavailable on the market may be replaced by similar characteristics that do not entail such a result.

The annuity thus modified must, on the date of the agreement with the insurer, be of a value equal to that of the pension to which the member or beneficiary is entitled under the plan. These values must be established on the basis of the actuarial assumptions referred to in section 61 of the Act.

**61.0.8.** In the case referred to in the second paragraph of section 61.0.7, for the purchase of the annuity of a member or beneficiary to be considered final payment of his benefits, the member or beneficiary must, within 30 days of the date on which the notice provided for in the second paragraph is sent, consent in writing to the replacement of the characteristics of his pension.

The member or beneficiary must be informed in a notice of the name and contact information of the insurer, of the amount and characteristics of the annuity offered in lieu of those of the pension payable under the plan and the effects that replacing the characteristics of the annuity has on the benefits accrued under the plan. A consent form must be enclosed with the notice.

**61.0.9.** Where the spouse of the annuity holder is entitled, on the holder's death, to the pension referred to in section 87 of the Act, the contract with the insurer must provide that the spouse of the holder ceases to be entitled to such benefits in any situation referred to under section 89 of the Act, unless the holder has sent the notice provided for under section 89 of the Act to the pension committee or a similar notice to the insurer.

Furthermore, the contract with the insurer must provide that the holder of the annuity may, if his spouse is no longer entitled to benefits in accordance with the first paragraph, require that his annuity be replaced by another, under the conditions provided for in paragraph 7 of section 30.

For the purposes of the first paragraph, the holder of the annuity is a member of a pension plan whose benefits were paid in accordance with the annuity purchasing policy.

**61.0.10.** The annuity purchasing policy must indicate

- (1) that it has been established by the person or body who may amend the pension plan;
- (2) the rules regarding its revision;
- (3) the frequency at which and the circumstances under which annuity purchases may be made from an insurer;
- (4) whether the benefits of members and beneficiaries may be paid in part and the special conditions that apply to such a payment;
- (5) the funding requirements referred to in section 61.0.2 for maintaining the degree of solvency of the plan and for making the special annuity purchasing payment to the pension fund;
- (6) the obligation to obtain the written consent of the employer with regard to making the special annuity purchasing payment in accordance with section 61.0.2;
- (7) the criteria for selecting the annuities to be purchased from an insurer;

(8) the requirements referred to in sections 61.0.7 and 61.0.8 regarding the characteristics that the annuity purchased from an insurer must have and the conditions under which the characteristics of the pension may be replaced, in particular regarding the written consent of the member or beneficiary with regard to replacing the characteristics of his pension;

(9) the information that must be provided to each member and beneficiary regarding the purchase of his annuity, such as the amount and the characteristics of the annuity purchased, the name and contact information of the insurer and the rules provided for in section 182.2 of the Act;

(10) the process and the criteria for choosing the insurer;

(11) the effective date of the annuity purchasing policy.

#### **DIVISION VII.0.2** **SUBJECTS ON THE AGENDA OF THE** **ANNUAL MEETING**

**61.0.11.** The following subjects must be on the agenda of the annual meeting:

- (1) the main risks related to plan funding identified in the funding policy;
- (2) the measures taken, in the course of a fiscal year of the plan, to manage the main risks related to the plan's funding;
- (3) in the case of a pension plan that has adopted an annuity purchasing policy:
  - (a) since the previous annual meeting, the number of annuities purchased and the premium required by the insurer for each annuity purchased;
  - (b) the criteria for choosing the annuities and the insurer;
  - (c) for each purchase of annuities since the previous annual meeting, the degree of solvency of the plan before and after the purchase and, if applicable, the amount of the special annuity purchasing payment related to the purchase;
  - (d) a summary of the plan's financial situation on a funding basis and on a solvency basis before the purchase of the annuities with a mention of the plan's degree of solvency;

(e) the main effects of the purchase of annuities on the plan's financial situation particularly with regard to the employer contributions and member contributions and the value of the assets and liabilities of the plan on a funding basis and a solvency basis;

(f) an overview of the main changes made to the annuity funding policy since the previous annual meeting.”

**42.** Section 61.1 is amended

(1) by replacing “The notice provided for in section 196” with “The notice provided for in the third paragraph of section 196”;

(2) by replacing paragraphs 5 to 7 with the following:

“(5) where the effects of the provisions are not identical, the provisions of the concerned plans regarding the appropriation of surplus assets during the existence of the plan;

(6) where the effects of the provisions are not identical and those of the absorbing plan are not more advantageous than those of the absorbed plan, the provisions of the concerned plans regarding the allocation of the surplus assets determined on plan termination;

(7) where *Retraite Québec* authorizes the merger, the mention that only the provisions of the absorbing plan will apply with respect to the appropriation of surplus assets during the existence of the plan and the allocation of surplus assets on plan termination in respect of the members and beneficiaries of the absorbed plan who are affected by the merger;”;

(3) by replacing, in paragraph 8, “the second paragraph of section 230.4” with “the third paragraph of section 146.4”.

**43.** Section 62 is amended by inserting, after “withdrawal” in subparagraph 2 of the first paragraph, “, the reason for the withdrawal”.

**44.** Section 64 is amended

(1) by replacing “230.0.1” in the introductory part of subparagraph 5 of the first paragraph and in subparagraph *a* of subparagraph 5 with “230.1”;

(2) by replacing subparagraph 8 of the first paragraph with the following:

“(8) in the case of a plan to which Chapter X of the Act applies, the ratio of the value of the assets to the value of the liabilities determined in accordance with section 212.1 of the Act, each value being reduced in accordance with section 122.1 of the Act;”;

(3) by inserting, after subparagraph 8.1, the following:

“(8.2) where the plan has surplus assets:

(a) the plan's surplus assets at the date of termination and at the latest date at which its value is known;

(b) the amounts recorded in accordance with section 42.2 of the Act;

(c) a summary of the provisions of the plan related to the allocation of any surplus assets in case of plan termination;

(d) a description of the allocation of surplus assets in accordance with section 230.2 of the Act and with the plan provisions;

(e) the name of each employer who is party to the plan and, for each of them, the surplus assets allocated to the group of benefits connected to each, the portion of the surplus assets granted to each at the dates referred to in subparagraph *a* and the proportion that such portion represents at the same dates with respect to the total surplus assets of the plan;

(8.3) where all or a portion of the surplus assets is granted to persons referred to in section 182.2, 240.2, 308.3 or 310.1 of the Act, the actuarial assumptions and methods used to determine the presumed value of their benefits for the purposes of determining their share of the surplus assets;”

(8.4) where a portion of the surplus assets is granted to the members or beneficiaries:

(a) their names;

(b) the share that each of them would have received had the surplus assets been allocated at the date of termination;

(c) an estimate of the share that each will receive, determined at the latest date referred to in subparagraph *a* of subparagraph 8.2;

(d) the methods for payment of the surplus assets thus allocated;”.

**45.** Section 65 is amended

(1) by inserting “in subparagraph 8.2 and” before “in paragraphs” in paragraph 4 and by replacing “paragraphs” with “subparagraphs”;

(2) by replacing paragraph 5 with the following:

“(5) where the surplus assets of the plan are allocated in whole or in part to the members and beneficiaries in application of section 230.2 of the Act:

(a) an estimate of the portion of the surplus assets that is allocated to the member or beneficiary at the date of termination;

(b) the proportion of the surplus assets that is allocated to the member or beneficiary at the date of termination.”

**46.** Sections 66 to 67.3 are revoked.

**47.** The Regulation is amended by adding, after section 78, the following:

“**79.** The statements referred to in section 112 of the Act with respect to a fiscal year ending before 31 December 2017 may be made in accordance with the provisions of this Regulation in effect on (*insert the date preceding the day on which this Regulation comes into force*).

**80.** The provisions of Division II.0.1 and those of sections 33, 36.1 and 37, which are relative to the additional pension benefit, continue to apply to pension plans that have maintained such a benefit established in accordance with the provisions of section 60.1 of the Act in effect on 31 December 2015. Those provisions also apply to the valuation of the benefits of a member prior to 1 January 2016. Furthermore, section 60 of the Act must be applied taking into account subparagraph 7 of the second paragraph as it read prior to the latter date.

The statements referred to in sections 58 and 59 must include the information related to the additional pension benefit.”

**81.** The amounts, pensions or sums determined before (*insert the date of the first day of the third month following the date of publication of this Regulation*) in accordance with the provisions of sections 54, 55, 56.0.3 and 56.0.6 must be re-determined to take into account any amendment made to or having an effect on the normal pension after the date on which the benefits are valued for the purpose of their partition, transfer or seizure but not before 1 January 2014, and that would have had an effect on the value of the benefits of the member at the date of the valuation or the seizure.

The provisions of this Regulation apply for such purpose by substituting the date on which the partition or transfer is executed for the date of the valuation for the purpose of partition or the transfer.”

**48.** Schedule 0.3 of the Regulation is amended by inserting, after “temporary pensions” in paragraph 2 “, variable benefits”.

**49.** Schedule 0.4 of the Regulation is amended by inserting, after “temporary pensions” in paragraph 2 “and variable benefits”.

**50.** Schedule 0.5 of the Regulation is amended by inserting, after paragraph 3 and before the date and signature, the following:

“(4) that a total of \$\_\_\_\_\_ has been paid to me during the current year under a supplemental pension plan offering variable benefits referred to in Division II.3 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6), and that the said total included \$\_\_\_\_\_ that was paid to me in the form of a temporary income.”

**51.** Schedule 0.8 of the Regulation is amended by inserting, after “life income funds” in paragraph 2, “, the supplemental pension plans of which I am a member and that offer the variable benefits referred to in Division II.3 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6)”.

**52.** Schedule 0.9 of the Regulation is amended by inserting “, from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6)” after “by a contract”.

**53.** Schedule 0.9.1 of the Regulation is amended by inserting “or from a supplemental pension plan that offers the variable benefits referred to in Division II.3 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6)” after “contract” in paragraph 2.

**54.** The funding policy must be established according to the requirements provided for in section 60.12 no later than (*insert the date following by 12 months the date of coming into force of this Regulation*).

**55.** The provisions regarding the transfer or seizure of benefits apply to transfers and seizure executed as of (*insert the date of the first day of the third month following the date of publication of this Regulation*).

**56.** This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.