

5. The heading of Division I.1 is replaced by the following: “PROVISIONS CONCERNING THE RÉGIME COMPLÉMENTAIRE DE RENTES DES TECHNICIENS AMBULANCIERS/PARAMÉDICS ET DES SERVICES PRÉHOSPITALIERS D’URGENCE.”.

6. Section 1.1 is amended

(1) by replacing “Régime complémentaire de rentes des techniciens ambulanciers œuvrant au Québec” in the part preceding paragraph 1 by “Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d’urgence”;

(2) by replacing “Regulation respecting the funding of pension plans of the municipal and university sectors (chapter R-15.1, r. 2)” in paragraph 2 by “Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors made by Order in Council (*insert the number and date of the Order in Council*)”;

(3) by striking out paragraph 3;

(4) by striking out paragraph 3.1.

7. Section 1.2 is revoked.

8. Section 1.3 is replaced by the following:

“**1.3.** For the purposes of section 20 of the Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors made by Order in Council (*insert the number and date of Order in Council*), the following modifications apply:

(1) the maximum amount of surplus assets that may be appropriated for the special improvement payment is the amount determined according to the provisions provided for in the second paragraph of that section;

(2) for the purposes of subparagraph 2 of the second paragraph of that section, the amount of surplus assets that may be used on a solvency basis is the amount by which the plan’s assets exceeds its liabilities.”.

9. The following is inserted after section 1.3:

“**1.4.** Despite section 26 of the Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors made by Order in Council (*insert the number and date of the Order in Council*), the current service contribution of the subsequent component may be paid, to the extent and according to the terms provided for under the pension plan, by appropriation of the surplus assets of the prior component.”.

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

106189

Draft Regulation

Supplemental Pension Plans Act
(chapter R-15.1)

Funding of defined-benefit pension plans of the municipal and university sectors

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), that the draft Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors, appearing below, may be made by the Government on the expiry of 45 days following this publication.

The draft Regulation replaces the Regulation respecting the funding of pension plans of the municipal and university sectors (chapter R-15.1, r. 2). Its purpose is to render the Supplemental Pension Plans Act (chapter R-15.1), as currently in effect, applicable to those plans.

In addition, by reason of the special characteristics of those plans and the provisions of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) and of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1) that apply despite any provisions to the contrary of the Supplemental Pension Plans Act, the draft Regulation exempts, on the conditions it determines, the pension plans of those sectors from certain provisions of the Act.

Those plans are mainly exempted from the provisions of the Act related to the stabilization provision, stabilization actuarial deficiencies and improvement unfunded actuarial liability, the annuity purchasing policy, the appropriation and determination of surplus assets during the life of a pension plan. It also provides for adaptations to the rules of payment of the benefits of the members and beneficiaries, to the rules for establishing the technical actuarial deficiency, the plan’s asset smoothing and the information that must be contained in various reports.

The draft Regulation prescribes the rules applicable to the pension plans that are not governed by the Act respecting the restructuring of university-sector defined-benefit pension plans or the Act to foster the

financial health and sustainability of municipal defined-benefit pension plans. Those rules concern the determination and payment of the value of the additional obligations arising from an amendment to the plan and the amount of surplus assets that may be appropriated to the special improvement payment. It also provides for special conditions regarding the amount of surplus assets that may be appropriated to the payment of contributions and the transfer of amounts to the employer.

In addition, the draft Regulation provides for the calculation rules of the provision for adverse deviation. It modernizes the rules related to the segregation of the pension fund and sets the conditions according to which the reserve of a plan of the university sector can be converted into a stabilization fund.

Lastly, the draft Regulation provides for the withdrawal of an employer from a multi-employer pension plan to take into account the pension indexation upon retirement that was amended or suspended and the rules that, upon termination of a pension plan of the municipal sector, apply in relation to the allocation of the balance of actuarial gains that result from the abolition of the automatic pension indexation and to the determination of the assets and liabilities of such a pension plan.

The draft Regulation also provides for various and transitional provisions regarding the reduction of the amortization period for the technical actuarial deficiency and the payment of benefits of certain members.

To date, study of the matter has shown no impact on enterprises, including small and medium-sized businesses.

Further information on the draft Regulation may be obtained by contacting Simon Desloges, actuarial analyst, Direction générale des régimes complémentaires de retraite, Place de la Cité, 2600, boulevard Laurier, 5^e étage, Québec (Québec) G1V 4T3; email: simon.desloges@retraitequebec.gouv.qc.ca; telephone: 418 657-8714, extension 4594; fax: 418 643-7421.

Any person wishing to comment on the draft Regulation is requested to submit written comments within the 45-day period to René Dufresne, President and Chief Executive Officer, Retraite Québec, Place de la Cité, 2600, boulevard Laurier, 5^e étage, Québec (Québec) G1V 4T3.

ERIC GIRARD
Minister of Finance

Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors

Supplemental Pension Plans Act
(chapter R-15.1, s. 2, 2nd par.)

DIVISION I SCOPE

1. The provisions of this Regulation only affect pension plans to which Chapter X of the Supplemental Pension Plans Act (chapter R-15.1) applies and for which the employer is a municipality, a body referred to in section 18 of the Act respecting the Pension Plan of Elected Municipal Officers (chapter R-9.3), a municipal housing bureau within the meaning of the Act respecting the Société d'habitation du Québec (chapter S-8) or an educational institution at the university level referred to in paragraphs 1 to 11 of section 1 of the Act respecting educational institutions at the university level (chapter E-14.1).

In the case of a multi-employer pension plan, even where it is not considered as such under section 11 of the Act, this Regulation applies only to the extent that, at the end of each fiscal year of the plan, at least 90% of the active members of the plan are employed by the employers referred to in the first paragraph.

In addition, in the case of a pension plan having provisions identical to those of a defined-contribution plan, only the active members with benefits under defined-benefit provisions must be considered for the purposes of the second paragraph.

DIVISION II APPLICABLE LEGISLATIVE PROVISIONS

2. The provisions of the Act apply to a pension plan referred to in section 1 taking into account the exemptions and adaptations provided for in this Regulation. In case of inconsistencies, the provisions of this Regulation prevail.

3. A pension plan to which this Regulation applies is exempt from the application of sections 42.1, 42.2, the second paragraph of section 118, section 125, sections 132 to 135, sections 142.4, 146.6 to 146.9.1, 182.1, 182.2 and 230.2 of the Act.

DIVISION III CONTRIBUTIONS

4. The special amortization payment referred to in section 29 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1), the amount paid for any additional obligation

resulting from an amendment to the plan pursuant to section 19 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1) and the special improvement payment referred to in section 11, are considered to be, for the purposes of the Act, a special improvement payment referred to in paragraph 1 of section 38.2 of the Act.

5. For the purposes of the second paragraph of section 60 and section 78 of the Act, the stabilization contributions paid by a member, with accrued interest, are considered to be member contributions.

6. Where, for the purposes of the Act, member contributions paid, with accrued interest, must be taken into account, the stabilization contributions paid by a member are considered to be member contributions for the purposes of interest credited to those contributions.

DIVISION IV FUNDING RULES

§1. General

7. Despite subparagraph 5 of the first paragraph of section 118 of the Act, a pension plan must be the subject of an actuarial valuation at the date that precedes the date from which surplus assets are appropriated.

8. For the purposes of the second paragraph of section 123 of the Act, a pension plan is funded if, at the date of the actuarial valuation, the plan's general account is equal to or greater than its liabilities.

9. For the purposes of section 124 of the Act, the plan's assets mean the general account.

10. Only a technical actuarial deficiency referred to in section 131 of the Act may be established in a pension plan to which this Regulation applies. The deficiency corresponds, at the date of an actuarial valuation, to the plan's surplus liabilities credited to the general account.

11. Where an actuarial valuation determines the value of additional obligations arising from an amendment to the pension plan, the provisions of the first paragraph of section 139 of the Act apply with the following modifications:

(1) a special improvement payment must be paid into the pension fund, regardless of the pension plan's funding level;

(2) the value of the additional obligations, at the date of the valuation, is equal to the higher of the value of additional obligations that is calculated on a solvency basis and the value of additional obligations that is calculated on a funding basis.

Despite subparagraph 2 of the first paragraph, if the special improvement payment is paid in full by means of actuarial gains recorded in the reserve referred to in the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1), the value of the additional obligations arising from an amendment to the plan must be calculated only on a funding basis.

12. Section 140 of the Act does not apply to a partial actuarial valuation.

§2. Determination of the provision for adverse deviation

13. The provision for adverse deviation is calculated at the date of a complete actuarial valuation of a pension plan and at the date of a partial actuarial valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act, unless for the purposes of that valuation, it is estimated according to the provisions of the second paragraph of section 16.

14. The provision for adverse deviation is equal to amount "P" in the following formula:

$$(T \times R) + (7\% \times S) + X = P$$

"T" represents the rate, expressed in percentage, obtained by multiplying "D" determined in accordance with section 15 by 0.0175;

"R" represents the value of the liabilities associated to the pensions being paid, excluding guaranteed pensions, increased, if the policies established by the pension committee so provide, by the value of the benefits of members and beneficiaries in the pension plan who are less than 10 years under normal retirement age and to whom no pension is paid, the latter value excluding here the value of the contributions referred to in paragraphs 1 and 2 of "S" paid by those members and the value of the guaranteed pensions constituted in their respect;

"S" represents the value of the plan's liabilities reduced by an amount representing the sum of the following values:

(1) the value of the additional voluntary contributions and optional ancillary contributions paid into the pension fund, with interest accrued;

(2) the value of the contributions paid under a defined-contribution plan to which Chapter X of the Act applies or under provisions that, in a defined-benefit plan, are identical to the provisions of a defined-contribution plan, with interest accrued;

(3) the value of the liabilities associated to the pensions being paid increased, if the policies established by the pension committee so provide, by the value of the benefits of the members in the plan who are less than 10 years under normal retirement age and to whom no pension is paid, the latter value excluding here the value of the contributions referred to in paragraphs 1 and 2 paid by those members;

(4) the value of the liabilities associated to the guaranteed deferred pensions not referred to in paragraph 3;

“X” represents:

(1) in the case where the rate represented by “T” is less than 7%, the result of the formula

$$(R - V) \times (7\% - T)$$

in which “V” is equal to “V” in section 15;

(2) in the other cases, zero.

The value of the liabilities taken into consideration for the calculation of the provision for adverse deviation is established using the information on a solvency basis.

15. Where the value represented by “R” of section 14 is null, “D” of that section is equal to zero.

In other cases, “D” corresponds to the result, in absolute value, of the following formula:

$$\frac{R \times d^R - V \times d^M}{R}$$

“R” represents “R” of section 14;

“d^R” represents the duration of the liabilities constituting “R”;

“V” represents the lesser of

(1) the amount that is equivalent to the amount of the fixed-income investments as defined in section 60.8 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6). The amount of the fixed-income investments of a pension plan is determined by including the amount of any variable income investment associated with a financial instrument that converts it into a fixed-income investment but excluding the amount of any fixed-income investment associated with a financial instrument that converts it into a variable income investment;

(2) the amount that is equivalent to the value that “R” represents;

“d^M” represents the duration of the investments referred to in paragraph 1 of “V”. The duration attributed to an investment in infrastructure or in immovables (real estate) cannot exceed 6.

For the purposes of paragraph 1 of “V”, fixed-income investments do not consider guaranteed pensions or the contributions referred to in paragraphs 1 and 2 of “S” of section 14, which are the subject of a separate investment.

16. Element “d^M” of section 15 is determined by the actuary responsible for the actuarial valuation using the durations calculated by the person who invests any part of the plan’s assets. Derivatives may be taken into consideration for the purpose of establishing the duration of the assets.

For the purposes of a partial actuarial valuation, the actuary may estimate “R” and “S” of section 14 and “d^R” of section 15.

17. Sections 14 to 16 apply for the purpose of calculating the value of the stabilization fund pursuant to sections 15 and 17 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or of sections 9 and 23 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1).

§3. *Payment of benefits*

18. Despite the third paragraph of section 143 of the Act, the benefits of the members and beneficiaries referred to in paragraph 1 or 2 of section 146 of the Act are paid in full.

DIVISION V SURPLUS ASSETS

§1. *Appropriation of surplus assets*

19. The amount of surplus assets that may be used for the fiscal year of a pension plan, or part of that fiscal year, that immediately follows the date of the actuarial valuation and, where applicable, for one or each of the following fiscal years until the date of the next complete actuarial valuation, is appropriated according to one or a combination of the following appropriation methods, as set out in the pension plan:

- (1) the payment of employer contributions;
- (2) the payment of member contributions;

- (3) the special improvement payment;
- (4) the transfer of amounts to the employer;

20. The amount of surplus assets that may be appropriated for the special improvement payment corresponds, at the date of an actuarial valuation of the plan, to the difference between the plan's assets determined on a funding basis and the sum of its liabilities determined on a funding basis and the provision for adverse deviation.

In the case of an appropriation of surplus assets referred to in paragraphs 1, 2, and 4 of section 19, the maximum amount of surplus assets that may be used is equal to the lesser of the following amounts, determined at the date of the actuarial valuation:

- (1) the amount determined pursuant to the first paragraph;
- (2) on a solvency basis, the amount by which the plan's assets exceeds 105% of its liabilities.

In addition, in the case of a pension plan governed by the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1) that, according to the provisions of the Act that are applicable to the plan, may be subject to an appropriation referred to in paragraph 4 of section 19, the amount referred to in subparagraph 1 of the second paragraph is the amount determined in accordance with the provisions of the Act applicable to it.

21. The appropriation of surplus assets to the payment of contributions ceases on the date of any actuarial valuation or of any notice referred to in section 119.1 of the Act that shows that the conditions set out in section 20 are no longer met.

§2. Allocation of surplus assets

22. The allocation of surplus assets of a terminated pension plan must comply with the terms and conditions provided by the plan.

The portion allocated to the members and beneficiaries is apportioned among them proportionately to the value of their benefits or according to another method set out in the plan.

DIVISION VI PROVISIONS APPLICABLE TO THE COMPONENTS OF A PENSION PLAN

§1. General

23. A pension plan that was subject to an amendment to establish a stabilization fund has, as of the effective date of the amendment which is called "date of segregation of the pension fund", two separate components:

- (1) a prior component related to service completed before the date of segregation of the pension fund to which the provisions of subdivision 2 of this Division apply;
- (2) a subsequent component related to service completed as of the date of segregation of the pension fund to which the provisions of subdivision 3 of this Division apply.

24. Every pension plan that has not been subject to an amendment referred to in the first paragraph of section 23, is governed by the provisions of subdivision 2 of this Division. Despite the foregoing, a pension plan in which the reserve has been converted into a stabilization fund pursuant to section 39 is governed by the provisions of subdivision 3 of this Division related to the subsequent component.

25. Every plan that has, during its establishment, a stabilization fund is governed by the provisions of subdivision 3 of this Division.

26. Each component of the plan is governed by the Act and this Regulation with regard to the application of the provisions related to funding, asset investment, appropriation and allocation of any surplus assets, division and merger, withdrawal of an employer from a multi-employer pension plan and the termination of a pension plan, as well as the terms of payment of members' and beneficiaries' benefits as though they were 2 separate pension plans.

27. For the purposes of section 60 of the Act, the pension plan is considered not to have separate components. Despite the foregoing, member contributions above the limit set by section 60 of the Act must be apportioned in proportion to the value of defined benefits accrued in each component of the pension plan.

28. Despite section 26, a pension plan may provide that it is considered not to have any separate component for the purposes of the terms of payment of the benefits of members and beneficiaries pursuant to section 98, paragraph 4 of section 200 and section 236 of the Act as well as the pension paid by the plan and the exercise of the options provided for in Division IV of Chapter VI of the Act.

29. Unless the employer has no active members in its employ for both the prior and subsequent component of the pension plan, there can be no withdrawal of an employer for a multi-employer pension plan pursuant to the provisions of subdivision 1 of Division I of Chapter XIII of the Act.

30. One component of a plan cannot be terminated unless the other component is also terminated.

Despite the foregoing, the prior component of a plan can be terminated if the pensions of all the members and beneficiaries with benefits for that component are in payment on the termination date and the plan is not subject to any amendment or suspension of the pension indexation pursuant to the first paragraph of section 21 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or of the first paragraph of section 16 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1).

31. If the plan is terminated, the surplus assets of a component cannot be transferred from one component to the other.

32. A portion of the member contribution may be paid into the prior component of the pension plan, to the extent provided under the plan and provided the member is entitled to benefits under the component.

§2. Provisions related to the prior component

33. At the beginning of each fiscal year of a pension plan, after, where applicable, any transfer provided for in section 35 or section 37, payment of a portion of the amortization payment determined for that fiscal year in relation to the technical actuarial deficiency is made by a transfer from the reserve to the general account. That portion is equal to the lesser of the reserve at that time and 50% of the amortization payment. It is divided equally between each monthly payment relating to the deficiency for the fiscal year.

Where a complete actuarial valuation of a plan at a date during a fiscal year establishes that the amount transferred from the reserve to the general account at the beginning of the fiscal year is less than what it should have been according to that actuarial valuation, the difference must be transferred from the reserve to the general account. If the amount transferred at the beginning of the fiscal year is greater than what it should have been according to that actuarial valuation, the difference must be transferred from the general account to the reserve.

A transfer provided for in the second paragraph is made on the day following the date of the actuarial valuation.

34. For the determination of the funding, the assets of the prior component are divided between a general account and a reserve. The general account corresponds to the value of the assets of the prior component reduced by the reserve.

In addition, the rate of return of the reserve corresponds to the rate of return derived from the investment of the assets of the prior component.

35. Where, at the date of the complete actuarial valuation of a pension plan, the reserve exceeds the provision for adverse deviation of the prior component calculated in accordance with the provisions of sections 14 to 6, the surplus is, at that date, transferred from the reserve to the general account.

36. The actuarial gains are determined at the date of a complete actuarial valuation of a pension plan. The amount corresponds to the amount by which the general account of the plan, increased by the value of the amortization payments remaining to be paid to amortize an unfunded actuarial liability determined during a prior actuarial valuation, exceeds the plan's liabilities.

If actuarial gains are so determined, they are composed of the following elements:

(1) additional contributions corresponding to the amount by which the value of the contributions included in the plan's assets since the date of the last complete actuarial valuation exceeds the value of the contributions provided for, for the same period, in subparagraph *b* of subparagraph 2 of the first paragraph of section 39 of the Act;

(2) the technical gains or losses whose amount corresponds to the sum of the variations, since the last complete actuarial valuation, in the value of obligations arising from the plan and its general account, caused by deviations between the results and forecasts and by changes made to the actuarial assumptions and methods, it being understood that the additional contribution determined in paragraph 1 are excluded from that calculation;

(3) other actuarial gains.

The value of the amortization payments referred to in the first paragraph is established using the interest rate of the previous complete actuarial valuation without taking into account the deviations that result from the application of section 49.

37. At the date of a complete actuarial valuation of a pension plan, the lesser of the following amounts must be transferred from the general account to the reserve:

(1) the amount of the technical gains determined during the actuarial valuation and the amount by which the special improvement payment since the last complete actuarial valuation of the plan exceeds the value, on a funding basis, of the additional obligations arising from the amendments in respect of which that payment was made;

(2) the amount by which the provision for adverse deviation of the prior component calculated in accordance with the provisions of sections 14 to 16 exceeds the reserve.

38. For the purposes of sections 35 and 37, the balance of actuarial gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S- 2.1.1) must be excluded from the reserve.

39. Despite the provisions of this subdivision, a pension plan referred to in section 17 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1), may be amended to convert, at a date not prior to the date on which the amendment is made, the reserve into a stabilization fund. Sections 40 to 44 apply with the necessary modifications concerning stabilization contributions that must be paid into the general account. The actuarial valuation that considers the amendment for the first time must be complete.

The actuarial gains determined at the date of the actuarial valuation in accordance with section 36 must be transferred into the stabilization fund.

§3. Provisions related to the subsequent component

40. For the determination of the funding, the assets of the subsequent component are divided between the general account and the stabilization fund. The general account corresponds to the value of the assets of the subsequent component reduced by the stabilization fund.

In addition, the rate of return of the stabilization fund corresponds to the rate of return derived from the investment of the plan's assets of the subsequent component.

41. The stabilization fund is to be funded by a stabilization contribution which represents at least 10% of the current service contribution, determined without taking into account any margin for adverse deviation provided

for by the Canadian Institute of Actuaries, of accrued interest and actuarial gains determined in accordance with section 36. The plan must indicate whether the stabilization contributions are paid either by the employer, active members, or both and, where applicable, indicate the higher proportion of the stabilization contributions.

The target level of the stabilization fund must be at least equal to the provision for adverse deviation of the subsequent component established in accordance with the provisions of sections 14 to 16. In addition, stabilization contributions can cease to be paid, as provided for in the plan, once the level of the stabilization fund has reached the level of the provision for adverse deviation.

The stabilization contributions made by members are separate from the member or voluntary contributions referred to in section 37 of the Act.

42. With the exception of amortization payments related to the technical actuarial deficiency which, if they are established in accordance with section 49, cannot be paid from the stabilization fund, the plan must provide the terms and conditions for the payment from the stabilization fund of technical actuarial deficiencies and amortization payments related to those deficiencies.

43. The surplus assets may only be appropriated as provided for in the pension plan if the subsequent component of the plan has no technical actuarial deficiency.

44. The balance of the stabilization fund at the end of a fiscal year is determined by applying the following adjustments to the balance of the fund at the end of the preceding fiscal year:

(1) the stabilization contributions paid during the fiscal year are added;

(2) the actuarial gains transferred from the general account at the date of a complete actuarial valuation are added;

(3) the amounts transferred to the general account to pay all or part of the technical actuarial deficiency or the required amortization payments with regard to the deficiency are subtracted;

(4) the amounts used for the appropriation of surplus assets are subtracted.

For the purposes of this section, the return derived from the investment of the assets of the subsequent component must be taken into account.

§4. *Miscellaneous provisions*

45. The information that the statements provided for in sections 112, 113 and 207.3 of the Act must contain is presented for the subsequent component and the prior component of the plan as though they were separate pension plans. In addition, the statements must indicate that the appropriation and the allocation of surplus assets of a component only affect the members and beneficiaries with benefits under that component.

46. For the purposes of sections 57, 58, 59.0.2 and 65 of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6), the stabilization contributions paid by the members and the employer must be added respectively to member contributions and employer contributions.

DIVISION VII

DEFERMENT OF CONTRIBUTIONS

47. Where the current service contribution, stabilization contribution or technical amortization payment is divided, any variation in the amount of the monthly payments of any of the contributions or amortization payments may, on the conditions provided for in the funding policy of the pension plan, take effect on the first day of the fiscal year following the one for which the contributions are calculated.

Where the value, discounted at the date of the actuarial valuation, of the monthly amounts of the amortization payments to be made for the period affected by the deferment of the variation is less than the amount of the technical actuarial deficiency established by the actuarial valuation, the amount of the technical actuarial deficiency on the first day of the following fiscal year must correspond to the difference between the following:

(1) the accumulated value of the technical actuarial deficiency determined as at the date of the actuarial valuation;

(2) the accumulated value of the required monthly payments set out in the previous actuarial valuation in relation to such a deficiency for the period affected by the deferment of the variation.

The deferment of contributions applies only to the component of a pension plan that so provides and only to those contributions expressly affected thereby.

The discounted or accumulated values are determined using an interest rate identical to the rate used to establish the plan's liabilities at the date of the actuarial valuation.

The provisions of this section apply despite those of the fourth paragraph of section 41 of the Act.

48. For the purpose of amortizing the technical actuarial deficiency where contributions are deferred, the time period provided for in paragraph 1 of section 138 of the Act begins on the end date of the fiscal year following the actuarial valuation date.

49. For the purposes of section 137 of the Act, the monthly payments that represent a percentage of the total payroll for the active members must be established using a percentage which, for the period covered by the actuarial valuation, allows the monthly payments at least equal to the payments that would have been established as a set amount. The percentage may be adjusted at a frequency other than annually to ensure a uniform funding of the pension plan during the period covered by the actuarial valuation.

In addition, an average of the total payroll estimated for the period covered by the actuarial valuation may be used to obtain a fixed percentage for the period concerned.

The period covered by the actuarial valuation means, for the purposes of the first and second paragraphs, the three-year period which begins on the date on which the contributions affected by the deferment begin to be paid into the pension plan in accordance with what is provided for in the actuarial valuation.

50. The funding policy established pursuant to section 142.5 of the Act must indicate whether the contributions referred to in section 47 or any other of those contributions can be deferred and the conditions that apply to such a deferment.

If there are no provisions in the funding policy, the deferment of any contribution referred to in section 47 applies.

DIVISION VIII

REPORTS

§1. *Presentation of information*

51. Where a pension plan has two components, the information related to each component must be presented separately in every report referred to in this Division.

In addition, the provisions of subdivision 3 of Division I of the Regulation respecting supplemental pension plans (chapter R-15.1, r. 6) apply taking into account the necessary modifications provided for in this Division.

§2. *Complete actuarial valuation of the prior component*

52. The part of the report related to a complete actuarial valuation that concerns the prior component must, in addition, contain the following information:

(1) regarding the provision for adverse deviation of the prior component determined pursuant to sections 14 to 16:

- (a) its amount and the amount of “R”, “S” and “D”;
- (b) “d^R” and the actuarial assumptions and methods used to determine it;
- (c) the amount determined in accordance with paragraph 1 of “V” of section 15 and the amount of “d^M” of that section;

(2) regarding the reserve:

(a) the reconciliation of the reserve since the previous complete actuarial valuation, specifying the inflows and outflows, including those at the date of the actuarial valuation;

(b) the amount of the actuarial gains determined at the date of the actuarial valuation in accordance with section 36 and the amount of additional contributions, technical gains or losses and other actuarial gains forming them;

(c) if applicable, an estimate of the amounts of the reserve that will be used, for each fiscal year following the date of the actuarial valuation, to pay part of the amortization payments related to the technical actuarial deficiency;

(d) the balance of gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1);

(3) the rules concerning the deferment of contributions provided for in the funding policy;

(4) the balance of the municipal bonds at the date of the actuarial valuation remitted to the pension fund pursuant to section 255 of the Act to amend various legislative provisions concerning municipal affairs (2004, chapter 20);

(5) whether a stabilization contribution must be paid pursuant to section 17 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1):

(a) stabilization contributions projected for the fiscal year or part of the fiscal year immediately following the actuarial valuation;

(b) the rule used to determine the stabilization contributions for the fiscal year or part of the fiscal year referred to in subparagraph *a* and for the 2 subsequent fiscal years;

(c) the amounts to be paid respectively by the employer and by the active members for each fiscal year or part of the fiscal year referred to in subparagraph *b*.

53. The part of the report related to a complete actuarial valuation referred to in subparagraph 4 of the first paragraph of section 118 of the Act that concerns the prior component must in addition contain the following information:

(1) the amount of the special improvement payment;

(2) the special improvement payment method, with, where applicable, the amount of surplus assets used or the amounts withdrawn from the gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1);

(3) the special improvement payment, paid either by the employer, active members, or both.

54. The part of the report related to a complete actuarial valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act that concerns the prior component must in addition contain the following information:

(1) the amount of surplus assets that may be used;

(2) in the case of an appropriation of surplus assets referred to in paragraph 1, 2, or 4 of section 19, each amount of the surplus assets determined pursuant to the second paragraph of section 20;

(3) the amount of surplus assets expected to be used and the conditions for their appropriation.

Where the amount of surplus assets is used to resume pension indexation in accordance with the provisions of the third and fourth paragraphs of section 33 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or third and fourth paragraphs of section 16 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1), the report must indicate the following information:

(1) a brief description of the resumption of pension indexation;

(2) the amount of surplus assets used to resume pension indexation;

(3) the value of the pension indexation established on a solvency basis and the degree of solvency of the plan after indexation has resumed.

§3. Complete actuarial valuation of the subsequent component

55. The part of the report related to a complete actuarial valuation that concerns the subsequent component must in addition contain the following information:

(1) regarding stabilization contributions:

(a) stabilization contributions projected for the fiscal year or part of the fiscal year immediately following the actuarial valuation;

(b) the rule used to determine the stabilization contributions for the fiscal year or part of the fiscal year referred to in subparagraph *a* and for the 2 subsequent fiscal years;

(c) the amounts to be paid respectively by the employer and by the active members for each fiscal year or part of the fiscal year referred to in subparagraph *b*;

(2) where applicable, an estimate of member contributions that must be paid to the prior component of the plan pursuant to section 32 for the fiscal year or part of the fiscal year immediately following the actuarial valuation and for the 2 subsequent fiscal years;

(3) the rules concerning the deferment of contributions provided for in the funding policy;

(4) the information provided for in paragraph 1 of section 52 regarding the provision for adverse deviation of the subsequent component;

(5) the reconciliation of the stabilization fund since the last complete actuarial valuation specifying the inflows and outflows provided for in section 44 including those at the date of the actuarial valuation;

(6) where applicable, an estimate of the amounts of the stabilization fund that are used, for each fiscal year following the date of the actuarial valuation, to pay all or part of the amortization payments related to the technical actuarial deficiency.

56. The part of the report related to a complete actuarial valuation referred to in subparagraph 4 of the first paragraph of section 118 of the Act that concerns the subsequent component must in addition contain the following information:

(1) the amount of the special improvement payment;

(2) the special improvement payment method with, where applicable, the amount of surplus assets used;

(3) the special improvement payment, paid either by the employer, active members, or both.

57. The part of the report related to a complete actuarial valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act that concerns the subsequent component must in addition contain the following information:

(1) the amount of surplus assets that may be used;

(2) in the case of an appropriation of surplus assets referred to in paragraph 1, 2, or 4 of section 19, each amount of the surplus assets determined pursuant to the second paragraph of section 20;

(3) the amount of surplus assets expected to be used and the conditions for their appropriation.

§4. Partial actuarial valuation of the prior component

58. The part of the report related to a partial actuarial valuation referred to in subparagraph 4 of the first paragraph of section 118 of the Act that concerns the prior component must in addition contain the following information:

(1) the amount of the special improvement payment;

(2) the special improvement payment method with, where applicable, the amount of surplus assets used or the amounts withdrawn from the gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1);

(3) the special improvement payment, paid either by the employer, active members, or both;

(4) the balance of the gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1), where the balance is appropriated to the special improvement payment;

(5) the rules concerning the deferment of contributions provided for in the funding policy.

59. The part of the report related to a partial actuarial valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act that concerns the prior component must in addition contain the following information:

- (1) the amount of surplus assets that may be used;
- (2) in the case of an appropriation of surplus assets referred to in paragraph 1, 2, or 4 of section 19, each amount of the surplus assets determined pursuant to the second paragraph of section 20;
- (3) the amount of surplus assets expected to be used and the conditions for their appropriation;
- (4) the amount of the provision for adverse deviation of the prior component calculated or estimated on the basis of estimates authorized under the second paragraph of section 16;
- (5) a certification of the actuary certifying that, if a complete actuarial valuation of the plan were carried out at the valuation date, it would use an amount of surplus assets at least equal to the amount indicated in paragraph 3;
- (6) a certification of the actuary certifying that, if a complete actuarial valuation were carried out at the valuation date, it would establish an amount for the provision for adverse deviation of the prior component equal to or less than the amount indicated in paragraph 4.

§5. Partial actuarial valuation of the subsequent component

60. The part of the report related to a partial actuarial valuation referred to in subparagraph 4 of the first paragraph of section 118 of the Act that concerns the subsequent component must in addition contain the following information:

- (1) the amount of the special improvement payment;
- (2) the special improvement payment method with, where applicable, the amount of surplus assets used;
- (3) the special improvement payment, paid either by the employer, active members, or both;
- (4) the rules concerning the deferment of contributions provided for in the funding policy.

61. The part of the report related to a partial actuarial valuation referred to in subparagraph 5 of the first paragraph of section 118 of the Act that concerns the subsequent component must in addition contain the following information:

- (1) the amount of surplus assets that may be used;
- (2) in the case of an appropriation of surplus assets referred to in paragraph 1, 2, or 4 of section 19, each amount of the surplus assets determined pursuant to the second paragraph of section 20;
- (3) the amount of surplus assets expected to be used and the conditions for their appropriation;
- (4) the amount of the provision for adverse deviation of the subsequent component calculated or estimated on the basis of estimates authorized under the second paragraph of section 16;
- (5) a certification of the actuary certifying that, if a complete actuarial valuation were carried out at the valuation date, it would use an amount of surplus assets at least equal to the amount indicated in paragraph 3;
- (6) if the surplus assets are appropriated for all or part of the special improvement payment, a certification of the actuary certifying that, if a complete actuarial valuation were carried out at the valuation date, the subsequent component would have no technical actuarial deficiency;
- (7) a certification of the actuary certifying that, if a complete actuarial valuation were carried out at the valuation date, it would establish an amount for the provision for adverse deviation of the prior component equal to or less than the amount indicated in paragraph 4.

§6. Other reports

62. The report referred to in the second paragraph of section 202 of the Act must in addition indicate

- (1) the stabilization contributions required and those paid by the employer and the members for the period between the end date of the fiscal year of the plan and the date of the withdrawal, by distinguishing the contributions related to the employer concerned from those related to all the other employers;
- (2) the value of the liabilities related to the benefits of members and beneficiaries whose pension indexation at retirement was amended pursuant to section 21 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or suspended pursuant to section 16 of the Act to foster

the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1), with the mention that the annuities paid to those members and beneficiaries on the date of withdrawal were annuity buy-ins guaranteed by an insurer under the conditions provided for in section 66 and that they remain members and beneficiaries of the pension plan.

63. The termination report referred to in section 207.2 of the Act must in addition indicate the following information:

(1) the value of the plan's assets established without taking into account the balance of the gains recorded in the reserve pursuant to the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1);

(2) if the plan has gains referred to in paragraph 1:

(a) the balance of those gains on the termination date;

(b) a summary of the provisions of the plan related to the allocation of the balance of those gains, or a mention that the plan has no such provisions;

(c) a description of the allocation of the balance of those gains.

(3) the stabilization contributions required and those paid by the employer and the members for the period between the end date of the fiscal year and the termination date, by distinguishing the contributions related to the employer concerned from those related to all the other employers.

§7. Miscellaneous

64. Every report related to an actuarial valuation must, in the case of a multi-employer pension plan that is not considered as such pursuant to section 11 of the Act, indicate if at least 90% of the active members of the plan with benefits under defined-benefit provisions are employed by the employers referred to in the first paragraph of section 1.

DIVISION IX SPECIAL PROVISIONS RELATED TO WITHDRAWAL AND TERMINATION

65. The notice referred to in section 200 of the Act must inform every member and beneficiary referred to in paragraph 3 of that section for which the automatic pension indexation was amended pursuant to section 21 of the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or

suspended pursuant to section 16 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1) that the purchase of an annuity from an insurer does not constitute the payment of his or her benefits and that he or she remains a member or beneficiary of the plan in particular for the purpose of resuming pension indexation.

66. The annuity paid by the pension plan on the date of withdrawal of an employer to every member or beneficiary referred to in section 65 must be guaranteed by an insurer, except for the automatic pension indexation that was amended or suspended and of any other characteristic of the pension that is unavailable on the market, by means of buy-in annuity contracts.

The provisions of section 237 of the Act do not apply to the purchase of those annuities.

67. The assets established pursuant to the first paragraph of section 212.1 of the Act must be reduced from the balance of the gains recorded in the reserve referred to in the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1).

68. Upon termination of a pension plan, the balance of the gains recorded in the reserve referred to in the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1) is allocated as provided for in the plan.

69. Where, on the date of termination, a plan has no provisions on the allocation of the balance of the gains referred to in section 68, *Retraite Québec* may, despite section 207.6 of the Act, after that date, register an amendment to the plan made, after that date, further to an agreement on the use of the balance of the gains recorded in the reserve referred to in the first paragraph of section 14 of the Act to foster the financial health and sustainability of municipal defined-benefit pension plans (chapter S-2.1.1).

The value of such an amendment must not be considered in the liabilities referred to in section 212.1 of the Act.

DIVISION X MISCELLANEOUS, TRANSITIONAL AND FINAL

§1. Rules related to improvement unfunded actuarial liabilities

70. During an actuarial valuation after 30 December 2023, if amortization payments remain to be paid in relation to an improvement unfunded actuarial liability

determined at a prior date, for the purpose of establishing the technical actuarial deficiency pursuant to section 10 of this Regulation, the general account must be increased by the value of those contributions, which is established using an interest rate identical to the rate used to establish the plan's liabilities.

§2. *Subsequent use of certain actuarial gains*

71. If there is a balance of actuarial gains after the transfer provided for in section 37 and the balance exceeds the total of the value of the amortization payments that would remain to be paid in relation to the technical actuarial deficiency determined during the last complete actuarial valuation of the plan, the surplus may be used to reduce the amortization payments remaining to be paid in relation to any improvement unfunded actuarial liability.

The reduction is made by appropriating the surplus determined in the first paragraph to the reduction of the monthly payments remaining to be paid on the later date. It ceases where the residual surplus does not eliminate completely the monthly payments remaining to be paid on a given date.

72. A bond remitted before 31 December 2009 to the pension fund of a pension plan pursuant to section 255 of the Act to amend various legislative provisions concerning municipal affairs (2004, chapter 20) may, upon its term, be replaced by a new bond meeting the conditions set out in the second and third paragraphs of that section.

73. Despite section 37, if the assets of a pension plan include bonds referred to in section 255 of the Act to amend various legislative provisions concerning municipal affairs (2004, chapter 20), a portion corresponding to 25% of the technical gains determined by a complete actuarial valuation of the plan must first be appropriated, as at the date of the valuation, to reduce the amount of the bonds.

Where, after applying section 37 taking into account the first paragraph of this section and section 71, actuarial gains remain, such actuarial gains are added to the portion determined in the first paragraph.

§3. *Other provisions*

74. The amounts required to fund the value of the benefits referred to in section 146 of the Act that, under the terms of a restructuring agreement to which the Act respecting the restructuring of university-sector defined-benefit pension plans (chapter R-26.2.1) or the Act to foster the financial health and sustainability of

municipal defined-benefit pension plans (chapter S-2.1.1) applies entered into before (*insert the date of coming into force of this Regulation*), are paid into the pension plan by the members or the employer after that date are not affected by the rules related to the division of contributions.

75. The provisions of section 18 apply to every member or beneficiary who, after (*insert the date that precedes the date of coming into force of this Regulation*), ceases to be an active member or becomes entitled to a refund or benefit under a pension plan.

76. If a pension plan, or a component of a pension plan, provided before (*insert the date of coming into force of this Regulation*) the division of the amortization payment related to an improvement unfunded actuarial liability referred to in section 70, the deferment of that contribution remains mandatory. The rules provided for in section 47 apply to the monthly amortization payments established in respect of such a liability.

77. Despite paragraph 1 of section 138 of the Act, the amortization period of a technical actuarial deficiency that begins at a date after 30 December 2023 and prior to 1 January 2024 expires no later than 31 December 2038 or, if the provisions of Division VII related to the deferment of contributions apply, 31 December 2039.

78. The benefits of members and beneficiaries affected by the withdrawal of an employer from a multi-employer pension plan, to whom the notice referred to in section 200 of the Act was sent before (*insert the date of coming into force of this Regulation*), are paid according to the provisions of the Act as they read before 1 January 2016.

79. The provisions of subdivision 4.1 of Division II of Chapter XIII of the Act related to the distribution of surplus assets in the event of termination, as they read before 1 January 2016, apply to every termination report that was sent to Retraite Québec before (*insert the date of coming into force of this Regulation*).

80. This Regulation replaces the Regulation respecting the funding of pension plans of the municipal and university sectors (chapter R-15.1, r. 2).

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

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