

Regulations and other Acts

Gouvernement du Québec

O.C. 46-2024, 23 January 2024

Supplemental Pension Plans Act
(chapter R-15.1)

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

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

WHEREAS, under the second paragraph of section 2 of the Supplemental Pension Plans Act (chapter R-15.1), the Government may, by regulation and on the conditions it determines, exempt any pension plan or category of pension plan it designates from the application of all or part of the Act, particularly by reason of the special characteristics of the plan or category or by reason of the complexity of the Act in relation to the number of members in the plan and it may also prescribe special rules applicable to the plan or category;

WHEREAS, under the third paragraph of section 2 of the Act, a regulation made under the second paragraph may, if it so provides, have retroactive effect from a date not prior to 31 December of the penultimate year preceding the year in which it was published in the *Gazette officielle du Québec* under section 8 of the Regulations Act (chapter R-18.1);

WHEREAS, in accordance with sections 10 and 11 of the Regulations Act, a draft Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors was published in Part 2 of the *Gazette officielle du Québec* of 5 April 2023, with a notice that it could be made by the Government on the expiry of 45 days following that publication;

WHEREAS it is expedient to make the Regulation with amendments;

IT IS ORDERED, therefore, on the recommendation of the Minister of Finance:

THAT the Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors, attached to this Order in Council, be made.

DOMINIQUE SAVOIE
Clerk of the Conseil exécutif

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 and 3rd pars.)

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, 144, 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 bear interest at the rate credited to the member 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 within the meaning of 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 payment of special improvement payments;
- (4) the transfer of amounts to the employer only, to members only, or to both;

20. The amount of surplus assets that may be appropriated for payment of special improvement payments 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 40 is governed by the provisions of subdivision 3 of this Division.

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 on the date of withdrawal, 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, if the plan so provides, the prior component of a plan can be terminated provided that the pensions of all the members and beneficiaries with benefits for that component are in payment on the termination date, that 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) and that any other condition that may be provided by the pension plan to terminate the component is met.

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 16, 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 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 50.

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. For the purposes of paragraph 1 of section 138 of the Act, the amortization period of a technical actuarial deficiency related to the prior component of a pension plan ends not later than 15 years after the date of the actuarial valuation.

40. 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. 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

41. 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.

42. 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.

43. With the exception of amortization payments related to the technical actuarial deficiency which, if they are established in accordance with section 50, 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.

44. 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.

45. 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

46. 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.

47. 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**

48. 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.

49. 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.

50. 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.

51. The funding policy established pursuant to section 142.5 of the Act must indicate whether the contributions referred to in section 48 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 48 applies.

DIVISION VIII REPORTS

§1. Presentation of information

52. 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

53. 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 is 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*.

54. 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.

55. 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

56. 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 53 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 45 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.

57. 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.

58. 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

59. 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.

60. 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

61. 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.

62. 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

63. 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 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 67 and that they remain members and beneficiaries of the pension plan.

64. 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

65. 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

66. 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.

67. The annuity paid by the pension plan on the date of withdrawal of an employer to every member or beneficiary referred to in section 66 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.

68. 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).

69. 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.

70. Where, on the date of termination, a plan has no provisions on the allocation of the balance of the gains referred to in section 69, *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

71. 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, 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

72. 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 all the monthly payments remaining to be paid on a given date.

73. 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.

74. 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 72, actuarial gains remain within the meaning of section 12 of chapter 3 of the Act to amend various legislative provisions concerning municipal affairs (2003, chapter 3) as replaced by section 215 of the Act to amend various legislative provisions concerning municipal affairs (2004, chapter 20), the actuarial gains are added to the portion determined in the first paragraph.

§3. Other provisions

75. Despite section 18, the balance of the value of the benefits referred to in section 146 of the Act that cannot be paid can, under the terms of a restructuring agreement referred to in 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) entered into before 22 February 2024, be funded and paid according to the conditions provided for in that section.

In addition, the rules related to the sharing of contributions do not apply with respect to the sums required to fund the value of the benefits referred to in section 146 of the Act that, under the terms of an agreement referred to in the first paragraph, are paid by the members or the employer after 21 February 2024.

76. The provisions of section 18 apply to every member or beneficiary who, after 21 February 2024, ceases to be an active member or for whom entitlement to a refund or the right to a transfer referred to in section 98 of the Act is exercised after that date.

Despite the first paragraph, a pension plan may provide that the balance of the value of the benefits referred to in section 146 of the Act on 22 February 2024 or, on the date agreed by the parties to an agreement referred to in the first paragraph of section 75, is paid in full.

77. Despite section 26, the current service contribution to be paid in the subsequent component of the Régime de retraite des employés municipaux du Québec 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.

78. If a pension plan, or a component of a pension plan, provided before 22 February 2024 the division of the amortization payment related to an improvement unfunded actuarial liability referred to in section 71, the deferment of that contribution remains mandatory. The rules provided for in section 48 apply to the monthly amortization payments established in respect of such a liability.

79. 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 2029 expires not later than 31 December 2038 or, if the provisions of Division VII related to the deferment of contributions apply, 31 December 2039.

80. 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 22 February 2024, are paid according to the provisions of the Act as they read before 1 January 2016.

81. 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 22 February 2024.

82. This Regulation applies to any actuarial valuation as at a date subsequent to 30 December 2023.

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

84. This Regulation comes into force on 22 February 2024.

106671

Gouvernement du Québec

O.C. 47-2024, 23 January 2024

Supplemental Pension Plans Act
(chapter R-15.1)

Exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act

— Amendment

Regulation to amend the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act

WHEREAS, under the second paragraph of section 2 of the Supplemental Pension Plans Act (chapter R-15.1), the Government may, by regulation and on the conditions it determines, exempt any pension plan or category of pension plan it designates from the application of all or part of the Act, particularly by reason of the special characteristics of the plan or category or by reason of the complexity of the Act in relation to the number of members in the plan and it may also prescribe special rules applicable to the plan or category;

WHEREAS, in accordance with sections 10 and 11 of the Regulations Act (chapter R-18.1), a draft Regulation to amend the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act was published in Part 2 of the *Gazette officielle du Québec* of 5 April 2023, with a notice that it could be made by the Government on the expiry of 45 days following that publication;

WHEREAS it is expedient to make the Regulation without amendment;

IT IS ORDERED, therefore, on the recommendation of the Minister of Finance:

THAT the Regulation to amend the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act, attached to this Order in Council, be made.

DOMINIQUE SAVOIE

Clerk of the Conseil exécutif

Regulation to amend the Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act

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

1. The Regulation respecting the exemption of certain pension plans from the application of provisions of the Supplemental Pension Plans Act (chapter R-15.1, r. 8) is amended in section 1

(1) by replacing “Regulation respecting the funding of pension plans of the municipal and university sectors (chapter R-15.1, r. 2)” in paragraph 1.1 by “Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors (*insert the reference to the Compilation of Québec Laws and Regulations*)”;

(2) by striking out paragraph 1.2;

(3) by striking out paragraph 2.

2. Section 1.0.1 is revoked.

3. Section 1.0.2 is replaced by the following:

“**1.0.2.** For the purposes of section 20 of the Regulation respecting the funding of defined-benefit pension plans of the municipal and university sectors (*insert the reference to the Compilation of Québec Laws and Regulations*), the following modifications apply: