

COMMENTARY GUIDE

FOR THE

**2020 AGREEMENT RESPECTING MULTI-JURISDICTIONAL PENSION PLANS
AS AMENDED BY THE
2023 AGREEMENT AMENDING THE 2020 AGREEMENT RESPECTING
MULTI-JURISDICTIONAL PENSION PLANS**

[Including Text from the Agreement]

October 2023

Purpose of this Commentary Guide:

This Commentary Guide explains the provisions of the 2020 Agreement Respecting Multi-jurisdictional Pension Plans as amended by the 2023 Agreement Amending the 2020 Agreement Respecting Multi-jurisdictional Pension Plans (the Agreement). This document contains the text of each provision in the Agreement, followed by explanatory notes for each respective provision, as well as examples where necessary.

Effective date of the pension legislation mentioned in this Commentary Guide:

Unless otherwise noted, the requirements of the pension legislation mentioned in this Commentary Guide are those requirements as they existed at the time this document was published (October 2023). Any subsequent changes to those legislative requirements could result in some of the information and examples in this Commentary Guide becoming inaccurate.

**2020 AGREEMENT RESPECTING
MULTI-JURISDICTIONAL PENSION PLANS**

The signatories of this Agreement are as follows:

The governments of

ALBERTA, herein acting and represented by the President of Treasury Board and Minister of Finance;

BRITISH COLUMBIA, herein acting and represented by the Minister of Finance;

MANITOBA, herein acting and represented by the Minister of Finance;

NEW BRUNSWICK, herein acting and represented by the Minister of Finance and Treasury Board;

NEWFOUNDLAND AND LABRADOR, herein acting and represented by the Minister of Digital Government and Service NL and the Minister for Intergovernmental Affairs;

NOVA SCOTIA, herein acting and represented by the Minister of Finance and Treasury Board;

ONTARIO, herein acting and represented by the Minister of Finance;

QUEBEC, herein acting and represented by the Minister of Finance and the Minister responsible for Canadian Relations and the Canadian Francophonie;

SASKATCHEWAN, herein acting and represented by the Minister of Justice and Attorney General; and

CANADA, herein acting and represented by the Minister of Finance.

Explanatory Notes:

The first page of the Agreement sets out the governments that are the signatories and parties to the Agreement.

RECITALS

- I. Each signatory to this Agreement represents a legislative jurisdiction in Canada and is authorized by the laws of the signatory's jurisdiction to sign this Agreement.
- II. A pension plan may be subject to the pension legislation of more than one jurisdiction and may be subject to the supervision of more than one jurisdiction's pension supervisory authority, by reason of the nature or place of the plan members' residence or employment or the nature of the business, work or undertaking of the members' employer.
- III. Pension plans that are subject to the pension legislation of more than one jurisdiction play a significant role in providing retirement income to many Canadians. To establish an efficient and transparent regulatory environment for such plans, the parties to this Agreement deem it desirable to specify the rules that apply to such plans and allow, to the extent provided for in this Agreement, a single pension supervisory authority to exercise with respect to any such pension plan all of the supervisory and regulatory powers to which such plan is subject.
- IV. The laws of the jurisdictions whose governments are party to this Agreement allow for the incorporation of rules for pension plans enacted by Canadian legislative jurisdictions or as otherwise set out in this Agreement, as well as the reciprocal application of legislative provisions and administrative powers by the pension supervisory authorities concerned.
- V. Therefore, the parties to this Agreement agree as follows:

Explanatory Notes:

Recitals introduce the provisions of, and set out the rationale for, the Agreement.

In Canada, the federal-provincial division of legislative powers is set out in the Constitution Act, 1867 (formerly the British North America Act, 1867), which defines the scope of the power of the federal government and the powers of each provincial government. As a result of this constitutional division of powers, the responsibility for regulating pension plans in Canada is shared between the federal and provincial governments. Provincial pension legislation applies to pension plans with members employed in a particular province (other than plan members that are subject to the federal pension legislation). Federal pension legislation applies to members employed in sectors that fall within federal areas of constitutional authority (e.g., the banking and telecommunications sectors), regardless of the province in which members are employed. Multi-jurisdictional pension plans are subject to more than one jurisdiction's pension legislation. They can be subject to both provincial and federal legislation. In the absence of an inter-governmental agreement, multi-jurisdictional pension plans would need to register with each pension supervisory authority having jurisdiction over the plan's members, which would be a significant regulatory and administrative burden for these plans.

The persons eligible to sign the Agreement on behalf of a jurisdiction's government are determined by the pension legislation of each jurisdiction.

**PART I
GENERAL PROVISIONS**

**SECTION 1.
DEFINITIONS & SCHEDULES**

Definitions

1. (1) For the purposes of this Agreement, unless the context indicates a different meaning:

“active member” means, in relation to a pension plan, a person who:

- (a) is accruing benefits under the plan; or
- (b) is no longer accruing benefits under the plan, but who is deemed by the terms of the plan or the pension legislation that would apply to the person if this Agreement did not exist to have the same status as an active member of the plan as a person determined under clause (a); (“participant actif”)

“pension legislation” means, in relation to a jurisdiction, the legislation identified in Schedule A in respect of that jurisdiction and any subordinate legislation made under that legislation, all as amended or substituted from time to time; (“loi sur les régimes de retraite”)

“pension plan” means, in respect of a jurisdiction, any plan that is subject to the jurisdiction’s pension legislation; and (“régime de retraite”)

“pension supervisory authority” means the government ministry, department, office, unit or agency of a jurisdiction that has supervisory or regulatory powers with respect to pension plans under the pension legislation of the jurisdiction. (“organisme de surveillance”)

Schedules

(2) The following attached Schedules form part of this Agreement:

- (a) Schedule A – Pension Legislation; and
- (b) Schedule B – Matters Covered by Incorporated Legislative Provisions.

Explanatory Notes:

The definitions establish the meaning of certain terms used throughout the Agreement.

Defining who qualifies as an “active member” of a pension plan is necessary because the number of active plan members related to each jurisdiction is used to determine which jurisdiction’s pension supervisory authority the plan must register with under section 3 of the Agreement and, as a result, how the various jurisdictions’ pension legislation will apply to the plan.

Clause (b) of the definition of “active member” accounts for situations where a person is not accruing benefits under a pension plan but is deemed by the terms of the plan or the applicable pension legislation to have the same status under the plan as a person who is accruing benefits under the plan.

Please note that while definitions for individuals such as retired members, deferred vested members and surviving spouses are not included in the Agreement, such individuals are included in certain provisions of the Agreement which relate to “any person who has rights or benefits under the plan”.

The schedules to the Agreement are used to list items that are included in, and form part of, the Agreement but are appropriately set out separately from the main body of the Agreement. Schedule A lists all the pension legislation in force in Canada. Schedule B lists all the matters contained in pension legislation that are, under the terms of the Agreement, subject to the legislation of the jurisdiction of the major authority for a pension plan.

Examples:

The following are two examples where individuals would qualify as “active members” of a pension plan in accordance with clause (b) of the definition of “active member”. Please note that the following examples do not set out all the circumstances under which an individual may qualify as an active member of a pension plan in accordance with clause (b) of the definition.

- 1) *An employer sponsors a multi-jurisdictional pension plan with active members employed in Ontario. The employer sells a portion of its operations in Ontario and as a result, the affected Ontario employees become employees of a successor employer. The successor employer sponsors its own pension plan and the affected employees become members of the successor employer’s plan. The sale transaction does not, however, result in the transfer of assets and liabilities from the original employer’s pension plan to the successor employer’s plan in relation to the affected employees. Under Ontario’s pension legislation and for the purposes of the Agreement, the affected employees will continue to qualify as active members of the original employer’s pension plan in relation to the benefits they earned under that plan and will*

also qualify as active members of the successor employer's pension plan with respect to benefits earned under that plan.

- 2) *An employer sponsors a multi-jurisdictional pension plan that is also a multi-employer pension plan (MEPP), and the plan has active members employed in Ontario. Ontario's pension legislation, like that of many other jurisdictions, provides that in certain situations, a person will continue to qualify as a member of a MEPP even if the person is not currently employed and accruing benefits under the MEPP. In those circumstances, such an Ontario MEPP member would qualify as an active member of the MEPP for the purposes of the Agreement.*

**SECTION 2.
APPLICATION**

General application

2. (1) Subject to subsection (2) and section 26, this Agreement applies to any pension plan that would, if this Agreement and any other agreement respecting the supervision of pension plans did not exist, be subject to registration with a pension supervisory authority under the pension legislation of more than one jurisdiction that is subject to this Agreement.

Restriction

(2) This Agreement does not apply to a pension plan if the pension supervisory authority that would be designated as the major authority for the plan under this Agreement is not subject to this Agreement.

Plan provision not effective

(3) This Agreement applies in respect of a pension plan despite any conflicting provision in any document that creates or supports the pension plan.

Explanatory Notes:

This section specifies which pension plans are covered by the Agreement.

Examples:

The following examples demonstrate when a pension plan would, or would not, be subject to the Agreement. Please note that the following examples do not set out all the circumstances under which a plan would, or would not, be subject to the Agreement. Unless otherwise noted, for each of the examples below, assume that, where this Agreement and any other agreement respecting the supervision of pension plans did not exist, the pension plan would be subject to registration with the pension supervisory authority of each jurisdiction in the example.

*A pension plan **would be** subject to the Agreement under the following circumstances:*

- 1) The plan only has active members employed in Ontario, and retired members in Quebec.*
- 2) The plan's active members are distributed as follows: 100 employed in Prince Edward Island, 90 in Nova Scotia and 80 in New Brunswick. Prince Edward Island has no pension legislation and is not subject to the Agreement. However, because there are active plan members employed in Nova Scotia and New Brunswick, the plan would be subject to the Agreement with regard to those two provinces. Since there are more active plan members employed in Nova Scotia compared to New Brunswick, the plan would be registered with the Nova Scotia pension supervisory authority.*

A pension plan **would not be** subject to the Agreement under the following circumstances:

- 3) *All the plan's active members and other beneficiaries (retired members, deferred vested members, etc.) have accrued all of their benefits as a result of employment in Quebec and are subject to Quebec's pension legislation. This plan would not qualify as a multi-jurisdictional pension plan for the purposes of the Agreement.*
- 4) *The plan is a "designated plan" for the purposes of the federal Income Tax Act and has active members employed in Quebec and British Columbia. Quebec's legislation requires that designated plans be registered with the Quebec pension supervisory authority, but British Columbia's legislation does not require that this designated plan be registered with its pension supervisory authority. The Agreement would not apply to this pension plan, as it would only have active members in one jurisdiction (i.e., Quebec) that requires the plan to be registered with its pension supervisory authority.*

**PART II
MAJOR AUTHORITY**

SECTION 3.

DETERMINATION OF THE MAJOR AUTHORITY

One major authority

3. (1) One pension supervisory authority having jurisdiction over a pension plan shall be the major authority for the plan.

Plurality of active members

(2) Except as provided in sections 5 and 26, the major authority for a pension plan shall be the pension supervisory authority of the jurisdiction with the plurality of active members of the plan, as determined in accordance with subsection (3) and considering only those jurisdictions whose pension legislation would, if this Agreement and any other agreement respecting the supervision of pension plans did not exist, require the plan to be registered with the pension supervisory authority of that jurisdiction.

Determination of plurality

(3) The jurisdiction that, among those referred to in subsection (2), has the plurality of active members of a pension plan shall be determined using the most recent periodic information return that has been filed with a pension supervisory authority in relation to the plan's fiscal year end, or if an application to register a new pension plan is received by a pension supervisory authority, determined using the information set out in the application, and on the following basis:

- (a) in respect of a provincial jurisdiction, the number of active members of the plan who are employed in that provincial jurisdiction and who would be subject to that jurisdiction's pension legislation if this Agreement and any other agreement respecting the supervision of pension plans did not exist; and
- (b) in respect of the federal jurisdiction, the number of active members of the plan who are employed in "included employment" within the meaning of that jurisdiction's pension legislation, where the plan is subject to that jurisdiction's pension legislation.

Equal number of active members

(4) Where the major authority for a pension plan cannot be determined by applying subsections (2) and (3) because two or more jurisdictions have authority over an equal number of active members of the plan, the major authority for the plan shall be, of those jurisdictions, the authority whose main office is in closest proximity to the main office of the administrator of the plan. For the purposes of this subsection:

- (a) the main office of a pension supervisory authority is the office from which the authority conducts most of its supervisory activities; and

- (b) the main office of the pension plan administrator is the office from which the plan administrator described in the text of the pension plan conducts most of the plan's administration.

Status as major authority

(5) A pension supervisory authority that becomes the major authority for a pension plan in accordance with this Agreement shall remain the major authority for the plan until the authority loses its status as major authority in accordance with this Agreement.

Minor authorities

(6) Once a pension supervisory authority becomes the major authority for a pension plan, any other pension supervisory authority to which this Agreement extends and that has supervisory or regulatory powers with respect to the plan becomes a minor authority for the plan.

New pension plan registration

(7) Where a pension supervisory authority receives an application to register a pension plan, that authority shall determine whether it is the major authority for the plan within the meaning of this Agreement, and if necessary and as soon as possible thereafter, that authority shall notify the plan administrator as to the relevant authority with which the plan should or may be registered and shall notify the relevant authority about the plan to be registered.

Explanatory Notes:

This section establishes how the "major authority" for a multi-jurisdictional pension plan will be determined, based on the number of active plan members employed in each jurisdiction that has members in the plan. The plan must be registered with the major authority, and any other pension supervisory authority with supervisory or regulatory powers respecting the plan will become a "minor authority" in relation to the plan.

When registering a new pension plan, the major authority will be determined based on the information provided on the application to register the new plan. In other cases, it is the information set out in the most recent periodic information return filed with the major authority (or any other pension supervisory authority) that will be considered.

Please refer to the Explanatory Notes and Examples for the definition of "active member" in section 1 of the Agreement above and note that there are circumstances where individuals will qualify as "active members" of a pension plan for the purposes of the Agreement even though the individuals are not currently accruing benefits under the plan.

Examples:

The following examples demonstrate how to determine the major authority for a multi-jurisdictional pension plan based on different scenarios. Please note that the examples do not set out all the circumstances under which a major authority can be determined.

- 1) *A pension plan has 500 active members employed in Ontario, 450 in Quebec and 250 in British Columbia. The plurality of active members is in Ontario, so the plan must be registered in Ontario with the Ontario pension supervisory authority.*
- 2) *A pension plan has 800 active members employed in British Columbia, 500 in Alberta, 300 in Saskatchewan and 800 in Ontario. British Columbia and Ontario have the same number of active members. The British Columbia pension supervisory authority is located in Vancouver, and the Ontario pension supervisory authority is located in Toronto. The pension plan administrator is located in Calgary. The plan must be registered with the British Columbia authority because the office of the plan administrator, in Calgary, is closer to the British Columbia authority's office in Vancouver than to the Ontario authority's office in Toronto.*
- 3) *A pension plan has 300 active members employed in Quebec and 450 in Ontario, and the plan is registered with the Ontario pension supervisory authority. The Ontario operations of the company are sold to a non-affiliated employer. While the new employer establishes a successor pension plan for the affected employees, the new employer does **not** assume responsibility for their past service liabilities and no assets are transferred out of the original plan. Under these circumstances, under Ontario's pension legislation, the Ontario members are deemed not to have terminated their membership in the original plan and therefore continue to be active members of the plan for the purposes of the Agreement. As a result, the Ontario authority will continue to be the major authority for the plan.*
- 4) *A pension plan is submitted to the British Columbia pension supervisory authority for registration. According to the information set out in the application for registration, there are 800 active members employed in British Columbia, 830 in Alberta and 700 in Saskatchewan. Since the plurality of active members is in Alberta, the Alberta pension supervisory authority is the major authority for the plan under the Agreement.*

In this situation, the British Columbia authority must advise the plan administrator that it is not the major authority for the plan and that the plan must be registered with the Alberta authority. The British Columbia authority must also provide notice to the Alberta authority.

- 5) *A pension plan has 40 active members employed in Ontario, 10 active members in Alberta and 50 retired members whose former employment was in Quebec. Even though there are more inactive members in Quebec than active members in Ontario, the Ontario pension supervisory authority is the major authority for the plan. This is because the terms of the Agreement require a plan to be registered in the jurisdiction with the most **active** members.*

SECTION 4
ROLE OF THE MAJOR AUTHORITY

Interpretation

4. (1) For the purposes of this section:
- (a) a decision includes an order, direction, approval or, if specific recourse is provided, a proposal to make such a decision; and
 - (b) recourse includes the right to request a hearing, review, reconsideration or appeal.

Role of major authority

- (2) The major authority for a pension plan shall:
- (a) supervise and regulate the plan in accordance with this Agreement, and on behalf of each of the minor authorities for the plan as required by this Agreement;
 - (b) subject to subsection (3) and section 9, exercise, with respect to the plan and as required by this Agreement, the functions and powers necessary to carry out this Agreement conferred on the minor authority by the pension legislation of the minor authority's jurisdiction;
 - (c) apply and enforce any rules specified in this Agreement that are not part of the pension legislation of a jurisdiction; and
 - (d) determine any matter or question related to the application of this Agreement to the plan in accordance with this Agreement and the procedural provisions of the pension legislation of the major authority's jurisdiction.

Exceptions

- (3) Despite clause (b) of subsection (2):
- (a) where the major authority for a pension plan and a minor authority for the plan agree that a particular function or power conferred by the pension legislation of the minor authority's jurisdiction shall be exercised in respect of the plan by the minor authority, only such minor authority may exercise such function or power in respect of the plan;
 - (b) where the major authority for a pension plan and a minor authority for the plan agree that a particular decision concerning the application of provisions of the pension legislation of the minor authority's jurisdiction shall be made in respect of the plan by the minor authority, only such minor authority may make such decision in respect of the plan; and

- (c) where pension legislation confers on a pension supervisory authority the power to order or otherwise require the splitting of the assets and liabilities of a pension plan, only such authority may make a decision concerning the exercise of that power with respect to the liabilities of a plan that are subject to such pension legislation and the assets of the plan related to the funding of those liabilities.

Decisions and recourse

(4) Any decision that may be made by the major authority for a pension plan that applies the provisions of the pension legislation of a minor authority's jurisdiction as described in clause (b) of subsection (1) of section 6 is subject to the following rules:

- (a) the decision shall be made under the procedural provisions of the pension legislation of the major authority's jurisdiction that would have applied if the matter had arisen under that legislation;
- (b) the decision shall be deemed to have been made by the minor authority under the procedural provisions of the pension legislation of the minor authority's jurisdiction that would have applied if the minor authority had made the decision;
- (c) when the decision is issued by the major authority, it shall include notice to any person receiving the decision as to:
 - (i) the provisions of the pension legislation of the minor authority's jurisdiction that were applied in formulating the decision that is made;
 - (ii) the recourse provided, if any, from the decision under the pension legislation of the minor authority's jurisdiction, including the body before whom such recourse may be exercised;
 - (iii) the time limit under the pension legislation of the minor authority's jurisdiction for exercising such recourse; and
 - (iv) where the pension legislation of the minor authority's jurisdiction does not provide for recourse from the decision, any recourse from the decision provided under any other legislation of that jurisdiction, including the body before whom such recourse may be exercised and the time limit for exercising such recourse; and
- (d) the right to recourse from the decision shall be determined under the pension legislation or other legislation of the minor authority's jurisdiction as though the decision had been made under the procedural provisions of that legislation.

Continued role of major authority

(5) Exercise of a recourse from a decision referred to in this section does not have the effect of preventing or releasing the major authority from continuing to fulfill its responsibilities with respect to the pension plan as set out in subsection (2).

Enforcement of decisions

(6) The major authority shall enforce any decision referred to in this section once that decision is no longer open to any further recourse, as well as any decision resulting from such recourse that is no longer open to any further recourse.

Communication with major authority

(7) A person shall be entitled to communicate with the major authority for a pension plan in the same manner that the person would be entitled to communicate with a pension supervisory authority under the legislation that would apply to the person if this Agreement did not exist.

Representative

(8) Where a person having any rights or benefits under a pension plan has designated another person or an association that represents people with rights or benefits under the plan to act on his or her behalf with respect to the major authority for the plan, such authority shall, to the extent permitted by law, communicate with that other person or association and, upon request, provide that other person or association with the information and documents to which the person is entitled.

Explanatory Notes:

This section describes the role of the major authority for a multi-jurisdictional pension plan and the major authority's obligations under the Agreement, including obligations relating to decision-making and how recourse is taken from such decisions.

According to this section, the major authority is required to supervise and regulate the plan, and do so on behalf of each minor authority, as required by the Agreement. In order to carry out the latter function, the minor authority delegates certain powers and functions in respect of the plan to the major authority. However, the section also provides certain exceptions to this requirement with respect to particular functions, powers and decisions that may be exercised by the minor authority alone.

With respect to decision-making and recourse, this section requires that the major authority make all initial decisions on matters arising with respect to the pension plan (other than a decision that is to be made by a minor authority alone, as mentioned above), whether or not the matter is a matter described in Schedule B to the Agreement. All such initial decisions by the major authority are to be made in accordance with the procedural provisions of the pension legislation of the major authority's jurisdiction.

However, if the decision relates to a matter not described in Schedule B, any recourse from such a decision would be made in the minor authority's jurisdiction, in accordance with the procedural requirements of the legislation of that minor authority's jurisdiction, and the initial decision made by the major authority would be deemed to have been made by the minor authority in accordance with the procedural provisions of the legislation of the minor authority's jurisdiction.

Examples:

- 1) A pension plan is registered with the Ontario pension supervisory authority, but has active members employed in both Ontario and New Brunswick. A New Brunswick member informs the Ontario authority that they have not received their joint and survivor pension benefit in accordance with New Brunswick's pension legislation. The Ontario authority attempts to resolve the issue through discussion with the parties involved, but compliance with New Brunswick's legislation is not achieved. As such, the Ontario authority issues a notice of intended decision to make an order to the plan administrator, in accordance with the procedural requirements of Ontario's pension legislation. The plan administrator wishes to pursue recourse. Since the issue relates to a matter not covered under Schedule B to the Agreement and the member is subject to New Brunswick's legislation in that regard, the recourse is an appeal to the New Brunswick Energy and Utilities Board. The recourse is made in accordance with the procedures in New Brunswick's legislation and the initial notice of intended decision issued by the Ontario authority is deemed to have been an order made by the New Brunswick pension supervisory authority in accordance with the procedures in New Brunswick's legislation.*

**SECTION 5
LOSS OF MAJOR AUTHORITY STATUS****Loss of major authority status**

5. (1) The major authority for a pension plan shall lose its status in that regard on the date described in subsection (2) where, according to the most recent periodic information return that has been filed with the major authority in relation to the plan's fiscal year end, the number of active members of the plan employed in relation to the major authority's jurisdiction, as determined under subsection (3) of section 3 as of the plan's fiscal year end, is:

- (a) for the third consecutive fiscal year, less than the number of active members who were employed in relation to any other jurisdiction or jurisdictions;
- (b) less than 75% of the number of active members who were employed in relation to any other jurisdiction; or
- (c) equal to zero and there are active members of the plan employed in relation to any other jurisdiction.

Date of loss of major authority status

(2) The major authority for a pension plan loses its status in that regard:

- (a) in the case provided for in clause (a) or (b) of subsection (1), five days prior to the end of the first plan fiscal year that begins after the date on which the major authority received the information referred to in the relevant clause; and
- (b) in the case provided for in clause (c) of subsection (1), upon the later of the fifth day before the end of the current plan fiscal year during which the major authority received the information referred to in that clause or of the expiry of the period of six months beginning on the date the major authority received the information.

New major authority

(3) When the major authority for a pension plan loses its status in that regard in accordance with subsection (2), the pension supervisory authority for the jurisdiction having, as determined in accordance with subsection (1), the plurality of active members of the plan becomes the plan's new major authority if that new major authority is subject to this Agreement.

Cancellation of change of major authority

(3.1) Despite subsections (1), (2) and (3), the major authority for a pension plan shall not lose its status in that regard under this section if, before the applicable date described in subsection (2), a periodic information return is filed with the major authority in relation to the fiscal year end of the plan immediately preceding the applicable date described in subsection (2), and that periodic information return indicates that the major

authority's jurisdiction is the jurisdiction with the plurality of active members of the plan, as determined in accordance with subsection (3) of section 3.

Equal number of active members

(4) Where the new major authority for a pension plan cannot be determined in accordance with subsection (3) because two or more jurisdictions have authority over an equal number of active members of the plan, the major authority for the plan shall be, of those jurisdictions, the authority whose main office is in closest proximity to the main office of the administrator of the plan. For the purposes of this subsection:

- (a) the main office of a pension supervisory authority is the office from which the authority conducts most of its supervisory activities; and
- (b) the main office of the pension plan administrator is the office from which the plan administrator described in the text of the pension plan conducts most of the plan's administration.

Transitional rules

(5) Where the major authority for a pension plan loses its status in that regard in accordance with this section:

- (a) all matters related to the plan that are pending before the major authority on the day preceding its loss of status as major authority shall be continued before that authority;
- (b) all matters related to the plan that concern a decision, order, direction or approval proposed or made by the major authority and pending before any administrative body or court on the day preceding the loss of the major authority's status as major authority shall be continued before such body or court;
- (c) for every matter in respect of which the major authority referred to in clause (a) or the administrative body or court referred to in clause (b) has proposed or made a decision, order, direction or approval to which the pension legislation or other legislation applying on the day preceding the replacement of the major authority provides a right of recourse:
 - (i) such right shall be maintained so long as the period provided for exercising that right has not expired; and
 - (ii) such recourse may be brought before the administrative body or court provided for by the legislation giving entitlement thereto;

- (d) for any matter related to the plan not described in clauses (a) to (c) that occurred while the major authority was the major authority for the plan and that related to the provisions of the pension legislation of the major authority's jurisdiction in respect of a matter referred to in Schedule B:
 - (i) the major authority may, even after it loses its status in that regard for the plan, conduct an examination, investigation or inquiry into the matter in accordance with the pension legislation of the major authority's jurisdiction to determine whether compliance with that legislation was met, and in such case, the matter shall remain subject to that major authority; and
 - (ii) where the matter constitutes an offence or is subject to an administrative penalty under the pension legislation of the major authority's jurisdiction, the offence or administrative penalty may be prosecuted or imposed by the competent authority in that jurisdiction, and in such case, the matter shall remain subject to that major authority; and
- (e) all matters referred to in clauses (a) to (d) shall remain subject to the pension legislation or other legislation that, under this Agreement, applied to such matters on the day preceding the loss of the major authority's status as major authority.

Notice by major authority

(6) Where the major authority for a pension plan receives from the administrator of the plan the information described in clauses (a), (b) or (c) of subsection (1), it shall:

- (a) as soon as possible after receipt of the information, notify the pension plan administrator and each minor authority for the plan of the following:
 - (i) the date on which, pursuant to subsection (2), the major authority will lose its status as major authority for the plan;
 - (ii) if applicable, the pension supervisory authority that shall become the new major authority for the plan; and
 - (iii) that despite the information provided in accordance with subclauses (i) and (ii), the major authority shall not lose its status in that regard if, before the applicable date described in subclause (i), a periodic information return is filed with the major authority in relation to the fiscal year end of the plan immediately preceding the applicable date described in subclause (i), and that periodic information return indicates that the major authority's jurisdiction is the jurisdiction with the plurality of active members of the plan; and

- (b) as soon as possible after the plan's new major authority assumes its functions, provide to such new major authority all relevant records, documents or other information that it has concerning the plan.

Subsequent notice by major authority

(6.1) Where the major authority for a pension plan receives from the administrator of the plan a periodic information return described in subsection (3.1), the major authority shall, as soon as possible after receipt of the periodic information return, notify the pension plan administrator and each minor authority for the plan that such periodic information return has been filed with the major authority, and that as a result, the major authority shall not lose its status in that regard on the date described in the notice provided under clause (a) of subsection (6).

Notice by new major authority

(7) The pension supervisory authority that replaces another authority as major authority for a pension plan shall, as soon as possible after assuming its functions, inform the pension plan administrator and each of the plan's minor authorities of the date on which it assumed the functions of major authority.

Notice by plan administrator

(8) The administrator of a pension plan that receives from the plan's major authority notice of the information provided for in clause (a) of subsection (6), in subsection (6.1) or in subsection (7) shall:

- (a) in respect of the information provided for in clause (a) of subsection (6) and subsection (6.1), transmit such information to each employer that is party to the plan and any collective bargaining agent that represents any person who has rights or benefits under the plan within 90 days after such notice; and
- (b) in respect of the information provided for in subsection (7), transmit such information to each employer that is party to the plan and any person who has rights or benefits under the plan who is entitled to receive an annual or other periodic statement of the person's benefits, no later than the expiry of the period for providing such persons with their next annual or other periodic statements of benefits.

Explanatory Notes:

Over time, as the number of active members employed in different jurisdictions changes, the major authority for a multi-jurisdictional pension plan could change. This section sets out the criteria for determining the circumstances under which a major authority would lose its status in that regard under the Agreement. This section also establishes the timing of the loss of major authority status, the rules for determining a new major authority for the plan, as well as the notification requirements regarding a change in major authority. In addition, this section provides for circumstances where the change of the major authority may be canceled.

At the time of transition from an initial major authority to a new major authority, all matters pending before the initial major authority will be continued by that authority. These matters could include, but are not limited to, matters where an application has been made to the initial major authority, or where that authority has commenced an enforcement action. Other matters which could be considered to be pending include matters with respect to which a member complaint has been received, information has been requested by the initial major authority or a demand for compliance has been made. Pre-existing routine matters, such as completion of the review of an actuarial report or an amendment, may also be continued by the initial major authority.

From the date on which the initial major authority loses its status as major authority for a pension plan, any new matter relating to the plan must be dealt with by the new major authority, even if the initial major authority has not yet transferred to the new major authority all relevant records, documents or other information that it has concerning the plan.

Examples:

Unless otherwise indicated, the following examples assume that the rules in subsection 5(3.1) of the Agreement for cancelling a change of major authority do not apply to the example in question. In addition, the examples assume that any annual information return (AIR) described in an example is filed with the major authority on the last day of the period provided under the major authority's pension legislation for filing the AIR.

- 1) A defined benefit pension plan is registered with the Ontario pension supervisory authority and has a plan fiscal year end of December 31. The active plan membership indicated on the plan's AIRs is as follows:*

Year End	Active Members Employed by Jurisdiction		
	Ontario	Alberta	British Columbia
December 31, 2020	1000	800	500
December 31, 2021	800	500	1000
December 31, 2022	800	500	1000
December 31, 2023	800	1000	500

The AIRs as at December 31 for 2021, 2022 and 2023 show that Ontario no longer has a plurality of active plan members. Once it is shown in the AIRs for three consecutive fiscal year ends that Ontario has fewer active members than any other jurisdiction, the role of the major authority shifts to the minor authority with the plurality of active members, determined at the end of the third fiscal year of the plan.

In this example, although for two of the three years British Columbia had more active members than either Ontario or Alberta, the major authority shifts to the Alberta pension supervisory authority because, at the end of the 3-year period, Alberta had the most active members of any jurisdiction.

As soon as possible after receiving the December 31, 2023, AIR confirming the change in plurality, the Ontario authority must provide notice of the impending change of major authority (which will take place towards the end of 2025) to both the Alberta authority and the British Columbia pension supervisory authority. The pension plan administrator must also receive notice from the Ontario authority of the impending change in registration and major authority.

The plan administrator must then notify all employers participating in the plan and any collective bargaining agent representing anyone with rights or benefits under the plan of the impending change of major authority, within 90 days of receiving the Ontario authority's notice.

The AIR as at December 31, 2024, must still be filed with the Ontario authority in accordance with Ontario's pension legislation, and the change of major authority to the Alberta authority occurs on December 26, 2025. This means that the AIR as at December 31, 2025, must be filed with the Alberta authority.

As soon as possible after the Alberta authority assumes the role of major authority for the plan, it must provide notice to the minor authorities (the Ontario and British Columbia authorities) and the plan administrator that it is the new major authority for the plan.

In turn, the plan administrator is required to provide notice of the change in major authority to any person entitled to receive an annual or other periodic statement of benefits from the plan and to all employers that are party to the plan, by the time that the next annual or other periodic statements of benefits are required to be provided to those persons.

- 2) A pension plan has the same characteristics as the plan in the example 1, but the active plan membership indicated on the plan's AIRs is as follows:

Year End	Active Members Employed by Jurisdiction		
	Ontario	Alberta	British Columbia
December 31, 2020	1000	800	500
December 31, 2021	800	500	1000
December 31, 2022	800	500	1000
December 31, 2023	800	1000	500
December 31, 2024	1100	1000	500

The AIRs as at December 31 for 2021, 2022 and 2023 show that Ontario has fewer active plan members than at least one other authority for three consecutive fiscal years. As a result, the major authority shifts to the Alberta pension supervisory authority on December 26, 2025, because at the end of the 3-year period, Alberta had the most active members of any jurisdiction.

As in example 1, the Ontario pension supervisory authority must notify, as soon as possible after receiving the AIR as at December 31, 2023, the plan administrator and the two minor authorities (the Alberta and British Columbia pension supervisory authorities) of the impending change of major authority (which will take place towards the end of 2025). The plan administrator must provide this information to all employers participating in the plan and any collective bargaining agent representing anyone with rights or benefits under the plan, within 90 days of receiving the Ontario authority's notice.

However, the AIR as at December 31, 2024, shows that Ontario again has more active plan members than other jurisdictions. Therefore, the Ontario authority will not lose its status as major authority on December 26, 2025, to the Alberta authority as originally expected.

After receiving the AIR as at December 31, 2024, the Ontario authority must, as soon as possible, notify the plan administrator and each minor authority (the Alberta and British Columbia authorities) that the latest AIR shows that Ontario again has the plurality of active plan members, and therefore the Ontario authority retains its status as major authority.

Within 90 days of receiving the Ontario authority's notice, the plan administrator must, in turn, notify all employers that are party to the plan and any collective bargaining agent representing anyone with rights or benefits under the plan that the Ontario authority retains its status as major authority.

- 3) A pension plan has the same characteristics as the plan in example 1, other than the following active plan membership characteristics:

Year End	Active Members Employed by Jurisdiction		
	Ontario	Quebec	Alberta
December 31, 2020	1000	800	500
December 31, 2021	700	1000	500

The December 31, 2020, AIR shows 1000 active members employed in Ontario compared to 800 in Quebec. However, as of December 31, 2021, there are only 700 active members employed in Ontario and 1000 in Quebec. Since the number of active members in Ontario is now less than 75% of the number of active members in Quebec, the registration of the plan must now move to the Quebec pension supervisory authority.

As soon as possible after receiving the December 31, 2021, AIR, the Ontario pension supervisory authority must notify the plan administrator and the two minor authorities (the Quebec and Alberta pension supervisory authorities) of the impending change of major authority (which will take place towards the end of 2023). The plan administrator is then required to provide this information to all participating employers and any collective bargaining agent representing anyone with rights or benefits under the plan, within 90 days of receiving the Ontario authority's notice.

The AIR as at December 31, 2022, must still be filed with the Ontario authority in accordance with Ontario's pension legislation, and the change of major authority to the Quebec authority will occur on December 26, 2023. This means that an AIR as at December 31, 2023, must be filed with the Quebec authority in accordance with Quebec's pension legislation.

As soon as possible after the Quebec authority assumes its role as major authority for the plan, it must notify the plan administrator and the minor authorities (the Ontario and Alberta authorities) that it is the new major authority for the plan. In turn, the plan administrator must provide this information to any person entitled to receive an annual or other periodic statement of benefits from the plan and all employers that are party to the plan, by the time that the next annual or other periodic statements of benefits are required to be provided to those persons.

- 4) A pension plan has the same characteristics as the plan in example 1, other than the following active plan membership characteristics:

Year End	Active Members Employed by Jurisdiction		
	Ontario	Alberta	British Columbia
December 31, 2020	1000	800	500
December 31, 2021	0	800	500

The December 31, 2020, AIR shows 1000 active members employed in Ontario compared to 800 in Alberta. However, as of December 31, 2021, there are no active members left in Ontario. As such, the registration of the plan must now move to the Alberta pension supervisory authority.

The Ontario pension supervisory authority must have received the December 31, 2021, AIR by September 30, 2022. As soon as possible after receiving that AIR, the Ontario authority must notify the plan administrator and the two minor authorities (the Alberta and the British Columbia pension supervisory authorities) of the impending change of major authority. The plan administrator must then provide this information to all employers participating in the plan, as well as any collective bargaining agent that represents anyone with rights or benefits under the plan, within 90 days of receiving the Ontario authority's notice.

Assuming the December 31, 2021, AIR was received by the Ontario authority on September 30, 2022, the Alberta authority becomes the major authority for the plan effective April 1, 2023. The AIR as at December 31, 2022, must still be filed with the Ontario authority in accordance with Ontario's pension legislation, but all subsequent AIRs must be filed with the Alberta authority in accordance with Alberta's pension legislation.

As soon as possible after the Alberta authority assumes the role of major authority for the plan, it must provide notice to the plan administrator and the minor authorities (the British Columbia authority, and if there are still any Ontario liabilities in relation to the plan, the Ontario authority) that it is the new major authority for the plan. In turn, the plan administrator is required to provide this information to any person entitled to receive an annual or other periodic statement of benefits from the plan and all employers that are party to the plan, by the time that the next annual or other periodic statements of benefits are required to be provided to those persons.

- 5) A pension plan has the Alberta pension supervisory authority as its major authority and has, in each of three consecutive fiscal years, 800 active members employed in both British Columbia and Ontario, 500 in Alberta and 300 in Manitoba. The location of the plan administrator is in Calgary. The British Columbia pension supervisory authority becomes the new major authority for the plan, since its offices in Vancouver are located within closest proximity to the plan administrator.*
- 6) The British Columbia pension supervisory authority is the major authority for a pension plan, but the plurality of active members shifts to the province of Quebec and the Quebec pension supervisory authority becomes the plan's new major authority. However, before the change of major authority, the British Columbia authority issues a direction for compliance against the plan administrator.*

The change of major authority will occur as scheduled, but the regulatory matter pending before the British Columbia authority will continue to be addressed by the British Columbia authority until the point at which it is no longer open to recourse.

Once it is no longer open to recourse, the Quebec authority will be required to implement any final resolution of the matter.

- 7) A pension plan has the same characteristics as the plan in example 1, including the following active plan membership characteristics:

Year End	Active Members Employed by Jurisdiction		
	Ontario	Alberta	British Columbia
December 31, 2020	1000	800	500
December 31, 2021	800	500	1000
December 31, 2022	800	500	1000
December 31, 2023	800	1000	500

As described in example 1, the change in major authority will occur on December 26, 2025, and the AIR for the period ending December 31, 2025, will be filed with the Alberta pension supervisory authority.

However, let's assume that, prior to December 26, 2025, the Ontario pension supervisory authority issues a notice of intended decision (NOID) to make an order against the administrator of this pension plan. The plan administrator then requests a hearing before the Ontario Financial Services Tribunal (FST) in respect of the NOID, as permitted by Ontario's pension legislation. As of December 26, 2025, the matter is still pending before Ontario's FST.

Because this regulatory action was started before December 26, 2025, the matter will be continued before the FST until resolved (that is, until the FST's decision has been issued, and either the time frame for an appeal of the FST's decision has expired or all avenues of appeal have been exhausted).

- 8) A pension plan has the same characteristics as the plan in the example 1, including the distribution of its active members. As indicated in that example, the Alberta pension supervisory authority would become the new major authority for the pension plan on December 26, 2025. The Ontario pension supervisory authority, being the initial major authority, intends to transfer all relevant records, documents or other information that it has concerning the plan to the Alberta authority by the end of February 2026.

The plan administrator intends to submit an application to register a plan amendment in January 2026. The Alberta authority will be responsible for registering this amendment. The application for registration must be made to the Alberta authority in accordance with Alberta's pension legislation and the Agreement.

**PART III
APPLICABLE LAW**

SECTION 6.

APPLICABLE LEGISLATION

Applicable pension legislation

6. (1) While a pension supervisory authority is the major authority for a pension plan in accordance with this Agreement:

- (a) the provisions of the pension legislation of the major authority's jurisdiction in respect of matters referred to in Schedule B apply to the plan instead of those of the corresponding provisions of the pension legislation of any minor authority's jurisdiction that would apply to the plan if this Agreement did not exist; and
- (b) subject to the provisions of this Agreement, the provisions of the pension legislation of each jurisdiction that are applicable to the plan under the terms of such legislation apply to the plan in respect of matters not referred to in Schedule B.

Funding rule transition on change of major authority

(2) Despite clause (a) of subsection (1) and subject to subsection (4), when a pension supervisory authority becomes the major authority for a pension plan in accordance with this Agreement, if the funding of any benefit provided under the plan has been based on actuarial valuation reports filed in respect of the plan with a pension supervisory authority, the funding of those benefits shall continue to be subject to the pension legislation that applied immediately before the major authority assumed its functions in respect of the plan until such time as a new actuarial valuation report is due to be filed in respect of the plan with the major authority in accordance with the pension legislation of the major authority's jurisdiction.

Definitions

(3) For the purposes of subsection (4):

“alternative funding arrangement” means a fund or financial instrument that is described in the pension legislation of a jurisdiction and is permitted under that legislation to supplement, support or otherwise satisfy the funding requirements for a pension plan under that legislation, where in the absence of such fund or financial instrument additional contributions would be required to be made to the pension fund of the plan in order to satisfy the funding requirements for the plan under that legislation; (“instrument financier”)

“new major authority” means a pension supervisory authority that becomes the major authority for a pension plan in accordance with this Agreement; and

“prior authority” means a pension supervisory authority with which a pension plan is registered immediately before a pension supervisory authority becomes the major authority for the plan in accordance with this Agreement.

Alternative funding arrangement exceptions

(4) Despite clause (a) of subsection (1), when a pension supervisory authority becomes the new major authority for a pension plan, if the pension legislation of the prior authority’s jurisdiction permitted the use of an alternate funding arrangement, but the pension legislation of the new major authority’s jurisdiction does not permit the use of that alternate funding arrangement, then:

- (a) if, no later than thirty-five days before the new major authority becomes the major authority for the plan, the administrator of the plan provides notice to both the new major authority and the prior authority that it intends to file an actuarial valuation report with the new major authority with a valuation date that coincides with the fiscal year end of the plan that immediately follows the new major authority becoming the major authority for the plan, then the following rules shall apply with respect to the funding of the plan:
 - (i) the alternative funding arrangement may continue to be used until thirty days after the valuation report is due to be filed with the new major authority;
 - (ii) no later than thirty days after the valuation report is due to be filed with the new major authority, an amount equal to the lesser of the value of the alternative funding arrangement or the amount required to make the plan fully funded on a solvency basis shall be deposited into the pension fund of the plan by an employer that is party to the plan; and
 - (iii) if the amount described in subclause (ii) has not been deposited by an employer into the pension fund of the plan within the thirty day timeframe described in that subclause, an amount equal to the full value of the alternative funding arrangement shall be immediately deposited into the pension fund of the plan by an employer that is party to the plan; and
- (b) if the administrator of the plan does not provide the notice described in clause (a), then the following rules shall apply with respect to the funding of the plan:
 - (i) no later than thirty days before the new major authority becomes the major authority for the plan, an amount equal to the lesser of the value of the alternative funding arrangement or the amount required to make the plan fully funded on a solvency basis shall be deposited

into the pension fund of the plan by an employer that is party to the plan; and

- (ii) until the time a new actuarial valuation report described in subsection (2) is filed with the new major authority respecting the plan, an amount equal to the lesser of the value of any subsequent alternative funding arrangement that would have been required to have been obtained in relation to the plan under the pension legislation of the prior authority's jurisdiction, or the amount that would be required to make the plan fully funded on a solvency basis, shall be deposited into the pension fund of the plan by an employer that is party to the plan instead of obtaining the subsequent alternative funding arrangement, at or before the time the alternative funding arrangement would have been required to have been obtained in relation to the plan under the pension legislation of the prior authority's jurisdiction and in accordance with the last actuarial valuation report that had been filed with the prior authority in respect of the plan.

Annuity discharge requirements

(5) The requirements of the pension legislation that governs a person's benefits under a pension plan must be satisfied in order for the purchase of an annuity from an insurance company to constitute a final payment of those benefits and to discharge the liability to pay those benefits to the person under that pension legislation. For the purposes of subsection (6), any such requirements set out in a jurisdiction's pension legislation shall be referred to as "annuity discharge requirements".

Funding rule exceptions for annuity discharges

(6) Despite subsection (5), where in relation to a pension plan both the pension legislation of the major authority's jurisdiction and the pension legislation of a minor authority's jurisdiction set out annuity discharge requirements, the annuity discharge requirements of the pension legislation of the major authority's jurisdiction shall apply to the plan instead of any corresponding annuity discharge requirements of the pension legislation of the minor authority's jurisdiction in respect of the following matters:

- (a) requirements for contributions made to the pension fund (including the type or form of contributions, the manner in which they must be made and deadlines for making them);
- (b) minimum plan funding and solvency levels; and
- (c) actuarial valuation reports to be filed with the pension supervisory authority (including the form and content of such reports, filing deadlines and actuarial standards to be applied in preparing such reports).

Explanatory Notes:

This section describes the matters to which the pension legislation of the major authority's jurisdiction would apply in respect of a multi-jurisdictional pension plan, and the matters to which the pension legislation of a minor authority's jurisdiction would apply in respect of the plan. This section provides for a general approach as well as some exceptions.

General approach

The pension legislation of the major authority's jurisdiction applies to a multi-jurisdictional pension plan instead of the corresponding provisions of the pension legislation of any minor authority's jurisdiction in respect of matters referred to in Schedule B to the Agreement.

On the other hand, the pension legislation of a minor authority's jurisdiction continues to apply to the plan with respect to all matters that are not referred to in Schedule B, including requirements respecting the benefits accrued by plan members who are subject to that legislation.

Funding rule transition

Generally speaking, matters related to the funding of an ongoing pension plan are included in Schedule B to the Agreement and subject to the pension legislation of the major authority's jurisdiction.

However, subsection 6(2) of the Agreement sets out a plan funding transition rule when there is a change in major authority. This subsection applies when the change of major authority is made between two authorities that are both already subject to the Agreement, or when a plan registered with an authority that is not subject to the Agreement becomes registered with an authority that is.

In these circumstances, subsection 6(2) provides that the funding rules in the legislation of the prior authority's jurisdiction continue to apply to the funding of benefits under the plan until a new actuarial valuation report is due to be filed as required by the pension legislation of the new major authority's jurisdiction. On and after the due date for filing that new valuation report with the new major authority, the funding rules in the pension legislation of the new major authority's jurisdiction will apply to the plan and that new valuation report.

Alternative Funding Arrangements

Subsection 6(4) of the Agreement also sets out additional plan funding transition rules for "alternative funding arrangements" as defined in subsection 6(3). For example, letters of credit permitted under the pension legislation of many jurisdictions would qualify as alternative funding arrangements for the purposes of the Agreement.

Subsection 6(4) applies where a pension supervisory authority becomes the major authority for a pension plan under the Agreement and the pension legislation of that new major authority's jurisdiction does not permit the use of an alternative funding

arrangement that the plan is currently using as permitted by the pension legislation of the jurisdiction under which the plan is currently registered. Subsection 6(4) applies both when the change of major authority is made between two authorities that are already subject to the Agreement, and when a plan registered with an authority that is not subject to the Agreement becomes registered with an authority that is.

In the situation described in subsection 6(4), the administrator of the plan may elect one of two options. In essence, the first option (described in clause 6(4)(a) of the Agreement) allows the plan to continue using the alternative funding arrangement after the date on which the major authority changes, until the expiry of a 30-day time limit beginning as of the date on which an actuarial valuation report must be filed with the new major authority. The employer is then required to deposit into the plan's pension fund the value of the alternative funding arrangement or the amount needed to make the plan fully funded on a solvency basis, whichever is less. The other option (described in clause 6(4)(b) of the Agreement) is for the employer to deposit into the plan's pension fund the value of the alternative funding arrangement or the amount needed to make the plan fully funded on a solvency basis, whichever is less, before the new major authority assumes its duties.

Note that nothing in the Agreement would prevent the terms of the alternative funding arrangement from being amended to comply with the pension legislation of the new major authority's jurisdiction, if so permitted by the pension legislation that applies to the alternative funding arrangement before the new major authority assumes its duties with respect to the pension plan.

Annuity discharges

The pension legislation of some Canadian jurisdictions allows the purchase of an annuity from an insurance company to constitute a final payment of a person's benefits and to discharge the plan from the obligation to pay those benefits, if the requirements set out in that pension legislation are satisfied.

Subsections 6(5) and (6) of the Agreement set out requirements that apply for an annuity purchase to constitute a final payment of a person's benefits and to discharge the plan from its obligations.

Subsection 6(5) provides, as a starting point, that the requirements of the pension legislation that governs a person's benefits must be satisfied in order for the purchase of an annuity to be considered a final payment of the person's benefits and to discharge the plan from its obligations in relation to that person. For example, the Quebec pension legislation provides that the purchase must be made in accordance with the pension plan's annuity purchasing policy. The obligation to adopt an annuity purchasing policy that complies with the requirements of the Quebec legislation applies to persons whose benefits are governed by that legislation, even if the plan is registered with a major authority whose pension legislation does not require such an annuity purchasing policy for people who have benefits governed by the major authority's pension legislation.

Subsection 6(6) provides an exception to the requirement in subsection 6(5) that the pension legislation of a minor authority applies to an annuity discharge. Where the pension legislation of the major authority's jurisdiction and that of a minor authority's jurisdiction set out annuity discharge requirements, the funding requirements of the pension legislation of the major authority's jurisdiction relating to annuity discharges apply instead of the funding requirements of the pension legislation of the minor authority's jurisdiction relating to annuity discharges in respect of:

- *contributions to be paid to the pension fund;*
- *minimum plan funding and solvency levels; and*
- *actuarial valuation reports to be filed with the pension supervisory authority.*

Note that subsections 6(5) and 6(6) of the Agreement do not have the effect of permitting a purchase of annuities to discharge a pension plan's obligation to pay benefits to persons whose pension legislation does not provide for annuity discharges.

On the other hand, if the pension legislation of the major authority's jurisdiction does not provide for annuity discharges, an annuity discharge can still be obtained for persons subject to the pension legislation of any minor authority's jurisdiction which allows annuity discharges. In such a case, the requirements of the pension legislation of the minor authority's jurisdiction will apply to those persons in the minor authority's jurisdiction, as provided in subsection 6(5).

Examples:

General approach

- 1) *The Ontario pension supervisory authority is the major authority for a pension plan that provides post-retirement indexation benefits and has members subject to the Ontario and federal pension legislation. The federal pension legislation requires the funding of post-retirement indexation benefits on both a going concern and solvency basis in relation to that plan. Ontario's pension legislation does not require the funding of post-retirement indexation benefits on a solvency basis. In accordance with clause 6(1)(a) of the Agreement and paragraph 6 of section 1 of Schedule B to the Agreement, the post-retirement indexation benefits of the plan's federal members must be funded in the same manner as those of the plan's Ontario members. As a result, the post-retirement indexation benefits of the federal members will not have to be funded on a solvency basis.*
- 2) *The Ontario pension supervisory authority is the major authority for a pension plan that has members in Ontario and Quebec. Ontario's pension legislation requires that unisex mortality tables be used to determine how benefits are funded, but Quebec's pension legislation requires that gender-specific mortality tables be used to determine funding. The Ontario authority will require that all benefits be funded for Quebec plan members using the unisex mortality tables, in accordance with Ontario's legislation. However, when Quebec plan members terminate their membership, the commuted*

value of their accrued benefits is determined using gender-specific mortality tables, in accordance with Quebec's legislation.

- 3) *Quebec's pension legislation provides that if a Quebec member terminates membership and elects to transfer the value of their benefits, the amount payable to the member is equal to the commuted value of the member's benefits multiplied by the "degree of solvency" of the plan (as calculated in accordance with Quebec's legislation), unless the plan terms specify that the full commuted value is payable.*

In this example, the Ontario pension supervisory authority is the major authority for a defined benefit pension plan that has members in Ontario and Quebec. The terms of the plan do not provide for the full commuted value of Quebec members' benefits to be paid, should they elect to transfer the value of their benefits.

Therefore, according to clause 6(1)(a) of the Agreement, the commuted value of a Quebec member's benefits must be calculated according to Quebec's legislation and the amount payable to the member must be calculated using the plan's degree of solvency.

In order to achieve this, the actuarial valuation reports for the plan filed with the Ontario authority must set out the plan's degree of solvency calculated in accordance with Quebec's legislation (which means that the assets and liabilities of the whole plan must be calculated according to Quebec's legislation for that purpose), even though the Ontario pension legislation otherwise applies to the plan's actuarial valuation reports according to paragraph 6 of section 1 of Schedule B to the Agreement.

- 4) *The Ontario pension supervisory authority is the major authority for a defined benefit pension plan that has members in Ontario and Quebec. The terms of the plan do not specify that Quebec members are entitled to the full commuted value of their benefits when they terminate membership and elect to transfer the value of their benefits.*

A Quebec member of the plan terminates membership and elects to transfer the value of their benefits. The commuted value of the member's benefits is valued at \$100,000 (before the application of the Quebec "degree of solvency"). The "transfer ratio" of the plan as determined in accordance with Ontario's pension legislation and as set out in the most recent actuarial valuation report for the plan filed with the Ontario authority is 75%.

If the plan's degree of solvency (as calculated in accordance with Quebec's pension legislation) as set out in the most recent actuarial valuation report for the plan filed with the Ontario authority is 70%, then the Quebec member will be entitled under Quebec's legislation to be paid \$70,000 ($\$100,000 \times 70\%$). Since the Ontario transfer ratio for the plan (75%) is higher than the plan's degree of solvency (70%), the entire \$70,000 will be payable to the Quebec member.

If instead the plan's degree of solvency is 80%, then the Quebec member will be entitled to be paid \$80,000 ($\$100,000 \times 80\%$). Since the Ontario transfer ratio for the plan (75%) is lower than the plan's degree of solvency (80%), an initial payment of \$75,000 ($\$100,000 \times 75\%$) will be payable to the Quebec member. The remaining \$5,000 must be paid to the member in accordance with the requirements under Ontario's legislation related to the payment of commuted values from a plan whose transfer ratio is less than 100%. Ontario's legislative requirements related to the timing of commuted value payments apply to the Quebec member due to paragraph 6 of section 1 of Schedule B to the Agreement.

- 5) *The Quebec pension supervisory authority is the major authority for a defined benefit pension plan that has members in Quebec and Ontario. The terms of the plan do not specify that Quebec members are entitled to the full commuted value of their benefits when they terminate membership and elect to transfer the value of their benefits.*

An Ontario member of the plan terminates employment and elects to be paid the commuted value of the member's benefits from the plan, which are valued at \$100,000. The plan's degree of solvency as set out in the most recent actuarial valuation report for the plan filed with the Quebec authority is 70%.

The Ontario member will be entitled, under Ontario's pension legislation to be paid \$100,000 in full satisfaction of the commuted value amount payable to the member. Since the degree of solvency for the plan (70%) is lower than 100%, an initial payment of \$70,000 ($\$100,000 \times 70\%$) will be payable to the Ontario member. The remaining \$30,000 must be paid to the member in accordance with the requirements under Quebec's pension legislation related to the payment of commuted values from a plan whose degree of solvency is less than 100%. Quebec's legislative requirements related to the timing of commuted value payments apply to the Ontario member due to paragraph 6 of section 1 of Schedule B to the Agreement.

Funding rule transition

- 6) *The Alberta pension supervisory authority is the major authority for a defined benefit pension plan that has members in Alberta and Ontario. The last filed actuarial funding valuation report for the plan was submitted to the Alberta authority on June 29, 2021, and had an effective date of December 31, 2020.*

As a result of a shift in the plurality of the plan's active membership, the Ontario pension supervisory authority becomes the new major authority for the plan on December 26, 2022. The next required valuation report for the plan will have an effective date of December 31, 2023, and will not be required to be filed with the Ontario authority under Ontario's pension legislation until September 30, 2024. As such, this plan will continue to be subject to funding rules in Alberta's pension legislation until September 30, 2024, at which point it will be subject to the funding rules in Ontario's pension legislation.

- 7) *The British Columbia pension supervisory authority is the major authority for a pension plan that has members in British Columbia and Yukon. The last filed actuarial funding valuation report for the plan had an effective date of December 31, 2023, and determined a solvency deficiency for the plan that would usually be funded by special payments from the employer over 5 years. For the purposes of this example, assume that British Columbia's pension legislation provides for a temporary moratorium on such special payments, and during the 2024 and 2025 plan fiscal years, no special payments relating to the solvency deficiency are paid into the plan's pension fund, and the plan is not fully funded on a solvency basis on December 31, 2025.*

As a result of a shift in the plurality of the plan's active membership from British Columbia to Yukon, the federal pension supervisory authority will become the new major authority for the pension plan on December 26, 2025. Using the authority granted to it under the federal pension legislation, the federal authority requires that the plan administrator complete a new valuation report for the plan with an effective date of December 31, 2025, and requires that the new report be filed with the federal authority by June 30, 2026. For the purposes of this example, assume that the federal pension legislation does not provide for a moratorium on special payments for solvency deficits and as a result, the solvency deficiency determined in relation to the plan as at December 31, 2025, will have to be funded by the employer in accordance with the federal legislation.

Alternative Funding Arrangements

- 8) *The Quebec pension supervisory authority is the major authority for a defined benefit pension plan that has members in Quebec and in Newfoundland and Labrador. The plan's funding is supported by a letter of credit arrangement in the amount of \$700,000 in accordance with Quebec's pension legislation. As a result of a shift in the plurality of the plan's active membership, the Newfoundland and Labrador pension supervisory authority will become the new major authority for the plan on December 26, 2023. Newfoundland and Labrador's pension legislation does not allow for the use of letter of credit arrangements.*

On or before November 21, 2023, the plan administrator notifies both the Quebec and Newfoundland and Labrador authorities that it intends to file with the Newfoundland and Labrador authority a new actuarial funding valuation report for the plan with an effective date of December 31, 2023 (the next fiscal year end of the plan). Newfoundland and Labrador's pension legislation will require that the valuation report be filed with the Newfoundland and Labrador authority no later than September 30, 2024.

No later than October 30, 2024, the employer must pay into the plan's pension fund a cash amount equal to the lesser of the full value of the letter of credit arrangement (\$700,000) or the amount needed to make the plan fully funded on a solvency basis. If the employer fails to pay that amount into the pension fund by October 30, 2024, the employer must pay the full value of the letter of credit arrangement into the pension fund without further delay.

- 9) *A pension plan has the same characteristics as the plan described in example 8, but the plan administrator does not notify either the Quebec or Saskatchewan pension supervisory authorities by November 21, 2023, that it intends to file with the Saskatchewan authority a new actuarial funding valuation report for the plan with an effective date of December 31, 2023.*

No later than November 26, 2023, the employer must pay into the plan's pension fund a cash amount equal to the lesser of the full value of the letter of credit arrangement (\$700,000) or the amount needed to make the plan fully funded on a solvency basis.

In addition, if Quebec's pension legislation would have required that the plan obtain additional letters of credit in the future to support the plan's funding, until a new valuation report for the plan is filed with the Saskatchewan authority, the employer will be required to pay into the plan's pension fund a cash amount equal to the lesser of the full value of each future letter of credit or the amount needed to make the plan fully funded on a solvency basis on the dates that each future letter of credit would have been required to be obtained under Quebec's legislation.

- 10) *The Alberta pension supervisory authority is the major authority for a defined benefit pension plan that has members in Alberta and Ontario. The last filed actuarial valuation report for the plan had an effective date of December 31, 2022, and determined a solvency deficiency for the plan that must be funded by special payments from the employer over 5 years. As permitted under Alberta's pension legislation, the employer obtains letters of credit covering all of the required special payments over the 5 years related to that solvency deficiency for the entire 5-year period.*

As a result of a shift in the plurality of the plan's active membership, the Ontario pension supervisory authority will become the new major authority for the plan on December 26, 2024. While Ontario's pension legislation allows for the use of letters of credit, its rules governing letters of credit are slightly different from those in Alberta's pension legislation, and the letters of credit held in relation to this plan would not satisfy Ontario's requirements. The plan administrator also does not intend to file a notice in accordance with clause 6(4)(a) of the Agreement respecting the filing of a new valuation report for the plan. As a result, by November 26, 2024, at the latest, the employer is required to pay into the plan either the value of all of the plan's letters of credit or the amount required to fully fund the plan on a solvency basis, whichever is less.

Annuity discharges

- 11) *The Quebec pension supervisory authority is the major authority for a defined benefit pension plan that has members in Quebec and Manitoba. Quebec's pension legislation provides for annuity discharges, while Manitoba's pension legislation does not. The plan administrator wishes to purchase annuities from an insurance company to cover the pensions in payment of all retired members, in order to discharge the plan from the obligation to pay these benefits.*

The annuity discharge requirements of the Quebec legislation apply to annuities purchases for the Quebec retired members.

For the Manitoba retired members, this purchase of annuities does not constitute a final discharge of their benefits under the pension plan. The plan remains ultimately responsible for the payment of their pensions.

- 12) *The Manitoba pension supervisory authority is the major authority for a defined benefit pension plan that has members in Manitoba and Quebec. The plan administrator wishes to purchase annuities from an insurance company to cover the pensions in payment of Quebec retired members, to discharge the plan from the obligation to pay these benefits.*

For the purchase of annuities for Quebec retired members to result in a discharge, all the annuity discharge requirements of Quebec's pension legislation must be satisfied, given that Manitoba's pension legislation does not provide for annuity discharge requirements. For example, an annuity purchasing policy that complies with the requirements of the Quebec legislation must be established and applied. In addition, the funding requirements for an annuity discharge set out in the Quebec legislation (i.e., requirements for a special annuity purchasing payment and respecting the preparation and content of an actuarial valuation report) must be satisfied, even though this report must be filed with the Manitoba authority.

- 13) *The Ontario pension supervisory authority is the major authority for a defined benefit pension plan that has members in Ontario and Quebec. Both the pension legislation of Ontario and Quebec provide for annuity discharges. The plan administrator wishes to purchase annuities from an insurance company to cover all the retired members' pensions in payment in order to discharge the plan from the obligation to pay these benefits.*

The funding requirements for an annuity discharge under Ontario's pension legislation apply in order for the plan to be discharged of its obligation to pay these benefits to both the Ontario retired members and the Quebec retired members. These include the requirements in Ontario's legislation related to minimum plan funding and solvency levels, contributions required to be paid to the pension fund and actuarial valuation reports required to be filed with the Ontario authority. The funding requirements for an annuity discharge under Quebec's pension legislation do not apply, even in relation to the Quebec retired members.

However, for the Quebec retired members, all of the non-funding related annuity discharge requirements in Quebec's legislation must be satisfied in order to obtain a discharge of the plan's obligation to pay benefits to the Quebec retired members, such as the requirements for an annuity purchasing policy and the information required to be sent to the Quebec retired members.

For the Ontario retired members, all of the requirements of the Ontario pension legislation must be satisfied in order to obtain a discharge of the plan's obligation to pay benefits to the Ontario retired members, including the requirement for notices to be sent to the Ontario retired members.

- 14) *The Ontario pension supervisory authority is the major authority for a defined benefit pension plan that has members in Ontario and Quebec. Both the pension legislation of Ontario and Quebec provide for annuity discharges. The plan administrator wishes to purchase annuities from an insurance company to cover the pensions in payment for only retired members subject to Quebec's pension legislation, in order to discharge the plan from the obligation to pay benefits to those Quebec retired members. The plan administrator will not be purchasing annuities to cover the pensions in payment for the Ontario retired members.*

Although the purchase of annuities does not relate to any person subject to Ontario's pension legislation, the funding requirements for annuity discharges under Ontario's legislation must be satisfied in order for the plan to be discharged of its obligation to pay benefits to the Quebec retired members. The funding requirements for an annuity discharge under Quebec's pension legislation do not apply.

However, all the non-funding related annuity purchase requirements in Quebec's legislation must be satisfied in order to obtain a discharge of the plan's obligation to pay benefits to the Quebec retired members, such as the requirements for an annuity purchasing policy and the information to be sent to the Quebec retired members.

SECTION 7.**DETERMINATION OF BENEFITS BY FINAL LOCATION****Deemed applicability of pension legislation**

7. For the purposes of determining the benefits accrued by a person under a pension plan, the person's entire benefit accrual shall be deemed to have been subject to the pension legislation that applied to the person:

- (a) at the time the person's benefits were determined, if the person was still accruing benefits under the plan at that time; or
- (b) at the time the person ceased accruing benefits under the plan, if the person was no longer accruing benefits under the plan at the time the person's benefits were determined.

Explanatory Notes:

A member of a multi-jurisdictional pension plan may be employed in more than one jurisdiction over the course of their employment. This section requires that a "final location" methodology be used in determining the member's overall benefit entitlement.

The adoption of the final location methodology does not require a retroactive redetermination of a pension plan member's contributions to the plan or a retroactive recalculation of the interest applicable to those contributions. The interest calculated on member contributions in a given year will depend on the rules in the pension legislation of the jurisdiction to which the member was subject in that year.

Despite the adoption of the final location method for determining benefits, plan administrators are expected to keep a record of members' employment and benefit accrual in Ontario to determine eligibility for the Pension Benefits Guarantee Fund established under Ontario's legislation. Please also refer to section 9 of the Agreement.

Examples:

- 1) *A pension plan member is employed for 5 years in Nova Scotia, transfers to Ontario for 10 years, then to British Columbia, all while remaining an active member of the same pension plan. While employed in British Columbia, the member's pension plan is split. The member's accrued benefits must therefore be determined for the purposes of the plan split. In determining the member's benefit entitlement as of the date of the plan split, the member's benefits are deemed to have all been accrued throughout their period of plan membership in accordance with British Columbia's pension legislation.*

- 2) *A pension plan member is employed for 5 years in British Columbia, transfers to Ontario for 10 years, then to Quebec, all while remaining an active member of the same pension plan. After 5 years of employment in Quebec, the member terminates employment. In determining the member's benefit entitlement as of the date of termination, the member's benefits are deemed to have all been accrued throughout their period of plan membership in accordance with Quebec's pension legislation. While most pension legislation in Canada requires that unisex mortality tables be used to determine the commuted value of benefits under a pension plan, Quebec's legislation requires the use of gender-specific mortality tables. Consequently, the commuted value of this person's accrued benefits would be determined using gender-specific mortality tables in accordance with Quebec's legislation.*
- 3) *A pension plan member is employed for 5 years in Alberta, and transfers to Saskatchewan for another 10 years, all while being an active member of the same pension plan. The person then terminates employment and membership in the plan, and takes a job with a different employer in Ontario. The person elects to leave their accrued benefit entitlement in the first employer's pension plan. At a future date, the first employer's plan is wound up and the person elects to transfer the commuted value of the accrued benefits to a locked-in vehicle. In determining the person's benefit entitlement as of the date of transfer to the locked-in vehicle, the person's benefits are deemed to have all been accrued throughout their period of plan membership in accordance with Saskatchewan's pension legislation. Saskatchewan's legislation will also apply to the locked-in vehicle obtained by the person.*
- 4) *A pension plan member has the same circumstances as the member described in example 3.*

After taking the new job in Ontario, the person becomes a member in Ontario of the new employer's pension plan. The person uses the money in the locked-in vehicle (that came from the first employer's pension plan) to purchase additional pension benefits under the new employer's plan. Once the money from the locked-in vehicle is transferred into the new employer's pension plan, the money ceases to be subject to Saskatchewan's pension legislation, and the pension benefits purchased under the new employer's plan using that money will be subject to Ontario's pension legislation.

- 5) *A pension plan member is employed for 5 years in Alberta, and transfers to Saskatchewan for another 10 years, all while remaining a member of the same pension plan. The person then terminates employment and membership in the plan and takes a job with a different employer in Ontario. Saskatchewan's pension legislation applies to the person's benefits under this original pension plan.*

After taking the new job in Ontario, the person becomes an active member in Ontario of the new employer's pension plan, and this plan allows the recognition of years of service and the provision of additional benefit entitlements using amounts transferred from other plans. The person elects to transfer the commuted value of the person's pension benefits from the original pension plan to the new employer's pension plan,

in order to obtain additional pension benefits under the new employer's plan. Once the commuted value amount is transferred into the new employer's pension plan, the transferred amount ceases to be subject to Saskatchewan's legislation, and the pension benefits obtained under the new employer's pension plan using that money will be subject to Ontario's pension legislation.

**SECTION 8.
PENSION PLAN INVESTMENTS****Deadline for compliance**

8. Despite any other provision of this Agreement, any investment by a pension plan that is held on the date a pension supervisory authority becomes the major authority for the plan and that, although it complies with the pension legislation that applied to the plan on the day preceding that date, does not comply with the pension legislation that applies to the plan's investments from that date, shall be brought into compliance with the latter legislation within five years from that date.

Explanatory Notes:

This section will apply to a multi-jurisdictional pension plan whose transfer to another major authority leads to the application of differing pension fund investment rules. The Agreement specifies a five-year transition period, from the effective date that a pension supervisory authority becomes the major authority for the plan under the Agreement, for the plan to bring its existing investments into compliance with the investment rules of that major authority. All new investments made after the date on which the major authority assumes its duties in that regard must be fully compliant with the pension fund investment rules in the major authority's jurisdiction. This transition period would apply both where the registration of a plan moves from an authority that is not subject to the Agreement to an authority that is subject to the Agreement, and where a change of major authority occurs between authorities that are both already subject to the Agreement.

Examples:

The Ontario pension supervisory authority replaces the Quebec pension supervisory authority as the major authority for a pension plan effective December 26, 2021. The plan in question would have until December 26, 2026, to bring its existing pension fund investments into compliance with the investment rules for pension plans under Ontario's pension legislation. All new pension fund investments made after December 26, 2021, must be fully compliant with Ontario's legislation.

SECTION 9.
PENSION BENEFITS GUARANTEE FUND
Pension benefits guarantee fund

9. Subject to sections 10 to 17, this Agreement shall not affect the application or administration of the Pension Benefits Guarantee Fund set out under the pension legislation of Ontario or any similar fund established under any other pension legislation.

Explanatory Notes:

Ontario Pension Benefits Guarantee Fund assessments and claims would not be affected by the Agreement.

**PART IV
PENSION PLAN ASSET ALLOCATION INTO JURISDICTIONAL PORTIONS**

SECTION 10.

APPLICABLE SITUATIONS

Applicable situations

10. (1) Subject to subsections (2) to (4), the assets of a pension plan shall be allocated into portions in accordance with this Part when:

- (a) the plan is amended so that part of the liability of the plan to pay benefits or other amounts to persons so entitled under the plan is transferred to a different pension plan, and where, as part and in consideration of that transfer of liability, part of the assets of the plan are transferred to the different plan;
- (b) a pension supervisory authority orders or otherwise requires the splitting of the assets and liabilities of the plan, as described in clause (c) of subsection (3) of section 4;
- (c) the plan has more than one participating employer and an employer withdraws from the plan, and pension legislation requires that the rights and benefits accrued under the plan be divided into groups, one of which consists of the rights and benefits of persons affected by the withdrawal;
- (d) the plan is being wound up in part;
- (e) the plan is being fully wound up; or
- (f) a situation not described in clauses (a) to (e) occurs and assets of the plan related to a jurisdiction are to be paid to an employer that participates in the plan in accordance with the pension legislation of that jurisdiction, other than a payment to an employer related to plan expenses under clause (f) of paragraph 4 of section 1 of Schedule B or a refund of contributions to an employer under clause (e) of paragraph 6 of section 1 of Schedule B.

No allocation required – defined contribution pension plan

(2) Where a pension plan only provides benefits that are determined with reference to amounts credited to the individual accounts of persons under the plan, the assets of the plan need not be allocated into portions in accordance with this Part if the liability for benefits accrued under the plan equals the assets of the plan on the effective date of the relevant event described in subsection (1).

No allocation required – pension plan with insufficient assets on full wind up

(3) In a situation described in clause (e) of subsection (1), where a report filed with the major authority for a pension plan indicates that on the effective date of the wind up of the plan, the assets of the plan would be insufficient to pay all the benefits and other amounts payable on the wind up of the plan, the assets of the plan need not be allocated into portions in accordance with this Part:

- (a) if an amount equal to or greater than the amount by which the value of all the benefits and other amounts payable on the wind up of the plan exceeds the value of the assets of the plan, all as determined as of the effective date of the wind up of the plan, is contributed to the pension fund of the plan within 30 days after the report is filed with the major authority; and
- (b) if, after the contribution described in clause (a) is made, where the assets of the plan are still insufficient to pay all the benefits and other amounts payable on the wind up of the plan, a further amount is contributed to the pension fund of the plan promptly to enable payment of all the benefits and other amounts payable on the wind up of the plan.

Distribution of remaining assets

(4) Where the requirements of subsection (3) have been satisfied and all the benefits and other amounts payable on the wind up of the pension plan have been paid, any assets remaining in the plan shall be used in the following manner:

- (a) the remaining assets may be paid to any person that made a contribution described in clause (a) or (b) of subsection (3), up to the amount of the contribution originally made by that person; and
- (b) if assets remain in the plan after the payment described in clause (a), or if the person who made the contribution described in clause (a) or (b) of subsection (3) chooses not to receive such a payment, any remaining assets in the plan shall be paid to the persons who were owed payment of benefits and other amounts payable on the wind up of the plan, pro rata to the liability for their benefits and other amounts payable on the wind up of the plan.

Explanatory Notes:

Since the assets of a multi-jurisdictional pension plan are not typically differentiated by jurisdiction through separate accounting, the Agreement defines rules that specify a methodology for the allocation of assets among jurisdictions. This methodology applies to the situations referred to in subsection 10(1) of the Agreement, subject to the exceptions mentioned in subsections 10(2) and 10(3).

Applicable situations

The assets of a pension plan must be allocated between jurisdictions in accordance with Part IV of the Agreement upon the occurrence of six different situations:

- 1) Split of a pension plan – This occurs when a portion of the assets and liabilities of an existing plan are transferred to another pension plan. This is referred to as a “pension plan asset transfer” in the pension legislation of most jurisdictions. The pension plan to which the assets and liabilities are being transferred could either be a new plan or an existing plan. A transfer of assets and liabilities does not affect the benefits or amounts to which members are entitled under the plan, nor does it affect the rights of members under the plan;*
- 2) Split of a pension plan ordered by a pension supervisory authority;*
- 3) Withdrawal of an employer from a plan that has more than one participating employer and the applicable pension legislation requires that the rights and benefits accrued under the plan be divided into groups – Currently, this concept only exists under Quebec’s pension legislation;*
- 4) Partial pension plan wind up – The pension legislation in some Canadian jurisdictions provides for the partial wind up of a pension plan. For multi-jurisdictional pension plans that are subject to the Agreement, where the pension legislation of a jurisdiction provides for a partial wind up of the plan, that legislation will govern the partial wind up of the plan in respect of members from that jurisdiction;*
- 5) Full pension plan wind up – The pension legislation for a number of Canadian jurisdictions distinguishes between the “termination” of a pension plan (meaning the cessation of crediting benefits to plan members under the plan) and the “winding up” of a plan (meaning the distribution of the assets of a pension plan that has been terminated). For example, British Columbia’s pension legislation specifically distinguishes and defines the two terms. In such jurisdictions, the winding up of a pension plan may not occur until some time after the plan is terminated. It is important to note that a full pension plan wind up for the purposes of the Agreement involves the distribution of all of the assets of the pension plan;*
- 6) Payment of plan assets to an employer as permitted by the pension legislation in various jurisdictions and under circumstances other than those described above, except for the reimbursement of plan expenses or a refund of contributions to the*

employer (as described in clauses 4(f) and 6(e) of section 1 of Schedule B to the Agreement).

Exceptions

The allocation of a pension plan's assets in accordance with Part IV of the Agreement is not required in the following situations:

- 1) When a pension plan that only provides defined contribution benefits is affected by one of the events listed above, and the plan has no surplus assets on the date of the event;
- 2) When the wind-up report for a fully wound up pension plan indicates that, at the date of wind up, there are insufficient assets to settle all **the benefits and other amounts payable on the wind up of the plan** (which will be referred to as "amounts payable upon wind up" in this Part of this Commentary Guide), and if the employer pays into the pension fund an amount equivalent to the deficit identified in the wind-up report (without interest) within 30 days of filing the wind-up report with the major authority. But if the amount paid into the pension fund by the employer turns out to be insufficient to settle all amounts payable upon wind up, the employer must promptly pay any additional amount necessary for this purpose. Failing this, the assets of the plan must be allocated between jurisdictions in accordance with Part IV of the Agreement.

In situation 2 above, if the amounts paid by the employer into the pension fund are more than sufficient, the balance of the assets in the pension fund (after all amounts payable upon wind up have been settled) can be refunded to the employer, up to the total amount paid by the employer (without interest).

If there are still assets in the pension fund, those remaining assets must be distributed among the persons entitled to amounts payable upon wind up, in proportion to the value of all those amounts.

Examples

- 1) A pension plan has members in Quebec and New Brunswick, is registered with the Quebec pension supervisory authority and is fully wound up effective March 31, 2021.

A wind-up report for the plan is filed with the Quebec authority on July 14, 2021. According to this report, the assets of the plan are 100 and the plan's liabilities are 110. The plan therefore has a wind-up funding deficit of 10. In addition, the report indicates that the employer intends to pay any amount necessary for the plan to settle all amounts payable upon wind up. The report does not set out an allocation of assets between Quebec and New Brunswick (which would normally be required under Part IV of the Agreement) and the employer pays an amount of 10 to the plan's pension fund on August 10, 2021.

The Quebec authority requires corrections to be made to the wind-up report, and a revised report is filed on September 5, 2021. The wind-up deficit set out in the revised report is now 12. The employer then pays an additional amount of 2 to the pension fund on September 25, 2021, to avoid having to revise the report further to set out an allocation of assets which would normally be required under Part IV of the Agreement.

By October 15, 2021, all amounts payable upon wind up have been settled by the plan. Due to market movements, the plan has assets of 13 after the plan's wind-up liabilities have all been settled. An amount of 12 is refunded to the employer, since this represents the sum paid by the employer to avoid making the allocation of assets which would normally be required under Part IV of the Agreement. The balance of 1 remaining is shared between the plan beneficiaries affected by the plan wind up, in proportion to the value of all amounts payable upon wind up.

- 2) If the employer in example 1 does not pay the additional amount of 2 required by the revised report filed on September 5, 2021, a second revised wind-up report must be filed with the Quebec pension supervisory authority. This report must set out the allocation of assets between Quebec and New Brunswick required under Part IV of the Agreement. The plan wind up must now be completed by applying New Brunswick's pension legislation to its portion of the assets of the plan, and Quebec's pension legislation to the plan assets allocated to Quebec.*

SECTION 11.
ALLOCATION OF ASSETS
Allocation into portions

11. (1) For the purposes of this Part, the assets of a pension plan shall be allocated into portions as of the date of allocation, each portion being related to the liability for benefits and other amounts accrued under the plan that is subject to a jurisdiction's pension legislation, as determined in accordance with this section.

Standard allocation methodology

(2) Subject to section 12, the portion of a pension plan's assets that is subject to a jurisdiction's pension legislation as of the date of allocation shall be equal to the sum of the amounts referred to in section 13 as of the date of allocation, determined with respect to the benefits and other amounts described in section 13 that are subject to that jurisdiction's pension legislation and applying the requirements of sections 14 to 16.

Other allocation methodology

(3) The major authority for a pension plan may permit the assets of the plan to be allocated into the portions described in subsection (1) in a manner other than that required by subsection (2) or section 12 if:

- (a) the allocation of the plan's assets is made in relation to any situation described in subsection (1) of section 10 other than the full wind up of the plan and a Fellow of the Canadian Institute of Actuaries certifies that the allocation of the assets of the plan will not differ materially from an allocation of those assets conducted in accordance with subsection (2); or
- (b) the allocation of the plan's assets is made in relation to a situation described in clause (d) of subsection (1) of section 10, no pension legislation that applies to the plan assets to be allocated into the portions described in subsection (2) requires the distribution of any plan assets related to the wound up part of the plan that remain after all liabilities related to the wound up part of the plan have been settled and a Fellow of the Canadian Institute of Actuaries certifies that the liabilities of the plan related to the wound up part of the plan do not exceed the plan assets related to the wound up part of the plan on either a solvency basis or a going concern basis immediately before the partial wind up of the plan.

Explanatory Notes:

This section establishes a standard methodology for allocating the assets of a pension plan between jurisdictions, as well as optional methodologies that could be used when certain conditions are met.

Under either the standard or optional methodologies, the assets of a multi-jurisdictional pension plan are to be allocated into portions. Each of the portions represents the plan assets allocated to a particular jurisdiction that has members or plan liabilities subject to its pension legislation.

The optional methodologies are simplified approaches to allocating plan assets into jurisdictional portions that can be used instead of the standard methodology in certain circumstances with the permission of the major authority.

The optional methodology in clause 11(3)(a) of the Agreement can be applied in any situation where an allocation of assets is required by the Agreement except upon the full wind up of a pension plan. In order to use this optional methodology, a Fellow of the Canadian Institute of Actuaries must certify that the result from using the optional methodology would not differ materially from the allocation of assets under the standard methodology.

The optional methodology in clause 11(3)(b) of the Agreement can only be applied upon the partial wind up of a pension plan, provided that:

- 1) no pension legislation of any jurisdiction affected by the partial plan wind up requires the distribution of any surplus assets related to the partial wind up after all partial wind-up liabilities have been settled; and*
- 2) a Fellow of the Canadian Institute of Actuaries must certify that the wound up part of the plan is fully funded on a solvency and a going concern basis immediately before the partial wind up.*

SECTION 12.**PLAN WITH MORE THAN ONE PARTICIPATING EMPLOYER****Plan with more than one participating employer**

12. (1) This section applies to a pension plan that has more than one participating employer and, in accordance with the pension legislation of the major authority's jurisdiction:

- (a) the following are determined and accounted for separately in respect of an employer that participates in the plan, as if a separate pension plan was established within the plan in respect of that employer:
 - (i) the assets and liabilities of the plan;
 - (ii) the contributions payable in relation to the plan;
 - (iii) the benefits and other amounts owing under the plan; and
 - (iv) the expenses payable in relation to the plan;
- (b) the liabilities of the plan related to the employer described in clause (a) are determined with reference to only the benefits and other amounts owing to a person in relation to that person's employment with that employer; and
- (c) among the contributions payable in relation to the plan by the employer described in clause (a), those that are required to be paid under the applicable pension legislation in relation to benefits and other amounts currently accruing by active members of the plan are determined only with reference to active members employed by that employer.

Allocation of assets into employer shares

(2) For the purposes of an asset allocation under this Part involving a pension plan described in subsection (1), the assets of the plan that have been determined and accounted for separately in relation to an employer as of the date of allocation shall be allocated to that employer as an employer share if the plan characteristics described in clause (a) of subsection (1) respecting the employer:

- (a) have been determined and accounted for separately since the start of the employer's participation in the plan; or
- (b) began to be determined and accounted for separately at a date subsequent to the start of the employer's participation in the plan, and the initial determination and accounting of the assets of the plan respecting that employer was consistent with, and conducted on the basis of, an allocation of the assets of the plan in accordance with the requirements of this Part and in relation to a situation other than that described in clause (c), (d) or (e) of subsection (1) of section 10.

Allocation of employer shares into portions

(3) Any employer share allocated in accordance with subsection (2) shall be further allocated into portions in the manner provided for in section 11, and used in the manner provided for in section 17, as if the employer share consisted of the assets of a separate pension plan for that employer.

Allocation of remaining assets into portions

(4) For the purposes of an asset allocation under this Part involving a pension plan described in subsection (1), any assets of the plan not allocated to an employer share in accordance with subsection (2) shall be allocated into portions in the manner provided for in section 11, and used in the manner provided for in section 17, without considering the liabilities described in clause (b) of subsection (1) related to an employer for which an employer share has been allocated under this section.

Explanatory Notes:

This section applies to multi-employer pension plans that provide for separate accounting of at least one participating employer's plan assets, liabilities, contributions, expenses and member benefits in accordance with the pension legislation of the major authority for the plan. For example, Alberta's pension legislation provides for the establishment of "non-collectively bargained multi-employer plans", which have separate accounting.

This section is only applicable to such a pension plan if the elements referred to above have been determined and accounted for separately:

- *since the start of the employer's participation in the plan; or*
- *since the date of the initial allocation of plan assets to the employer's account, where that initial allocation was made in accordance with Part IV of the Agreement and a situation other than that described in clauses 10(1)(c), (d) or (e) of the Agreement.*

This section can apply to a pension plan even where separate accounting is only used for some of the employers that participate in the plan.

Where this section applies with respect to the allocation of a pension plan's assets, the assets of the plan that have been determined and accounted for separately for an employer would constitute an "employer share" in relation to that employer. Each employer share determined in relation to the plan would then be further allocated into jurisdictional portions in accordance with the asset allocation methodology set out in section 11 of the Agreement.

Examples:

- 1) *An employer participates in a pension plan with more than one participating employer. This plan is registered with the Alberta pension supervisory authority. A separate account was established and has been maintained since the start of that employer's participation in the plan consistent section 12 of the Agreement. The employer employs members in Alberta and Saskatchewan.*

The employer decides to establish its own successor pension plan for all of its employees, regardless of their jurisdiction of employment. The original pension plan will also be amended to transfer the assets and liabilities of that employer's plan members to the successor plan. As a result, the assets of the original plan related to the employer's separate account under that plan would constitute that employer's employer share for the purposes of section 12 of the Agreement, and those assets would be transferred to the successor plan after all required regulatory approvals have been obtained.

- 2) *The employer described in example 1 above decides to establish a successor plan, but only for its Alberta employees. The original pension plan will also be amended to transfer the assets and liabilities of that employer's Alberta plan members to the successor plan. As a result, the assets of the original plan related to the employer's separate account under that plan would constitute that employer's share of the assets for the purposes of section 12 of the Agreement. That employer share would then be further allocated into Alberta and Saskatchewan portions in accordance with section 11 of the Agreement. The Alberta portion so determined would then be transferred to the successor plan after all required regulatory approvals have been obtained.*

SECTION 13.
DETERMINATION OF PORTIONS FOR ASSET ALLOCATION

Determination of portions

13. (1) The assets of a pension plan that are to be allocated into portions in accordance with subsection (2) of section 11 shall be allocated into portions as of the date of allocation in accordance with the levels of priority of allocation set out in this section.

Contributions and similar amounts

(2) First, allocate assets of the pension plan equal to the sum of the following contributions and amounts, to the extent that such contributions and amounts are still credited to the account of a person having benefits under the plan on the date of allocation:

- (a) any contributions paid into the pension fund of the plan and any amounts that the person had elected to transfer into the pension fund of the plan, other than contributions and amounts used to fund benefits that are not determined solely as a function of amounts credited to the account of the person; and
- (b) any interest attributable to contributions or amounts described in clause (a).

Core liabilities

(3) Second, allocate assets of the pension plan equal to the sum of the following liability amounts, subject to the requirements of subsections (5) and (5.1):

- (a) the value of benefits under the plan that are being paid on a regular basis to any person on the date of allocation, whether or not the benefit is payable for the lifetime of the person, and determined taking into account:
 - (i) any periodic increase in the benefits, based on any index, rate or formula provided for in the plan; and
 - (ii) any related benefits that are payable due to the death of the person;
- (b) the value of lifetime benefits accrued under the plan by any person who, on the date of allocation, is entitled to receive payment of the benefits on that date or a later date, but who is not in receipt of payment of the benefits as of the date of allocation, determined:
 - (i) using the earliest age at which all such persons are entitled to payment of unreduced lifetime benefits, without reference to any other requirements or conditions under the terms of the plan or any applicable pension legislation;
 - (ii) taking into account any periodic increase in the lifetime benefits, based on any index, rate or formula provided for in the plan; and

- (iii) taking into account any related benefits that are payable due to the death of the person, whether such death occurs before or after the person starts receiving payment of lifetime benefits under the plan and determined at the age described in subclause (i);
- (b.1) the value of the additional benefit provided in accordance with section 60.1 of the pension legislation of Quebec in force on December 31, 2015, for any person who, on the date of allocation, is entitled to the additional benefit but who has not received payment of it, where the terms of the plan provide that such additional benefit continues to apply to the person;
- (c) the amount of any excess contributions made by a person required to make contributions under the plan, plus any interest attributable to those excess contributions, calculated in the following manner and subject to the following requirements:
 - (i) the amount of excess contributions made by a person is the amount of contributions made by the person that, under the pension legislation that governs the person's benefits and when compared to value of benefits payable to the person under the plan,
 - (A) could not be used to pay all or part of the person's benefits accrued under the plan (other than as indicated in subclause (B)); and
 - (B) would be refundable to the person or used to provide additional benefits to the person under the plan;
 - (ii) the contributions, interest, value of the benefits and amount of excess contributions shall be calculated as of the date of allocation and consistent with either the pension legislation that governs the benefits or the terms of the plan, whichever produces a larger amount of excess contributions; and
 - (iii) any such amount of excess contributions already determined in relation to a person before the date of allocation shall not be included, whether or not such previously determined amount of excess contributions has been refunded to the person or used to provide additional benefits to the person under the plan; and
- (d) any unpaid part of the value of the benefits payable under the plan to a person who had elected before the date of allocation to be paid the value of the person's benefit entitlements under the plan, as well as any interest attributable to that unpaid part.

Other liabilities

(4) Third, allocate assets of the pension plan equal to the value of benefits accrued under the plan, other than those referred to in subsection (3), by any person who, on the date of allocation, is entitled to receive payment of the benefit on that date or a later date, but who is not in receipt of payment of the benefit as of the date of allocation, subject to the requirements of subsections (5) and (5.1).

Excluded benefits from certain levels of priority of allocation

(5) Unless the benefits are guaranteed by an insurance company, the benefit liabilities under subsections (3) and (4) shall not include the value of the following benefits:

- (a) plant closure benefits and permanent layoff benefits, other than those:
 - (i) that, on the date of allocation, are being paid on a regular basis; or
 - (ii) of any person who, prior to the date of allocation, is entitled to receive payment of those benefits on the date of allocation or a later date, but who is not in receipt of payment of those benefits as of the date of allocation; and
- (b) benefits that, in accordance with the pension legislation that would govern those benefits if this Agreement did not exist, would be required or permitted, for the purposes of an actuarial valuation report filed with the pension supervisory authority responsible for the administration of that pension legislation, to be excluded from:
 - (i) the plan's reported going concern liabilities; and
 - (ii) where the plan's solvency liabilities would be required to be used to determine the contribution requirements related to the plan, the plan's reported solvency liabilities.

Deemed excluded benefits

(5.1) For the purposes of clause (b) of subsection (5), a benefit is deemed to be permitted to be excluded from the pension plan's reported going concern liabilities if that benefit is payable only upon the full or partial wind up of the plan or upon the withdrawal of the employer as described in clause (c) of subsection (1) of section 10, unless the benefit relates to a partial wind up of the plan or the withdrawal of an employer with an effective date that precedes the date of the allocation.

Balance of assets

(6) Fourth, for the purposes of an asset allocation in any situation other than that described in clause (c), (d) or (e) of subsection (1) of section 10:

- (a) any assets of the pension plan remaining after the allocations made in accordance with subsections (2) to (4) shall be sequentially allocated to the portion or portions with the lowest going concern ratio, until the going concern ratio of that portion equals the going concern ratio of the portion with the next highest going concern ratio;
- (b) the sequential allocation of the plan's assets described in clause (a) shall be made until all portions have the same going concern ratio or no assets remain to be allocated, whichever occurs first;
- (c) if, after applying the sequential allocation of assets described in clauses (a) and (b), the going concern ratio of each portion is lower than 1.0, any assets of the pension plan yet to be allocated shall be allocated to the portions so that the going concern ratios of all portions remain the same, until the going concern ratio of each portion reaches 1.0 or no assets remain to be allocated, whichever occurs first;
- (d) for the purposes of clauses (a), (b) and (c), the going concern ratio of a portion shall be calculated by using the assets of the pension plan allocated to the portion in accordance with this section and the going concern liabilities of the plan that are subject to the jurisdiction's pension legislation applicable to that portion, other than assets and liabilities related to contributions and amounts described in subsection (2); and
- (e) any assets of the pension plan remaining after the allocations made in accordance with clauses (a), (b) and (c) shall be allocated pro rata to the total of the going concern liabilities determined for each portion.

Balance of assets for certain asset allocations

(7) Fourth, for the purposes of an asset allocation in a situation described in clause (c), (d) or (e) of subsection (1) of section 10:

- (a) allocate assets of the pension plan equal to the value of benefits accrued under the plan, other than those referred to in subsections (2), (3) or (4), to which persons are entitled under the plan as of the date of allocation; and
- (b) any assets of the pension plan remaining after the allocations made in accordance with subsections (2) to (4) and clause (a) shall be allocated pro rata to the total of the values determined for each portion in applying subsections (2) to (4).

Explanatory Notes:

This section establishes levels of priority for allocating the assets of a pension plan into jurisdictional portions when the asset allocation is to be conducted using the standard allocation methodology described in subsection 11(2) of the Agreement.

An overview of the levels of priority

This section requires that plan assets be allocated into jurisdictional portions according to four levels of priority. The first three levels of priority are based on the liabilities of the plan that would exist if the plan were to wind up on the date of the asset allocation (see subsection 14(2) of the Agreement). This approach provides a level of protection to plan members in instances where, for example, a plan split and resulting transfer of assets from the plan is immediately followed by a full wind up of the plan. In such circumstances, if the value of the plan's assets is less than the value of its wind-up liabilities, then the assets that have been transferred to the other pension plan, as well as those remaining in the initial plan, should enable both plans to provide a comparable level of benefit security to the affected plan members.

Benefits excluded from the second and third levels of priority

Certain benefits are excluded from the second and third levels of priority under subsection 13(5) of the Agreement. Those excluded benefits are the following (except if they have been guaranteed by an insurance company):

- *plant closure benefits and permanent layoff benefits for which a person has not already acquired the right to payment of the benefit before the date of allocation of the plan assets.*
- *benefits whose value, in accordance with the pension legislation that would govern those benefits if this Agreement did not exist, would be required or permitted to be excluded from:*
 - *the plan's reported going concern liabilities, and*
 - *the plan's reported solvency liabilities, if the pension legislation that would govern those benefits if the Agreement did not exist would require the payment of contributions based of those solvency liabilities.*

Note that a benefit will be deemed to be permitted to be excluded from the plan's reported going concern liabilities if that benefit is only payable upon the full or partial wind up of the plan or upon the withdrawal of an employer, unless the benefit relates to an event that occurred prior to the date of allocation of the plan assets.

First level of priority

The first level of priority for allocating a pension plan's assets under subsection 13(2) of the Agreement covers the value of benefits determined solely as a function of amounts credited to the account of a person having benefits under the plan. This includes employer and employee contributions made under a defined contribution component of the plan, optional ancillary contributions made under a flexible component of the plan, additional voluntary contributions made by plan members, lump sum amounts that a person has elected to transfer into the pension fund of the plan and excess contributions determined

before the date of allocation. The first level of priority also includes the interest attributable to the amounts described above.

It is important to note that the contributions or other amounts described above must still be credited to the account of the person on the date of allocation, and that any contributions or amounts that have been converted into lifetime or periodic benefit entitlements are not covered under the first level of priority. For example, lump sum amounts that have been transferred from one pension plan and are immediately used to recognize years of service and provide additional defined benefit entitlements under another pension plan will not be covered under the first level of priority.

Second level of priority

The second level of priority covers what are referred to in the Agreement as the “core liabilities” of the pension plan. These core liabilities are those described in subsection 13(3) of the Agreement, except the value of any benefits excluded by subsection 13(5).

The value of the core liabilities that relate to a pension plan and to a jurisdictional portion of the plan’s assets is equal to the sum of the value of the following five components, all of which are determined on a wind-up basis, unless they are excluded under subsection 13(5) of the Agreement:

- *the value of benefits that are being paid on a regular basis by the plan on the date of allocation, including indexation, if applicable. This includes both lifetime benefits (e.g., the normal pension) and temporary benefits (e.g., bridge benefits);*
- *the value of accrued lifetime benefits that are not yet in payment on the date of allocation, determined using the earliest age at which all plan members are entitled, without conditions, to payment of unreduced lifetime benefits. That value must also include the value of the following benefits related to the lifetime benefits:*
 - *pre-retirement death benefits;*
 - *post-retirement death benefits;*
 - *pre- and post-retirement indexation;*
- *the value of the additional benefit, established in accordance with Quebec’s pension legislation in force on December 31, 2015, to which a person is entitled on the date of allocation, if the plan continues to provide for this benefit;*
- *the value of any excess contributions resulting from the application of an excess contributions rule under pension legislation, where those excess contributions were not already determined before the date of allocation and not already included in the first level of priority; and*
- *for a person who had elected to be paid the commuted value of their benefit entitlements under the plan before the date of allocation, but such commuted value has yet to be fully paid out by that date, the unpaid balance of the commuted value and any interest attributable to that balance.*

Third level of priority

The third level of priority in subsection 13(4) of the Agreement covers the value of any plan liabilities that are not covered in the core liabilities and which are not excluded under subsection 13(5) of the Agreement. The value of these liabilities is also determined on a wind-up basis.

The following is a non-exhaustive list of plan liabilities that could be included in the third level of priority, unless they are excluded under subsection 13(5) of the Agreement:

- grow-in benefits as provided under Ontario’s pension legislation (note that grow-in benefits as provided under Nova Scotia’s pension legislation would be excluded by subsection 13(5) of the Agreement from the third level of priority for the asset allocation);
- bridging benefits which are not yet being paid;
- early retirement benefits that are not included in the second level of priority; and
- consent benefits, if consent has been granted or deemed to have been granted.

Fourth level of priority

The rules for allocating the assets of a pension plan under the fourth level of priority vary depending on whether the asset allocation is the result of either:

- the full or partial wind up of the plan, or the withdrawal of an employer from a multi-employer pension plan, as described in clauses 10(1)(c), (d) and (e) of the Agreement (referred to below as a “plan wind-up situation”); or
- the split of the pension plan or a payment of assets to the employer in a non-plan wind-up situation, as described in clauses 10(1)(a), (b) and (f) of the Agreement (referred to below as a “non-plan wind-up situation”).

A) Rules for plan wind-up situations

In a plan wind-up situation, the fourth level of priority in subsection 13(7) of the Agreement involves two steps. For the purposes of these steps, the value of the benefits in question corresponds to the value of those benefit liabilities if the plan were wound up as of the date of the asset allocation.

The first step is to allocate plan assets to cover, for each jurisdiction, the value of any remaining plan benefits that are governed by that jurisdiction’s pension legislation, including the value of benefits that were excluded from the second and third priority levels under subsection 13(5) of the Agreement.

Any plan assets that remain after the first step described above would be allocated among each jurisdictional portion according to the following formula:

Remaining assets	X	-----	Value, for that jurisdictional portion, of all plan liability amounts calculated under the first, second and third levels of priority
		-----	Value, for all jurisdictional portions, of all plan liability amounts calculated under the first, second and third levels of priority

The formula above focuses mainly, but not solely, upon the plan benefits that were most pertinent in creating the remaining assets. By including the value of contributions and other amounts covered under the first level of priority, the allocation methodology under this fourth level of priority will accommodate even the case of a pure defined contribution plan (i.e., one that has no defined benefit component whatsoever) with assets in excess of its liabilities (e.g., as may be the result after the full conversion of a defined benefit plan into a defined contribution plan).

B) Rules applicable in non-plan wind-up situations

In a non-plan wind-up situation, the fourth level of priority in subsection 13(6) of the Agreement involves three steps.

First, all remaining plan assets would be allocated to the jurisdictional portions with the lowest going concern ratios in order to produce, to the extent possible, the same going concern ratio for each jurisdictional portion.

Next, when all portions have the same going concern ratio, if that ratio is lower than 100%, any remaining plan assets will continue to be allocated to the portions so that the going concern ratio of each portion rises uniformly until the going concern ratio of each portion reaches 100%.

For the purposes of these first two steps, the going concern ratio of a jurisdictional portion is the ratio of the plan assets allocated to that jurisdiction over the going concern liabilities for that jurisdiction (see example C.4. for information about how benefits guaranteed by an insurance company should be dealt with when calculating the going concern ratio). Note that the going concern ratio is determined without taking into account the contributions and amounts covered under the first level of priority.

If any plan assets still remain to be allocated after these two steps, the third step requires a final allocation to be done pro rata to the total going concern liabilities of each portion. All going concern liabilities are taken into account in this last step, including those that relate to the contributions and amounts covered under the first level of priority. Doing so will accommodate even the case of a pure defined contribution plan with assets in excess of its liabilities.

Examples:**A) Core liabilities under the second level of priority (subsection 13(3) of the Agreement):**

- 1) *A pension plan has a normal retirement age of 65. The plan does not provide for an unreduced lifetime benefit for members below the normal retirement age of 65. In this situation, the value of the plan's core liabilities respecting a member of the plan who has yet to commence receiving payment of a pension on the allocation date will be calculated using the lifetime benefit payable to such member at age 65, provided that this benefit is not excluded under subsection 13(5) of the Agreement.*
- 2) *A pension plan has a normal retirement age of 65. However, all members of the plan are entitled to an unreduced lifetime benefit at age 60. In this situation, the value of the plan's core liabilities respecting a member of the plan who has yet to commence receiving payment of a pension on the allocation date will be calculated using the lifetime benefit payable to such member at age 60, provided that this benefit is not excluded under subsection 13(5) of the Agreement.*
- 3) *A pension plan with members in Alberta, Quebec and Nova Scotia has a normal retirement age of 65. A member of the plan is entitled to an unreduced lifetime benefit at age 60 if the member is still an active member when the request to commence payment of the member's pension is made (i.e., a member who ceases to be an active member before age 60 is not eligible for that benefit). In this situation, the value of the plan's core liabilities respecting a member of the plan who has yet to commence receiving payment of a pension on the allocation date will be calculated using the lifetime benefit payable to such member at age 65, provided that this benefit is not excluded under subsection 13(5) of the Agreement.*
- 4) *A pension plan has a normal retirement age of 65. However, all members of the plan are entitled to an unreduced lifetime benefit at age 60. One particular member has met the conditions in the plan terms or applicable pension legislation to receive an unreduced pension at age 55. In this situation, the value of the plan's core liabilities respecting this member, as for all plan members who have yet to commence receiving payment of a pension on the allocation date, will be calculated using the lifetime benefit payable to such member at age 60, provided that this benefit is not excluded under subsection 13(5) of the Agreement. The difference between the value of the benefits of this member and the value of the unreduced pension payable at age 60 will be a benefit liability covered under the third level of priority for the plan's allocation of assets, provided that this benefit is not excluded under subsection 13(5) of the Agreement.*

- 5) *A pension plan with members in Alberta, Quebec and Nova Scotia provides a pre-retirement indexation benefit to all of its members.*

For the Alberta and Quebec members, the pension legislation of both Alberta and Quebec require pre-retirement indexation benefits to be included in a pension plan's reported going concern liabilities. As a result, subsection 13(5) of the Agreement does not apply to the pre-retirement indexation benefits of the Alberta and Quebec members, and those benefits will be counted as core liabilities for the purposes of the second level of priority in allocating the assets of the plan.

Nova Scotia's pension legislation, however, permits pre-retirement indexation benefits accrued before June 1, 2015, to be excluded from a pension plan's reported going concern liabilities and solvency liabilities for calculating the plan's contribution requirements. As a result, subsection 13(5) of the Agreement will apply to those pre-retirement indexation benefits and they will be excluded from the core liabilities for the plan.

Nova Scotia's pension legislation does, on the other hand, require pre-retirement indexation benefits accrued on or after June 1, 2015, to be included in the plan's reported going concern liabilities and solvency liabilities. As a result, the pre-retirement indexation benefits accrued on or after June 1, 2015, by the Nova Scotia members will be counted as core liabilities for the plan.

- 6) *A pension plan provides that members who terminate membership before reaching age 55 are entitled to a bridging benefit. The plan also provides that the requirements relating to the additional benefit established in accordance with section 60.1 of the Quebec pension legislation in force on December 31, 2015, continue to apply to the Quebec plan members.*

The value of the bridging benefit is not considered a core liability because benefits that are not yet being paid must be lifetime benefits to be considered core liabilities. The value of the additional benefit, on the other hand, is a core liability.

- 7) *A contributory pension plan has members in Quebec and Ontario. As required by Quebec's pension legislation, any excess contributions related to a Quebec member are calculated on the date the Quebec member terminates "active membership" as defined in Quebec's legislation and are held in the plan (and accumulate interest) until their retirement date. Any such excess contributions of a Quebec deferred vested member will therefore be included in the first level of priority of the asset allocation (since they were determined before the asset allocation date). For active Quebec members, notional excess contribution amounts (if any) must be calculated as of the asset allocation date and counted as core liabilities for the plan. There are no excess contributions for Quebec retired members to include in the asset allocation since they have already been considered at retirement in their pension amounts.*

As required by Ontario's pension legislation, any excess contributions related to Ontario members are calculated on the date the Ontario member terminates employment and are paid immediately as a lump sum to the terminated Ontario member. As a result, there are no excess contributions for Ontario deferred vested members and retired members to include in the asset allocation, since they have already been paid before the asset allocation date. For active Ontario members, as for active Quebec members, notional excess contribution amounts (if any) must be calculated as of the asset allocation date and counted as core liabilities for the plan.

B) Plan wind-up situations:

- 1) A hybrid defined benefit/defined contribution multi-jurisdictional pension plan with post-retirement indexation registered with the Nova Scotia pension supervisory authority is to be partially wound up due to the closure of the employer's business division dealing with inter-provincial transportation. The employees of the affected business division are the only members of the plan that are subject to the federal pension legislation. The following table illustrates the relevant plan liability components related to each level of priority under section 13 of the Agreement for each jurisdictional portion respecting this plan:

Value of relevant liability components for each jurisdictional portion

	British Columbia	Federal	Nova Scotia	Ontario	Total
Defined contribution component	15	10	150	125	300
Core liabilities	75	85	1200	1000	2360
Other liabilities	5	10	250	115	380
Liabilities excluded from the first three level of priority	0	0	150	0	150
Total liabilities	95	105	1750	1240	3190

The total market value of the plan's assets is 3300. The overall wind-up ratio of the pension plan is therefore 103.4%, calculated by including the assets and liabilities of the defined contribution component of the plan. The market value of plan assets (3300) exceeds the amount required to cover the first three levels of priority for the allocation of assets (300 + 2360 + 380 = 3040), as well as the plan liabilities that are excluded under subsection 13(5) of the Agreement (150). As a result, it must be determined how the remaining plan assets (110 = 3300 – 3040 – 150) will be allocated among the four jurisdictional portions under subsection 13(7) of the Agreement.

Allocation of remaining assets

	British Columbia	Federal	Nova Scotia	Ontario	Total
Value of benefits covered under the first three levels of priority	95.0	105.0	1600.0	1240.0	3040.0
Remaining plan assets allocated	3.4	3.8	57.9	44.9	110.0

As shown in the table above, the total value of the benefits that are covered under the first three levels of priority for the federal jurisdictional portion is 105. In addition, the total value of those benefits for all jurisdictional portions is 3040, and the value of the remaining plan assets that must be allocated among jurisdictional portions is equal to 110. Consequently, the share of the remaining plan assets to be allocated to the federal portion is calculated as:

$$\frac{105}{3040} \times 110 = 3.8$$

The following table summarizes the results of the entire asset allocation process:

Allocation of assets in accordance with the methodology set out in the Agreement

	British Columbia	Federal	Nova Scotia	Ontario	Total assets allocated
First level of priority	15.0	10.0	150.0	125.0	300.0
Second level of priority	75.0	85.0	1200.0	1000.0	2360.0
Third level of priority	5.0	10.0	250.0	115.0	380.0
Fourth level of priority	3.4	3.8	207.9	44.9	260.0
Total assets allocated	98.4	108.8	1807.9	1284.9	3300.0
Final solvency ratio	103.6%	103.6%	103.3%	103.6%	103.4%

As shown in the table above, the final solvency ratio for the Nova Scotia portion is lower than that calculated for the other three jurisdictional portions. This is because Nova Scotia is the only one of the four jurisdictions in this example that has plan liabilities excluded under subsection 13(5) of the Agreement. As noted above, such liabilities are not taken into account when allocating the remaining plan assets among jurisdiction portions once all plan liabilities are satisfied under the fourth level of priority.

The total plan assets allocated to the federal portion equal 108.8 and the total plan liabilities for members subject to the pension legislation of the federal jurisdiction are equal to 105. How those plan assets of 108.8 will be used to settle the benefits of the

plan members subject to the federal pension legislation will be determined in accordance with that legislation.

- 2) *A multi-jurisdictional pension plan, which is a pure defined contribution pension plan, is registered with the Quebec pension supervisory authority and is to be fully wound up. The relevant plan liability components related to each level of priority under section 13 of the Agreement for each jurisdictional portion respecting this plan are as follows:*

Value of relevant liability components for each jurisdictional portion

	British Columbia	Federal	Ontario	Quebec	Total
Defined contribution component	150	100	600	850	1700
Total liabilities	150	100	600	850	1700

The total market value of plan assets is 1825.

This example raises the issue of allocating assets among jurisdictional portions for a pure defined contribution pension plan whose total assets exceed its total liabilities. The following table illustrates how the remaining plan assets (125 = 1825 – 1700) will be allocated among the four jurisdictional portions involved.

Allocation of remaining assets

	British Columbia	Federal	Ontario	Quebec	Total
Value of benefits covered under the first level of priority	150.0	100.0	600.0	850.0	1700.0
Remaining plan assets allocated	11.0	7.4	44.1	62.5	125.0

Under the asset allocation method in subsection 13(7) of the Agreement, the allocation of the remaining plan assets is based on the values of the plan benefits and liability amounts covered under the first three levels of priority. For a pure defined contribution pension plan, all those values are part of the first level of priority. Consequently, the remaining plan assets in this example are allocated pro rata to the total of the values determined for each jurisdictional portion under the first level of priority. For example, the share of the remaining plan assets to be allocated to the Quebec portion is calculated as:

$$\frac{850}{1700} \times 125 = 62.5$$

The following table summarizes the results of the entire asset allocation process:

Allocation of assets in accordance with the methodology set out in the Agreement

	British Columbia	Federal	Ontario	Quebec	Total assets allocated
First level of priority	150.0	100.0	600.0	850.0	1700.0
Fourth level of priority	11.0	7.4	44.1	62.5	125.0
Total assets allocated	161.0	107.4	644.1	912.5	1825.0

C) Non-plan wind-up situations:

- 1) Part of the assets of a multi-jurisdictional pension plan registered with the Nova Scotia pension supervisory authority are to be transferred to a pension plan registered with the federal pension supervisory authority due to the sale of the original employer's business division dealing with inter-provincial transportation. The employees of the affected business division are the only members of the original plan that are subject to the federal pension legislation. The following table illustrates the relevant liability components of the original plan related to each level of priority under section 13 of the Agreement for each jurisdictional portion respecting this plan:

Value of relevant liability components for each jurisdictional portion

	British Columbia	Federal	Nova Scotia	Ontario	Total
Defined contribution component	15	10	200	125	350
Core liabilities	75	85	1250	1000	2410
Other liabilities	5	10	220	195	430
Liabilities excluded from the first three level of priority	0	0	150	0	150
Total liabilities (on a wind-up basis)	95	105	1820	1320	3340
Going concern liabilities	110	125	1970	1625	3830

The total market value of the plan's assets is 2900. The overall wind-up ratio of the pension plan is therefore 86.8% and its overall going concern ratio is 75.7%, both calculated by including the assets and liabilities of the defined contribution component of the plan.

Since the market value of plan assets (2900) exceeds the sum of the values for the plan's defined contribution component and core liabilities (350 + 2410 = 2760), the first two levels of priority under the asset allocation will be fully covered.

Plan assets of 140 (2900 – 2760) would remain to be allocated to jurisdictional portions under the third level of priority. The following table illustrates how the allocation of plan assets at the third level of priority would be conducted:

Allocation of remaining assets under the third level of priority

	British Columbia	Federal	Nova Scotia	Ontario	Total
Other liabilities	5.0	10.0	220.0	195.0	430.0
Remaining plan assets allocated	1.6	3.3	71.6	63.5	140.0

The value of the plan’s “other liabilities” (430) exceeds the remaining plan assets available (140). In accordance with section 16 of the Agreement, the available plan assets are therefore allocated to the jurisdictional portions pro rata to the total value of the liabilities that rank equally in the third level of priority. In this example, the pro rata ratio is equal to 0.3256 (140 divided by 430), and that ratio is applied to a jurisdictional portion’s “other liabilities” to determine the amount of the remaining plan assets to allocate to that portion. For instance, applying that ratio to the Nova Scotia portion results in 71.6 (0.3256 x 220.0) of the remaining plan assets being allocated to the Nova Scotia portion.

The following table summarizes the results of the entire asset allocation process:

Allocation of assets in accordance with the methodology set out in the Agreement

	British Columbia	Federal	Nova Scotia	Ontario	Total assets allocated
First level of priority	15.0	10.0	200.0	125.0	350.0
Second level of priority	75.0	85.0	1250.0	1000.0	2410.0
Third level of priority	1.6	3.3	71.6	63.5	140.0
Forth level of priority	0.0	0.0	0.0	0.0	0.0
Total assets allocated	91.6	98.3	1521.6	1188.5	2900.0

As shown in the table above, the total plan assets allocated to the federal portion equal 98.3. As provided under section 18 of the Agreement, the federal jurisdiction’s pension legislation will govern how those assets can be utilized with respect to the asset transfer.

- 2) *Part of the assets of a multi-jurisdictional pension plan registered with the Nova Scotia pension supervisory authority are to be transferred to a different pension plan due to the sale of one of the original employer's business divisions. Some of the employees of the affected business division are subject to Nova Scotia's pension legislation while other employees of the affected business division are subject to Ontario's pension legislation, due to their respective places of employment. After the sale transaction, the plan will continue to have other Nova Scotia and Ontario members. The following table illustrates the relevant liability components of the original plan related to each level of priority under section 13 of the Agreement for each jurisdictional portion respecting this plan:*

Value of relevant liability components for each jurisdictional portion

	British Columbia	Federal	Nova Scotia	Ontario	Total
Defined contribution component	15	10	200	125	350
Core liabilities	75	85	1250	1000	2410
Other liabilities	5	10	220	195	430
Liabilities excluded from the first three level of priority	0	0	150	0	150
Total liabilities (on a wind-up basis)	95	105	1820	1320	3340
Going concern liabilities	110	125	1970	1625	3830

The total market value of the plan's assets is 3200. The overall wind-up ratio of the pension plan is therefore 95.8% and its overall going concern ratio is 83.6%, both calculated by including the assets and liabilities of the defined contribution component of the plan.

Since the market value of plan assets (3200) exceeds the sum of the values for the plan's defined contribution component, core liabilities and other liabilities (350 + 2410 + 430 = 3190), there are sufficient plan assets to fully cover the first three levels of priority.

Plan assets of 10 (3200 – 3190) would remain to be allocated to jurisdictional portions under the fourth level of priority. At this level, in accordance with subsection 13(6) of the Agreement, plan assets are first allocated to the portion having the lowest initial going concern ratio until that portion's going concern ratio equals that of the portion with the second lowest initial going concern ratio. Plan assets are then allocated to both of those portions such that their going concern ratios rise in a uniform manner until they equal the going concern ratio of the portion with the third lowest initial going concern ratio, and so on until all portions have the same going concern ratio or all plan assets have been allocated. The following table illustrates the application of this process:

Allocation of remaining assets under the fourth level of priority

	British Columbia	Federal	Nova Scotia	Ontario
Going concern ratio of jurisdictional portion¹	84.2%	82.6%	83.1%	79.7%
Assets needed to reach second lowest going concern ratio	0.0	0.0	0.0	44.1

The above table shows that Ontario's portion has the lowest going concern ratio (79.7%). To reach the next highest going concern ratio (82.6% for the federal jurisdiction's portion), plan assets of 44.1 would have to be allocated to the Ontario portion. Consequently, all remaining plan assets (10) would be allocated to the Ontario portion. That ends the asset allocation process under the fourth level of priority and the overall allocation process.

The following table summarizes the results of the entire asset allocation process:

Allocation of assets in accordance with the methodology set out in the Agreement

	British Columbia	Federal	Nova Scotia	Ontario	Total assets allocated
First level of priority	15.0	10.0	200.0	125.0	350.0
Second level of priority	75.0	85.0	1250.0	1000.0	2410.0
Third level of priority	5.0	10.0	220.0	195.0	430.0
Forth level of priority					
• Assets allocated to reach the second lowest going concern ratio	0.0	0.0	0.0	10.0	10.0
Total assets allocated	95.0	105.0	1670.0	1330.0	3200.0

As provided under section 18 of the Agreement, Nova Scotia's pension legislation will govern how the assets allocated to Nova Scotia's portion can be utilized with respect to the asset transfer, while Ontario's pension legislation will govern how the assets allocated to Ontario's portion can be utilized with respect to the asset transfer.

¹ *In accordance with clause 13(6)(d) of the Agreement, the going concern ratio for a jurisdictional portion under the fourth level of priority is determined without taking into account plan assets and liabilities covered under the first level of priority, until all portions have the same going concern ratio.*

- 3) A pension plan has the same characteristics as the plan in example 2 above, but the total value of the plan assets is 4000. This example illustrates the application of the asset allocation methodology in a non-plan wind-up situation where the plan's assets exceed both the plan's wind-up liabilities and going concern liabilities on the allocation date.

The following table summarizes the results of the entire asset allocation process:

Allocation of assets in accordance with the methodology set out in the Agreement

	British Columbia	Federal	Nova Scotia	Ontario	Total assets allocated
First level of priority	15.0	10.0	200.0	125.0	350.0
Second level of priority	75.0	85.0	1250.0	1000.0	2410.0
Third level of priority	5.0	10.0	220.0	195.0	430.0
Forth level of priority					
• Assets allocated to reach the second lowest going concern ratio	0.0	0.0	0.0	44.1	44.1
• Assets allocated to reach the third lowest going concern ratio	0.0	0.5	0.0	6.6	7.1
• Assets allocated to reach the highest going concern ratio	0.0	1.3	20.6	17.4	39.3
• Assets allocated to reach the going concern ratio of 1.0	15.0	18.2	279.5	236.8	549.5
• Allocation of remaining plan assets	4.9	5.6	87.4	72.1	170.0
Total assets allocated	114.9	130.6	2057.5	1697.0	4000.0

- 4) *Part of the assets of a multi-jurisdictional pension plan registered with the Quebec pension supervisory authority are to be transferred to a pension plan registered with the Ontario pension supervisory authority. The pensions payable to all retired members of the plan are provided by annuities guaranteed by an insurance company, on a non-discharged basis. The following table illustrates the relevant liability components of the original plan related to each level of priority under section 13 of the Agreement for each jurisdictional portion respecting this plan:*

Value of relevant liability components for each jurisdictional portion

	British Columbia	Quebec	Nova Scotia	Ontario	Total
First level of priority	0	0	0	0	0
Core liabilities	2250	7500	100	850	10 700
Other liabilities	0	0	0	50	50
Liabilities excluded from the first three level of priority	0	0	0	0	0
Total liabilities (on a wind- up basis)	2250	7500	100	900	10 750
Value of the annuities guaranteed by an insurance company	2030	4400	100	470	7000

The total market value of the plan's assets is 11 000, including the value of the annuities guaranteed by an insurance company. The overall wind-up ratio of the pension plan is therefore 102.3% and there are sufficient plan assets to fully cover the first three levels of priority. Plan assets of 250 (11 000 – 10 750) would remain to be allocated to jurisdictional portions under the fourth level of priority.

At the fourth level of priority, plan assets are first allocated to the portion having the lowest initial going concern ratio until that portion's going concern ratio equals that of the portion with the second lowest initial going concern ratio. Plan assets are then allocated to both of those portions such that their going concern ratios rise in a uniform manner until they equal the going concern ratio of the portion with the third lowest initial going concern ratio, and so on until all portions have the same going concern ratio or all plan assets have been allocated.

The initial going concern ratio of each portion must therefore be calculated. In order to do so, the value of annuities guaranteed by an insurance company must be included in the plan assets and the plan liabilities, even though Quebec's pension legislation normally requires such annuities to be excluded when calculating the going concern ratio for a pension plan. Note that the liability value and asset value for the annuities guaranteed by an insurance company are calculated on a wind-up basis.

The following table illustrates the application of this process:

Value of relevant liability components for each jurisdictional portion

	British Columbia	Quebec	Nova Scotia	Ontario	Total
Asset allocated after three levels of priority	2250	7500	100	900	10 750
Going concern liabilities	2200	6900	100	800	10 000
Going concern ratio after three levels of priority	102.3%	108.7%	100.0%	112.5%	107.5%
Fourth level of priority					
• Assets allocated to reach a going concern ratio of 102.3%	0.0	0.0	2.3	0.0	2.3
• Assets allocated to reach a going concern ratio of 108.7%	141.3	0.0	6.4	0.0	147.7
• Allocation of remaining plan assets	23.9	75.0	1.1	0.0	100.0
Going concern ratio after four levels of priority	109.8%	109.8%	109.8%	112.5%	110.0%

SECTION 14.
RULES OF APPLICATION

Alternative funding arrangements

14. (1) For the purposes of this Part, the assets of a pension plan include any alternative funding arrangement described in section 6 that exists in relation to the plan at the time the assets of the plan are allocated into portions in accordance with this Part.

Determining value of benefits and assets

(2) For the purposes of sections 11 to 13, except subsection (6) of section 13, the value of the benefits and other amounts payable under a pension plan and the assets of the plan shall be determined as if the pension plan were wound up on the date of allocation.

Explanatory Notes:

This section provides that the assets of a pension plan that are to be allocated into jurisdictional portions include any alternative funding arrangement described in section 6 of the Agreement that exists in relation to the plan on the date of allocation. However, the pension legislation that governs the alternative funding arrangement can affect the characteristics of the alternative funding arrangement for the purposes of the asset allocation (for example, by affecting the value of the alternative funding arrangement as an asset of the pension plan).

This section also provides that the value of the benefits and other amounts payable under a pension plan, as well as the assets of the plan, will be determined as if the pension plan were wound up on the date of allocation. However, in situations other than a full pension plan wind up, a partial pension plan wind up or a withdrawal of an employer from a multi-employer pension plan, the values taken into account under the fourth level of priority will be determined on a going concern basis.

Examples:

A multi-jurisdictional pension plan registered with the Quebec pension supervisory authority is to be fully wound up. On the wind-up date, the plan administrator holds a letter of credit in support of the plan's funding requirements, as permitted by Quebec's pension legislation. Quebec's legislation specifies that if the administrator of a pension plan holds letters of credit on the date the plan winds up, the letters of credit must be called upon pay into the plan's pension fund an amount equal to the lesser of:

- *the amount by which the plan's liabilities exceed the plan's assets on the wind up;*
or
- *the full amount of the letters of credit held by the plan administrator.*

In this example, as of the plan's wind-up date, the plan's total wind-up liabilities are 1000, the plan administrator holds a letter of credit under which a maximum amount of 135 is

payable into the plan's pension fund in the event of the plan's wind up and the plan's pension fund has other assets with a total market value of 880. For the purposes of the allocation of the plan's assets into jurisdictional portions, the allocation will proceed on the basis that the letter of credit will provide an amount equal to 120 to the plan's pension fund (bringing the pension plan to a fully funded status, but no more), based on the requirements of Quebec's legislation respecting letters of credit.

**SECTION 15.
REDUCTION METHOD**

15. (Revoked)

Explanatory Notes:

This section under the 2016 Agreement Respecting Multi-jurisdictional Pension Plans has been revoked under the Agreement.

SECTION 16.
INSUFFICIENCY OF ASSETS

Insufficiency of assets

16. If, at one of the levels of priority of allocation established by section 13, the assets of a pension plan that have yet to be allocated to a portion described in subsection (2) of section 11 are less than the total value of the benefits and other amounts that rank equally in that level of priority of allocation, the available plan assets shall be allocated to the portions pro rata to the total value of the benefits and other amounts that rank equally in that level of priority of allocation.

Explanatory Notes:

This section sets out how the assets of a pension plan will be allocated when those assets are insufficient to fully cover the value of the liabilities and other amounts related to a particular level of priority.

Examples:

Please see the examples provided in the explanatory notes for section 13 of the Agreement, some of which illustrate the allocation of assets when a pension plan's assets are insufficient to fully cover the value of the liabilities and other amounts related to a particular level of priority.

SECTION 17.**USE OF ASSETS FOLLOWING ALLOCATION****Use of allocated assets**

17. (1) Where an asset allocation for a pension plan is made under this Part in any situation other than that described in clause (c), (d) or (e) of subsection (1) of section 10, each portion of the assets of the plan allocated in accordance with sections 11 to 16 shall be utilized in conformity with the pension legislation applicable to the benefits and other amounts related to that portion.

Use of allocated assets for certain asset allocations

(2) Where an asset allocation for a pension plan is made under this Part in a situation described in clause (c), (d) or (e) of subsection (1) of section 10, each portion of the assets of the plan allocated in accordance with sections 11 to 16 shall be utilized, in conformity with the pension legislation applicable to the benefits and other amounts related to that portion, to satisfy payment of those benefits and other amounts arising from the wind up of the plan or the withdrawal of the employer, as the case may be. In addition, any remaining assets related to that portion shall be distributed in accordance with that pension legislation, if so required under that legislation. No assets of the plan allocated to one portion shall be utilized to satisfy payment of the benefits and other amounts related to another portion on the wind up of the plan or the withdrawal of the employer, as the case may be.

Use of remaining allocated assets

(3) Where a situation described in clause (c) or (d) of subsection (1) of section 10 occurs and the assets of a pension plan that have been allocated to a portion in accordance with sections 11 to 16 have been utilized to fully satisfy payment of the benefits and other amounts related to that portion that arise from the partial wind up of the plan or the withdrawal of the employer, as the case may be, and any other assets related to that portion have been distributed as required by the pension legislation applicable to the benefits and other amounts related to that portion, any remaining assets related to that portion shall remain in the pension fund of the plan and be commingled with the other assets therein.

Explanatory Notes:

This section sets out how the assets of a pension plan that have been allocated among jurisdictional portions in accordance with Part IV of the Agreement would be treated subsequent to the allocation. Once the allocations have been made, the assets of the portion allocated to a particular jurisdiction will be used in the manner set out in the pension legislation of that jurisdiction.

Examples:

Part of the assets of a multi-jurisdictional pension plan related to some of the plan's Ontario and Alberta members are to be transferred to another pension plan.

Following the allocation of the multi-jurisdictional plan's assets under Part IV of the Agreement, the plan assets allocated to Alberta and those allocated to Ontario must be used in accordance with the pension legislation of Alberta and of Ontario, respectively, as they relate to asset transfers between pension plans.

**PART V
RELATIONS BETWEEN AUTHORITIES**

**SECTION 18.
COOPERATION**

Reciprocal obligations

18. The pension supervisory authorities that are subject to this Agreement shall:
- (a) provide to each other any information required for the application of this Agreement or pension legislation, and if requested, may provide other information which is reasonable in the circumstances;
 - (b) assist each other in any matter concerning the application of this Agreement or pension legislation as is reasonable in the circumstances, particularly with respect to subsection (7) of section 4, and may act as agent for each other;
 - (c) upon the request of such an authority, transmit to that authority any information on steps taken for the application of this Agreement and amendments to pension legislation, to the extent that such amendments affect the application of this Agreement;
 - (d) notify each other of any difficulty encountered in the interpretation or in the application of this Agreement or pension legislation; and
 - (e) seek an amicable resolution to any dispute that arises between them with respect to the interpretation of this Agreement.

Explanatory Notes:

This section requires that pension supervisory authorities cooperate with each other for the purposes of administering the Agreement. This includes sharing information, providing assistance and seeking amicable resolutions to disputes between the authorities.

**PART VI
EXECUTION AND COMING INTO FORCE OF AGREEMENT**

**SECTION 19.
COMING INTO FORCE**

Effective date

- 19.** This Agreement shall come into force:
- (a) on July 1, 2020, in respect of the governments of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Quebec, Saskatchewan and Canada;
 - (b) on July 1, 2023, in respect of the governments of Manitoba and Newfoundland and Labrador; and
 - (c) on the date unanimously agreed to by all parties to this Agreement in respect of a government on behalf of which this Agreement is signed after July 1, 2023.

Explanatory Notes:

This section establishes when the Agreement will come into force for the jurisdictions whose governments form the initial parties to the Agreement, and when it will come into force for jurisdictions whose governments become party to the Agreement after the initial effective date.

The initial effective date of the Agreement under clause 19(a) of the Agreement was July 1, 2020, and the Agreement came into force on that date for those jurisdictions whose governments signed on to the Agreement by that date.

The Agreement came into force on July 1, 2023, for Manitoba and Newfoundland and Labrador, as indicated under clause 19(b).

Any jurisdiction whose government has not signed on to the Agreement as of July 1, 2023, would be subject to clause 19(c) with respect to when that jurisdiction could become subject to the Agreement.

SECTION 20.
ADDITIONAL PARTIES
Unanimous consent

20. (1) A government may become party to this Agreement with the unanimous consent of the parties to this Agreement.

Effects

(2) This Agreement shall enure to the benefit of and be binding upon a government that becomes party to this Agreement, the government's jurisdiction and the jurisdiction's pension supervisory authority as of the date referred to in section 19.

Explanatory Notes:

This section provides a mechanism for the government of a jurisdiction to enter into the Agreement after the initial effective date of the Agreement.

**SECTION 21.
WITHDRAWAL****Written notice**

21. (1) A party to this Agreement may withdraw from this Agreement by giving written notice to all other parties to this Agreement. Such notice shall be signed by a person authorized by the laws of the withdrawing party's jurisdiction to sign this Agreement.

Waiting period

(2) The withdrawal shall take effect on the first day of the month following expiry of a period of eighteen months following the date on which the notice was transmitted. The withdrawal shall affect only the withdrawing party, and this Agreement shall remain in force for all other parties to this Agreement.

Minor authority

(3) Where, upon expiry of the eighteen month period referred to in subsection (2), the pension supervisory authority for the withdrawing party's jurisdiction acts as a minor authority with respect to a pension plan, the major authority for the plan shall provide, upon request, that minor authority with copies of all relevant records, documents and other information concerning the plan in the major authority's possession.

Major authority

(4) Where, upon expiry of the eighteen month period referred to in subsection (2), the pension supervisory authority for the withdrawing party's jurisdiction acts as the major authority for a pension plan, such authority shall:

- (a) determine which pension supervisory authority, if any, shall become the new major authority for the plan in accordance with section 3 as of the effective date of the withdrawal; and
- (b) provide the new major authority for the plan referred to in clause (a), as soon as possible after such authority assumes its functions, with all relevant records, documents and other information in its possession concerning the plan.

Notice by major authority

(5) The pension supervisory authority that becomes a pension plan's new major authority in accordance with subsection (4) shall, as soon as possible after assuming its functions, inform the plan administrator and each of the plan's minor authorities of the date on which it assumed the functions of major authority.

Notice by plan administrator

(6) The administrator of a pension plan that receives from the plan's new major authority notice of the information provided for in subsection (5) shall transmit such information:

- (a) to each employer that is party to the plan and any collective bargaining agent that represents any person who has rights or benefits under the plan within 90 days after such notice; and
- (b) to any person who has rights or benefits under the plan who is entitled to receive an annual or other periodic statement of the person's benefits under the plan, no later than the expiry of the period for providing such persons with their next annual or other periodic statements of benefits.

Decisions and recourse

(7) Despite sections 4 and 6, where a pension supervisory authority becomes a pension plan's new major authority in accordance with subsection (4):

- (a) all matters related to the plan that are pending before a prior major authority on the day preceding the new major authority's assumption of its functions under this Agreement shall be continued before that prior major authority;
- (b) all matters related to the plan that concern a decision, order, direction or approval proposed or made by a prior major authority and pending before any administrative body or court on the day preceding the new major authority's assumption of its functions under this Agreement shall be continued before such body or court;
- (c) for every matter in respect of which the prior major authority referred to in clause (a) or the administrative body or court referred to in clause (b) has proposed or made a decision, order, direction or approval to which the pension legislation or other legislation applying on the day preceding the new major authority's assumption of its functions under this Agreement provides a right of recourse:
 - (i) such right shall be maintained so long as the period provided for exercising that right has not expired; and
 - (ii) such recourse may be brought before the administrative body or court provided for by the legislation giving entitlement thereto;

- (d) for any matter related to the plan not described in clauses (a) to (c) that occurred before the new major authority's assumption of its functions under this Agreement and that related to the provisions of the pension legislation of a prior major authority's jurisdiction in respect of a matter referred to in Schedule B:
 - (i) the prior major authority may, even after it loses its status as major authority for the plan, conduct an examination, investigation or inquiry into the matter in accordance with the pension legislation of the prior major authority's jurisdiction to determine whether compliance with that legislation was met, and in such case, the matter shall remain subject to that prior major authority; and
 - (ii) where the matter constitutes an offence or is subject to an administrative penalty under the pension legislation of the prior major authority's jurisdiction, the offence or administrative penalty may be prosecuted or imposed by the competent authority in that jurisdiction, and in such case, the matter shall remain subject to that prior major authority; and
- (e) all matters referred to in clauses (a) to (d) shall remain subject to the pension legislation or other legislation that applied to such matters on the day preceding the new major authority's assumption of its functions under this Agreement.

Explanatory Notes:

After a jurisdiction's government has entered into the Agreement, it may determine that it no longer wishes to participate in the Agreement. This section establishes the requirements and timeframes for a government to withdraw its jurisdiction from the Agreement.

**SECTION 22.
AMENDMENT**

Unanimous consent

22. This Agreement may be amended with the unanimous written consent of each of the parties to this Agreement.

Explanatory Notes:

This section establishes the level of consent required to amend the Agreement.

**SECTION 23.
COUNTERPARTS**

Execution in counterparts

23. This Agreement or any amendment to this Agreement may be executed in counterparts.

Explanatory Notes:

This section establishes that each government that enters into the Agreement may do so by having a governmental representative sign an individual copy of the Agreement, even if it is not the same copy that has been signed by the other signatories of the Agreement.

SECTION 24.
EXECUTION IN ENGLISH AND IN FRENCH

Authentic texts

24. This Agreement and any amendment to this Agreement shall be executed in the English and French languages, each text being equally authoritative.

Explanatory Notes:

This section sets out the language requirements for the purposes of the Agreement and any amendment to the Agreement.

**PART VII
IMPLEMENTATION AND TRANSITIONAL PROVISIONS**

**SECTION 25.
REPLACEMENT**

Prior agreements

25. Subject to sections 27 and 28, as of the date referred to in section 19, this Agreement replaces the agreement entitled “Memorandum of Reciprocal Agreement” and any similar agreement respecting the application of pension legislation to pension plans that has been made between the governments that are party to this Agreement or between the ministries, departments, offices, units or agencies of such governments.

Explanatory Notes:

This section specifies when and how the Agreement replaces the existing Memorandum of Reciprocal Agreement and any existing federal-provincial bilateral agreements respecting the regulation of multi-jurisdictional pension plans, for the jurisdictions whose governments have entered into the Agreement.

**SECTION 26.
TRANSITION**

Preliminary measure

26. (1) Where this Agreement comes into force on a date referred to in section 19, and on that date a pension plan first becomes subject to this Agreement:

- (a) if the plan is registered with only one pension supervisory authority and that authority is subject to this Agreement on that date, that authority shall become the major authority for the plan as of that date;
- (b) if the plan is registered with more than one pension supervisory authority and each of those authorities is subject to this Agreement on that date, the major authority for the plan shall be, of those authorities, the authority of the jurisdiction with the plurality of active members of the plan, as determined in accordance with subsection (3) of section 3 and considering only those jurisdictions whose pension legislation would, if this Agreement and any other agreement respecting the supervision of pension plans did not exist, require the plan to be registered with the pension supervisory authority of that jurisdiction; and
- (c) if the plan is registered with more than one pension supervisory authority and not all of those authorities are subject to this Agreement on that date, this Agreement shall not apply to the plan until such time as all of the authorities with which the plan is registered are subject to this Agreement, at which time the requirements of clause (b) shall apply to the plan.

Equal number of active members

(2) Where the major authority for a pension plan cannot be determined by applying clause (b) of subsection (1) because two or more jurisdictions have authority over an equal number of active members of the plan, the major authority for the plan shall be, of those jurisdictions, the authority whose main office is in closest proximity to the main office of the administrator of the plan. For the purposes of this subsection:

- (a) the main office of a pension supervisory authority is the office from which the authority conducts most of its supervisory activities; and
- (b) the main office of the pension plan administrator is the office from which the plan administrator described in the text of the pension plan conducts most of the plan's administration.

Notice by major authority

(3) The pension supervisory authority that becomes a pension plan's major authority in accordance with this section shall, as soon as possible after assuming its functions, inform the plan administrator and each of the plan's pension supervisory authorities of the date on which it assumed the functions of major authority.

Decisions and recourse

(4) Despite sections 4 and 6, where a pension supervisory authority becomes a pension plan's major authority in accordance with this section:

- (a) all matters related to the plan that are pending before a pension supervisory authority on the day preceding the major authority's assumption of its functions under this Agreement shall be continued before that pension supervisory authority;
- (b) all matters related to the plan that concern a decision, order, direction or approval proposed or made by a pension supervisory authority and pending before any administrative body or court on the day preceding the major authority's assumption of its functions under this Agreement shall be continued before such body or court;
- (c) for every matter in respect of which the pension supervisory authority referred to in clause (a) or the administrative body or court referred to in clause (b) has proposed or made a decision, order, direction or approval to which the pension legislation or other legislation applying on the day preceding the major authority's assumption of its functions under this Agreement provides a right of recourse:
 - (i) such right shall be maintained so long as the period provided for exercising that right has not expired; and
 - (ii) such recourse may be brought before the administrative body or court provided for by the legislation giving entitlement thereto;
- (d) for any matter related to the plan not described in clauses (a) to (c) that occurred before the major authority's assumption of its functions under this Agreement and that related to the provisions of the pension legislation of a pension supervisory authority's jurisdiction in respect of a matter referred to in Schedule B:
 - (i) the pension supervisory authority may, even after the major authority assumes its functions under this Agreement for the plan, conduct an examination, investigation or inquiry into the matter in accordance with the pension legislation of that authority's jurisdiction to determine whether compliance with that legislation was met, and in such case, the matter shall remain subject to that pension supervisory authority; and
 - (ii) where the matter constitutes an offence or is subject to an administrative penalty under the pension legislation of the pension supervisory authority's jurisdiction, the offence or administrative penalty may be prosecuted or imposed by the competent authority in

that jurisdiction, and in such case, the matter shall remain subject to that pension supervisory authority; and

- (e) subject to sections 27 and 28, all matters referred to in clauses (a) to (d) shall remain subject to the pension legislation, other legislation and agreements referred to in section 25 that applied to such matters on the day preceding the major authority's assumption of its functions under this Agreement.

New party to this Agreement after July 1, 2020

(5) Despite sections 4 and 6, if this Agreement comes into force after July 1, 2020, in respect of a government that was not party to this Agreement before that date, and a pension plan is, on the date this Agreement comes into force in respect of that party, already subject to this Agreement:

- (a) the major authority for that plan shall inform the plan administrator and each of the plan's pension supervisory authorities of the date on which this Agreement came into force in respect of that party, as soon as possible after that date;
- (b) all matters related to the plan that are pending before a pension supervisory authority on the day preceding the date this Agreement comes into force in respect of that party shall be continued before that pension supervisory authority;
- (c) all matters related to the plan that concern a decision, order, direction or approval proposed or made by a pension supervisory authority and pending before any administrative body or court on the day preceding the date this Agreement comes into force in respect of that party shall be continued before such body or court;
- (d) for every matter in respect of which the pension supervisory authority referred to in clause (b) or the administrative body or court referred to in clause (c) has proposed or made a decision, order, direction or approval to which the pension legislation or other legislation applying on the day preceding the date this Agreement comes into force in respect of that party provides a right of recourse:
 - (i) such right shall be maintained so long as the period provided for exercising that right has not expired; and
 - (ii) such recourse may be brought before the administrative body or court provided for by the legislation giving entitlement thereto;

- (e) for any matter related to the plan not described in clauses (b) to (d) that occurred before the date this Agreement came into force in respect of that party and that related to the provisions of the pension legislation of a pension supervisory authority's jurisdiction in respect of a matter referred to in Schedule B:
 - (i) the pension supervisory authority may, even after the date this Agreement comes into force in respect of that party, conduct an examination, investigation or inquiry into the matter in accordance with the pension legislation of that authority's jurisdiction to determine whether compliance with that legislation was met, and in such case, the matter shall remain subject to that pension supervisory authority; and
 - (ii) where the matter constitutes an offence or is subject to an administrative penalty under the pension legislation of the pension supervisory authority's jurisdiction, the offence or administrative penalty may be prosecuted or imposed by the competent authority in that jurisdiction, and in such case, the matter shall remain subject to that pension supervisory authority; and
- (f) all matters referred to in clauses (b) to (e) shall remain subject to the pension legislation, other legislation and agreements referred to in section 25 that applied to such matters on the day preceding the date this Agreement came into force in respect of that party.

Explanatory Notes:

This section sets out transitional requirements where the Agreement first comes into force in relation to a pension plan, such as how the major authority for the plan will be determined, notice requirements and the status of matters pending before the Agreement takes effect for the plan.

Examples:

- 1) *Immediately before the Agreement comes into effect on July 1, 2020, a pension plan is registered with the Ontario pension supervisory authority and has active members employed in both Ontario and Alberta.*

The Ontario authority will become the major authority for the plan under the Agreement on July 1, 2020. As soon as possible after that date, the Ontario authority will notify the administrator of the plan and the Alberta pension supervisory authority that it (the Ontario authority) became the major authority for the plan under the Agreement effective July 1, 2020.

- 2) *Immediately before the Agreement comes into effect on July 1, 2020, a pension plan is registered with the Ontario pension supervisory authority and has active members employed in both Ontario and Manitoba. Manitoba does not become subject to the Agreement until July 1, 2023, at which time the plan is still registered with the Ontario authority.*

Section 2(1) of the Agreement provides that the Agreement only applies to a pension plan if the plan would be subject to registration with a pension supervisory authority under the pension legislation of more than one jurisdiction that is subject to the Agreement. Before July 1, 2023, only one jurisdiction related to this plan (i.e., Ontario) is subject to the Agreement. As such, the Agreement will not apply to this plan until July 1, 2023 (when Manitoba becomes subject to the Agreement), at which time the Ontario authority will become the major authority for the plan under the Agreement.

- 3) *Immediately before the Agreement comes into effect on July 1, 2020, a pension plan is registered with both the Quebec and federal pension supervisory authorities. The plurality of active plan members is in the federal jurisdiction. As a result, the federal authority will become the major authority for the plan under the Agreement on July 1, 2020, and the plan will no longer be registered with the Quebec authority.*

**PART VIII
FINAL AND SPECIAL PROVISIONS**

SECTION 27.

REPLACEMENT OF 2016 AGREEMENT

2016 agreement

27. As of July 1, 2020, this Agreement replaces the agreement entitled “2016 Agreement Respecting Multi-jurisdictional Pension Plans” which came into force on July 1, 2016, in respect of the governments of British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan. The application of that agreement is limited to matters referred to in section 28.

Explanatory Notes:

This section establishes when and how the Agreement replaces the prior 2016 Agreement Respecting Multi-jurisdictional Pension Plans (2016 Agreement). It provides that the 2016 Agreement will continue to apply to matters referred to in section 28 of the Agreement.

SECTION 28.

ADDITIONAL TRANSITIONAL RULE

Pending matters under 2016 agreement

28. Despite section 27, any matter related to a pension plan that was subject to the agreement entitled “2016 Agreement Respecting Multi-jurisdictional Pension Plans” on June 30, 2020, and that was still pending on that date before a pension supervisory authority that was subject to that agreement, an administrative body or a court continues to be subject to the requirements of that agreement.

Explanatory Notes:

This section provides that the 2016 Agreement Respecting Multi-jurisdictional Pension Plans continues to apply to any matter that was pending before a pension supervisory authority, administrative body or a court on June 30, 2020.

SECTION 29.
WITHDRAWAL FROM AGREEMENT

29. *(Revoked)*

Explanatory Notes:

This section under the 2016 Agreement Respecting Multi-jurisdictional Pension Plans has been revoked under the Agreement.

**SCHEDULE A
PENSION LEGISLATION**

Alberta

1. *Employment Pension Plans Act*, S.A. 2012, c. E-8.1.

British Columbia

2. *Pension Benefits Standards Act*, S.B.C. 2012, c. 30.

Manitoba

3. *The Pension Benefits Act*, C.C.S.M., c. P32.

New Brunswick

4. *Pension Benefits Act*, S.N.B. 1987, c. P-5.1.

Newfoundland and Labrador

5. *Pension Benefits Act, 1997*, S.N.L. 1996, c. P-4.01.

Nova Scotia

6. *Pension Benefits Act*, S.N.S. 2011, c. 41.

Ontario

7. *Pension Benefits Act*, R.S.O. 1990, c. P.8.

Quebec

8. *Supplemental Pension Plans Act*, C.Q.L.R., c. R-15.1.

Saskatchewan

9. *The Pension Benefits Act, 1992*, S.S. 1992, c. P-6.001.

Federal jurisdiction

10. *Pension Benefits Standards Act, 1985*, R.S.C. 1985 (2nd supp.), c. 32.

Explanatory Notes:

Schedule A lists the pension legislation that is in force for the jurisdictions in Canada that could be signatories to the Agreement.

SCHEDULE B
MATTERS COVERED BY INCORPORATED LEGISLATIVE PROVISIONS

SECTION 1.

MAJOR AUTHORITY'S PENSION LEGISLATION

Major authority's pension legislation

1. The pension legislation applicable to a pension plan shall be the pension legislation of the jurisdiction of the major authority for the plan in the following areas of pension legislation:

Registration of pension plans

1. Legislative provisions respecting:

- (a) the duty of the pension plan administrator to ensure that the plan complies with the applicable pension legislation;
- (b) requirements that a pension plan be registered with the authority;
- (c) prohibitions against administering a pension plan not registered with the authority;
- (d) the pension plan registration process (including the filing of required forms and documents, the form in which such documents must be filed, the contents of documents and filing deadlines);
- (e) whether registration of a plan is proof of compliance with the applicable pension legislation; and
- (f) the authority's power to refuse or revoke the registration of a plan due to non-compliance with the applicable pension legislation.

Registration of pension plan amendments

2. Legislative provisions respecting:

- (a) requirements that pension plan amendments, or amendments to prescribed pension plan documents, be registered with the authority;
- (b) the amendment registration process (including the filing of required forms and documents, the form in which such documents must be filed, the contents of documents and filing deadlines);
- (c) whether registration of an amendment is proof of compliance with the applicable pension legislation;

- (d) the authority's power to refuse or revoke the registration of a plan amendment due to non-compliance with the pension legislation applicable to the plan under clause (a) of subsection (1) of section 6 of this Agreement;
- (e) the ability of the administrator to administer the amended plan if it does not comply with the applicable pension legislation; and
- (f) requirements for notice of registration of the amendment to be provided to active members or other persons, the form and content of the notice and deadlines for providing such notice.

Pension plan administrators

3. Legislative provisions respecting:

- (a) requirements that a pension plan be administered by an administrator;
- (b) who may be an administrator, except where the pension legislation of a party to this Agreement expressly provides that the pension supervisory authority of that party's jurisdiction shall act as administrator for part of the assets of a pension plan; and
- (c) the right of active members or other persons to establish an advisory committee to advise the administrator, and requirements respecting such an advisory committee.

Pension plan administrators' duties

4. Legislative provisions respecting:

- (a) requirements that the pension plan administrator or the trustee, custodian or holder of the pension fund:
 - (i) administer the pension plan or pension fund in accordance with the applicable pension legislation and the plan terms;
 - (ii) stand in a fiduciary relationship to active members or other persons;
 - (iii) hold the pension fund in trust for the active members or other persons;
 - (iv) act honestly, in good faith and in the best interests of the active members or other persons;
 - (v) exercise the care, diligence and skill of a prudent person;

- (vi) invest the pension fund in accordance with the applicable pension legislation, the pension plan's written investment policies, in the best interests of the active members or other persons or in a reasonable and prudent manner; and
 - (vii) hold an annual or periodic meeting with the active members or other persons;
- (b) requirements that persons involved in the administration of a pension plan or pension fund:
- (i) employ all knowledge and skill they possess by reason of their business or profession;
 - (ii) familiarize themselves with their fiduciary duties and obligations; and
 - (iii) possess the skills, capability and dedication required to fulfill their responsibilities and seek advice from qualified advisors where appropriate;
- (c) conflict of interest requirements for persons involved in the administration of a pension plan or pension fund;
- (d) requirements for the selection, use and supervision of the administrator's agents or advisors, and requirements for such agents or advisors;
- (e) requirements that the employer or trustee provide information to the administrator; and
- (f) requirements respecting the payment of expenses related to the pension plan.

Pension plan records

5. Legislative provisions respecting:

- (a) how long any person must retain information related to the pension plan; and
- (b) requests by the plan administrator for information necessary for the administration of the pension plan.

Funding of ongoing pension plans

6. Legislative provisions respecting the following requirements related to the funding of ongoing pension plans (but not for the situations described in clauses (c), (d) and (e) of subsection (1) of section 10 of this Agreement):
 - (a) requirements for contributions made to the pension fund (including the type or form of contributions, the manner in which they must be made and deadlines for making them);
 - (b) minimum plan funding and solvency levels (including plan funding and solvency levels related to pension plan amendments and the use of plan assets for the funding of plan amendments);
 - (c) the ability to take contribution holidays;
 - (d) requirements for actuarial valuation reports to be filed with the authority in respect of pension plans (including the form and content of such reports, filing deadlines and actuarial standards to be applied in preparing such reports);
 - (e) requirements for refunds of contributions to employers, active members or other persons;
 - (f) restrictions on the amount of the value of a person's benefit entitlements under a pension plan, or the amount of a refund payable to the person from a pension plan, that can be initially transferred out of the pension fund of the plan where the plan is not fully funded on a solvency or going concern basis, and the deadline for transferring or paying the outstanding portion of the amount;
 - (g) who may be the trustee, custodian or holder of the pension fund; and
 - (h) requirements for the provision of information between administrators and the trustees, custodians or holders of pension funds with respect to contributions, and for notice to the authority of contributions not remitted when due.

Pension fund investments

7. Legislative provisions respecting:
 - (a) requirements for the investment of the pension fund (including limitations on investments and requirements that pension fund assets to be held in the name of the pension plan);

- (b) requirements that the administrator prepare a written investment policy, requirements for such a policy (including the form and content of the policy, whether it must be filed with the authority and the deadline for filing) and requirements regarding to whom such a policy must be provided; and
- (c) requirements in situations where active members or other persons direct the investment of their contributions (including the minimum number and type of investment options offered, the education and advice available to active members or who may provide the advice).

Pension fund assets

8. Legislative provisions respecting:

- (a) requirements for pension fund assets to be held by specified fund holders under a specified type of agreement;
- (b) requirements for contributions to be remitted to the pension fund;
- (c) requirements that the pension fund be held separate and apart from the employer's assets and deeming the pension fund to be held in trust for the active members or other persons;
- (d) an administrator's lien and charge on the employer's assets equal to the amounts deemed held in trust; and
- (e) the administrator's duty to take immediate action (including court proceedings) to obtain outstanding contributions.

Provision of information

9. Legislative provisions respecting:

- (a) requirements for documents and information to be filed by the administrator or any other person with the authority, including:
 - (i) periodic information returns;
 - (ii) actuarial information, if applicable;
 - (iii) financial statements (including audited financial statements); and
 - (iv) the form and content of the documents and information, who must prepare them and filing deadlines;

- (b) requirements for the following documents and information to be provided by the administrator, including the form and content of the documents and information, who must prepare them and deadlines for providing them:
 - (i) pension plan summaries for active members or employees entitled to join the plan; and
 - (ii) annual or other periodic statements for active members or other persons; and
- (c) requirements for the inspection of pension plan documents in the possession of the administrator, authority or other persons (including who is entitled to inspect the documents and information, how often, where and at what cost).

Plan membership

10. Legislative provisions respecting:

- (a) pension plans being for one or more classes of employees; and
- (b) the ability of the employer to establish separate plans for full-time and part-time employees.

Appointment of pension plan administrator

11. Legislative provisions respecting:

- (a) the ability of the authority to appoint itself or another person as administrator of a pension plan and rescind the appointment; and
- (b) the powers of an appointed administrator.

Explanatory Notes:

This section of Schedule B to the Agreement sets out those legislative subject matters of the major authority's pension legislation that apply to the entire pension plan, instead of any corresponding provisions of the pension legislation of any minor authority for the plan.

In relation to clause 9(b), if the effective date of an annual or other periodic statement that the pension plan administrator must issue to an active member or other person precedes the date the Agreement comes into effect, the legislative requirements that applied to that statement on the effective date of the statement will continue to apply to the statement, even if the statement is not due to be provided to the active member or other person until after the Agreement comes into effect.

Examples:

- 1) *In relation to clause 9(b), a pension plan is registered with the Ontario pension supervisory authority and has both active members and retired members in each of Ontario, Alberta and Manitoba. The most recent fiscal year end of the plan is March 31, 2020.*

After the Agreement comes into effect on July 1, 2020, the plan must provide by September 30, 2020, the following benefit statements as at March 31, 2020:

- *annual benefit statements to the Ontario active members that comply with Ontario's pension legislation;*
- *annual benefit statements to the Alberta active and retired members that comply with Alberta's pension legislation;*
- *annual benefit statements to the Manitoba active members that comply with Manitoba's pension legislation (note that Manitoba's legislation does not require the plan to provide annual or other periodic benefit statements to Manitoba retired members).*

The plan must also provide biennial benefit statements to the Ontario retired members that comply with Ontario's legislation no later than 2 years after the previous biennial benefit statements were provided to the Ontario retired members.

While the Agreement came into effect on July 1, 2020, and the annual benefit statements as at March 31, 2020, due to be provided to the Alberta active and retired members do not have to be provided until September 30, 2020, those annual benefit statements must still be drafted and provided to the Alberta members in accordance with Alberta's legislation. They cannot be drafted and provided in compliance with only Ontario's legislation.

However, the next annual benefit statements (as at March 31, 2021) to Alberta active members must be drafted and provided in accordance with Ontario's legislation, while the Alberta retired members must be provided with biennial benefit statements that

comply with Ontario’s legislation no later than September 30, 2022 (which is 18 months after the first fiscal year end of the plan that occurred after the Agreement came into effect for the Alberta retired members).

Meanwhile, annual benefit statements provided to Manitoba active members as at March 31 in 2021, 2022 and 2023 must still comply with Manitoba’s legislation (not Ontario’s) because Manitoba was not subject to the Agreement on those dates. In addition, no benefit statements are required to be sent to the Manitoba retired members for those years, since Manitoba’s legislation has no such requirement.

However , annual benefit statements (as at March 31, 2024) to Manitoba active members must be drafted and provided in accordance with Ontario’s legislation, while the Manitoba retired members must be provided with biennial benefit statements that comply with Ontario’s legislation no later than September 30, 2025 (which is 18 months after the first fiscal year end of the plan that occurred after the Agreement came into effect for the Manitoba retired members).

SECTION 2.

MAJOR AUTHORITY'S POWERS

Major authority's powers

2. Where the pension legislation of the major authority's jurisdiction applies to a pension plan in accordance with section 1 of this Schedule, the following areas of the pension legislation of the major authority's jurisdiction shall, for the purposes of the plan and all jurisdictions that are subject to this Agreement in respect of the plan, also apply in respect of the application of the pension legislation described in section 1 of this Schedule:

Powers of examination, investigation or inquiry

1. All powers of examination, investigation or inquiry given to the major authority.

Orders, directions, approvals or decisions

2. The issuance of, or proposal to issue, orders, directions, approvals or decisions by the major authority, and any modification as may be made to such an order, direction, approval or decision by the authority, an administrative body or a court.

Reconsideration or review

3. The rights of the plan or a person affected by an order, direction, approval or decision of the major authority, an administrative body or a court to have the order, direction, approval or decision reconsidered or reviewed by the authority, an administrative body or a court.

Offences and penalties

4. The offences and penalties that may be applied where the plan or a person is found to have contravened the terms of the applicable pension legislation.

Explanatory Notes:

This section of Schedule B to the Agreement provides that the enforcement and recourse provisions of the major authority's pension legislation apply to the entire plan in relation to any provision of that legislation that applies to the plan under section 1 of Schedule B.