

MERCER'S RESPONSE: NEW LEGAL REQUIREMENTS RELATED TO YOUR PENSION PLAN IN 2017

Are You Prepared for the New Pension Advisory Committees Legislation?

Does your company sponsor an Ontario-registered pension plan (RPP)? If so, you need to know about the new legal obligations under Ontario's recent law on Pension Advisory Committees (PACs).

OVERVIEW

On January 1, 2017, the province enacted new legislation on PACs, stating that RPP members and retired members, or unions working on their behalf, may participate in a vote to establish a PAC if 10 or more members request it. The newly enacted PAC, then, would monitor the plan administration, make recommendations to the administrator, and promote awareness and understanding of the plan among members.

KEY ISSUES

In order to promote optimal operation of a PAC, RPPs need to focus on the following key issues:

- **Administration:** Administrative resources will need to be allocated to both the formation and the ongoing operations of the PAC. Proactive actions can ensure resources are sufficient for the requirements.
- **Financial:** The ongoing support that will be required may be costly, particularly if you sponsor multiple pension plans. Effective pre-planning may reduce costs.

- **Governance:** The PAC's core purposes overlap existing RPP administrator responsibilities, which could potentially make governance more complicated. A positive relationship with the PAC and ongoing communication will need to be a priority to avoid misunderstandings.
- **Employee Engagement:** A well-functioning PAC could promote better plan awareness and understanding; however, there are risks of the PAC providing incorrect information, which may lead to member dissatisfaction. Again, effective communication will be necessary.

TAKING THE LEAD

This new PAC legislation could have profound effects on your Ontario-registered pension plan. Your RPP may be better served by proactive measures to ensure adequate preparedness.

Though no exclusions are made for RPP administrators who already provide compliant and detailed RPP communications, plan members may be less likely to request a vote to establish a PAC if they are satisfied with current communication efforts and feel they are well-informed about the RPP.

If you expect plan members will want to form a PAC, you may want to consider preparing in advance for a voting system and PAC support services. This can ensure appropriate management of the process as well as reduced costs.

MERCER CAN HELP

Mercer's Pension experts can help you prepare and communicate by:

- Providing more information about the PAC legislation and its implications
- Examining your current plan governance
- Improving your pension communication program
- Sharing options for better plan member engagement

- Helping you prepare a strategy and drafting ballots in the event of a PAC request
- Providing best practices related to appropriate PAC governance issues and aiding in the preparation of a governance manual

Contact your Mercer consultant today to discuss what this means for your organization.

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