



# Special Notice

November 6, 2009

## Nova Scotia: solvency-funding relief on the way

Employers sponsoring defined benefit plans in Nova Scotia are getting the long-awaited relief. Effective November 3, 2009, the *Pension Benefits Act* (PBA) regulations were amended to extend the time limit applicable to deficit funding.

Normally, under-funded pension plans are required to make special contributions to liquidate any deficit within five years. The amended regulations temporarily extend this time limit to 10 years, for plans that report an under-funding between December 30, 2008 and January 2, 2011. Deficits reported earlier could be added to newly identified shortfalls and allowed to be funded over 10 years. No plan amendments lowering employee contributions will be allowed during the first five years of the extension. Benefit improvements, if any, must be fully funded immediately.

Plan administrators must notify all plan members and former members, their representatives, and any other person entitled to benefits under the plan, of their intention to extend plan funding up to 10 years and provide detailed information on the proposal. If no more than one-third objects to the proposal within 30 days of notification, the solvency funding can be extended as proposed. Objection expressed by a trade union that represents plan members will be counted as a separate objection for each member that it represents.

This solvency funding relief is the same as proposed by the previous Nova Scotia government in May 2009, and then put on hold due to the provincial elections. Although this relief offers welcome flexibility, solvency funding will likely continue to be a significant challenge for many defined benefit plan sponsors.

### **Phased retirement introduced**

The Nova Scotia government also moved to amend the PBA allowing phased retirement to be offered under pension plans registered in the province, in the same way as introduced in the federal 2007 budget. The new provisions will be optional, subject to a written agreement between the employer and the member.

Employees would be allowed to receive up to 60% of their accrued pension and continue working and accruing further pension benefits. Employers may find phased retirement provisions helpful in retaining key talent. The PBA amendment passed in the provincial House of Assembly on November 2, 2009 and will be effective on proclamation.

This *Special Notice* has been prepared for general information purposes only and does not constitute professional advice. If you require professional advice based on the contents of this *Special Notice*, please contact an Eckler consultant.

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