

Client Advisory

Alberta implements temporary funding relief for 2020, allows electronic communications

July 16, 2020

Summary

Alberta has amended the *Employment Pension Plans Regulation* (EPPR) to implement temporary funding relief for 2020. This includes a moratorium on going concern and/or solvency amortization payments, a modification of the contribution holiday limits, and (for plans with a target benefit provision) a moratorium on the provision for adverse deviation applied to the normal cost.

The EPPR has also been amended to permanently allow any statement, notice, document or other record or information to be provided, sent, delivered or filed electronically. However, this does not include a beneficiary designation.

This Client Advisory sets out the requirements with respect to the temporary funding relief measures which will be of interest to plan sponsors and administrators of defined benefit and target benefit pension plans registered in Alberta. It also sets out the requirements regarding electronic information which will be of interest to administrators of pension plans with Alberta members.

Effective June 24, 2020, the *Employment Pension Plans Regulation* (EPPR) has been [amended](#) to provide temporary funding relief for defined benefit (DB) and target benefit (TB) plans registered in Alberta upon approval by the Alberta Superintendent of Pensions (Superintendent). The EPPR was also amended to explicitly permit the provision of information by electronic means.

Alberta Treasury Board and Finance (ATB&F) has issued [EPPA Update 20-04: Additional COVID-19 Relief Measures](#) (EPPA Update) which provides additional guidance for plan sponsors and plan administrators.

Relief measures

Moratorium on amortization payments

Administrators of DB or TB pension plans registered in Alberta may apply to the Superintendent for a moratorium on going concern and/or solvency amortization payments due from June 24, 2020 until

December 31, 2020. Since amortization payments are required to be remitted within 30 days of the end of the month to which they apply, this likely means that the moratorium would cover amortization payments in respect of the months of May 2020 to November 2020.

For some plans, the requirement to make amortization payments is shared between the employer(s) and the members. For these plans, the moratorium would also impact member contributions in respect of the amortization payments.

The subsequent valuation report must identify any experience loss relating to the moratorium, and this loss would be amortized over a period not exceeding 15 years.

Transfer deficiency payments are not covered under the moratorium, and are therefore still required when full commuted value payments are made for a plan with a solvency ratio less than 100%.

Moratorium on provision for adverse deviation on normal cost

Administrators of TB plans may further apply for a moratorium on the provision for adverse deviation (PfAD) applied to the normal cost. The EPPA Update specifies that this would apply to contributions remitted in 2020.

Modification of contribution holiday limits

DB plans with “accessible going concern excess” (i.e., going concern assets in excess of 105% of the going concern liabilities) and a solvency surplus at the last-filed valuation may use a portion of the excess assets to meet their current contribution requirements (i.e., a contribution holiday). The use of excess assets in a single fiscal year is usually limited to 20% of the accessible going concern excess. Under the relief measures, administrators may apply to the Superintendent to increase this limit to 40% of the accessible going concern excess for a single fiscal year ending no later than December 30, 2021. For plans with a fiscal year-end of December 31, this means that the only opportunity to take advantage of this relief is in calendar year 2020.

Approval process and relief conditions

In order for a plan to benefit from the relief measures, a plan administrator must send a written application to the Superintendent. The application must contain the following:

- Confirmation that no benefit improvements will be made while participating in the relief.
- The estimated financial position of the plan on a going concern and solvency (if applicable) basis as of the date of application. Pragmatically, since pension trust statements are often issued monthly as opposed to daily, there may be difficulties in providing the estimated position as of the exact date of application. Willis Towers Watson has had discussions with ATB&F, and they have advised that providing the estimated position as of the prior month-end will likely be sufficient for the application.
- The rationale for seeking funding relief.

The Superintendent may impose other terms and conditions prior to granting approval. Temporary relief measures are not permitted without the Superintendent's approval, which may be retroactive but not earlier than June 24, 2020.

Electronic communication

The EPPR has been amended to permanently allow electronic transmission of any statement, notice, document or other record or information that is required or permitted to be provided, sent, delivered or filed. If information is communicated electronically, it must be done in accordance with Alberta's *Electronic Transactions Act*.

The ability to use electronic communication does not apply to the designation of a beneficiary, as this is outlined in the *Wills and Succession Act* and is outside of the scope of the EPPR amendment. The EPPA Update also specifies that hard copies must still be provided on request.

Effective July 1, 2020, Alberta and several other jurisdictions joined the updated 2020 Multi-Jurisdictional Pension Plans Agreement (see our [Client Advisory](#) dated July 2, 2020). The ability to use electronic communication for members in various jurisdictions may depend on whether the plan is registered in Alberta, and/or the member's province of employment. Please contact your Willis Towers Watson consultant for further details on how this may apply to your plan.

Comments

The funding relief outlined in the EPPR amendment follows the temporary solvency moratorium provided by the federal government and it is expected that plan sponsors of DB or TB plans registered in Alberta will welcome the additional flexibility of the relief measures. The Alberta relief goes further by also providing a moratorium on going concern amortization payments; however, unlike the recent federal relief, the Alberta relief does not apply retroactively to near the beginning of the COVID-19 emergency in Canada. Further, plan administrators must submit an application for the Alberta relief measures, including a more up-to-date financial position of the plan and rationale for seeking the relief, and the Superintendent may impose other terms and conditions.

TB provisions only apply to collectively bargained multi-employer plans (CBMEPs). For CBMEPs, the employer and member contributions are fixed in the collective bargaining agreement; as such, the moratorium on amortization payments and the PfAD would not impact the actual contributions required to be paid by the employer and members. Instead, the moratorium impacts how these contributions are allocated based on the legislated funding requirements, and would likely provide a greater probability of avoiding benefit reductions in 2020.

The temporary modification of the contribution holiday limits will be welcome by some DB plan sponsors, but will likely be limited in scope as plans need to have sufficient going concern and solvency surplus for this measure to be advantageous.

Explicitly permitting the use of electronic communications has been a long-awaited development, and will be welcomed by plan administrators.

For more information

This Advisory is not intended to constitute or serve as a substitute for legal, accounting, actuarial or other professional advice. For information on how this issue may affect your organization, please contact your Willis Towers Watson consultant, or:

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