



# *Amendments to the New Brunswick Pension Benefits Act and Regulations*

*Integrating*

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On December 1, 2003, the Office of the Superintendent of Pensions for New Brunswick announced the proclamation of amendments to the New Brunswick *Pension Benefits Act* and *Regulations*.

## **Impact on Plan Sponsors**

We have summarized below the most significant changes affecting pension plans with members employed in New Brunswick:

- As of December 1, 2003 any active member with two or more years of continuous plan membership is now vested as opposed to the previous requirement of five years of continuous employment.
- The threshold for unlocking small pensions has been increased from an annual pension of 2% of YMPE to a commuted value of 40% of YMPE divided by 1.06 for each year the age of the terminating member precedes age 65.
- DC plan members are no longer required to buy an annuity at retirement on or after age 65 and may now transfer their benefits to a LIF or LIRA.
- The minimum pre-retirement death benefit has been increased from 60% to 100% of the commuted value of the pension for the spouse of a member or former member. This change is applicable for pre-retirement death benefits payable after December 1, 2003.



- Foreign nationals who accrue locked-in pension benefits may now unlock these benefits upon their departure from Canada. In order for the member to qualify under this provision, the members and their spouses must not be Canadian citizens or residents of Canada.
- The *Regulations* now specifically prohibit the mixing of unlocked assets with locked-in assets. As a result only money transferred from a pension plan can be transferred into a LIF or a LIRA.
- A spousal waiver must now be executed for withdrawals due to shortened life expectancy and the joint and survivor spousal waiver has been standardized.
- The Record of Transfer of Locked-In Retirement Funds Form has been updated to permit a direction that all benefits be transferred into a locked-in account without the need to specify a precise amount.

### **Other Changes**

The foregoing changes will affect the cost of pensions as well as administration. In addition, the following optional plan provisions are now also available as a result of the amendments:

- Flexible pension plans are now permitted allowing employees to buy additional benefits by making new “optional contributions”. These additional benefits are not subsidized by the employer in any way.

- The *Act* now permits the suspension of benefits if a pensioner returns to work and wishes to obtain further pensionable service in the plan.
- A pension plan may include a provision permitting a member who is entitled to a “pre-reform” pension to transfer up to 25% of the commuted value to a RRIIF.
- The voluntary purchase of past service may now be fully funded by the employee.
- Bridging benefits for annuitants is now permitted.
- The amortization period for solvency payments has been extended from five years to a date not to exceed December 31, 2018. This longer amortization period allows the reduction of solvency payments under certain conditions.

This is just a brief summary. The *Act* and *Regulations* should be reviewed in each case to confirm their precise application. Amendments to plans reflecting these changes must be filed no later than December 31, 2004.

For more information, please contact your Morneau Sobeco consultant.

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