

September 12, 2018

RE: Amendment to Directive No. 1 – Requirements for Registration, effective December 31, 2018

On May 31, 2018, Bill 5 – An Act to Amend the Pension Benefits Act, 1997 received royal assent. On the coming into force, on December 31, 2018, the *Pension Benefits Act, 1997* (the Act) will include a definition of an “individual pension plan”, which means a defined benefit plan with two or fewer members or former members where at least (i) one of the members is a specified individual, or (ii) one of the former members was a specified individual in the year he or she ceased membership in the pension plan. An individual pension plan shall be exempt from the terminal funding requirements under section 61 of the Act, subject to certain conditions for plans with an effective date prior to December 31, 2018.

Due to the exemption from terminal funding for individual pension plans, the Newfoundland and Labrador Superintendent of Pensions has amended Directive No. 1 – Registration Requirements with effect from December 31, 2018 to clarify additional disclosure that is required in the plan text for an individual pension plan created with an effective date on, or after, December 31, 2018.

The key changes to the Directive are as follows:

- When registering a new individual pension plan, the plan text shall describe that terminal funding is no longer required for individual pension plan created on, or after, December 31, 2018.
- The plan text shall also state that this may result in benefits being reduced under the plan and describe how such a reduction in benefits may affect the plan member(s) and their principal beneficiary.

It is also noted that subsection 4(c) has been added to Directive No. 1. When filing a pension plan amendment for registration under the Act, if applicable, the administrator must file a copy of the written notice and explanation of the amendment provided to plan members, former members, or other person affected by the amendment as required under subsection 25(3) of the Act.

A copy of the amended Directive can be found on the website for the Pension Benefit Standards Division: <http://www.servicenl.gov.nl.ca/pensions/index.html>.

If you require further information, please contact Jerry Dunphy, Pensions Compliance Officer, at (709) 729-1039 or write to us at the address below.