

BULLETIN NUMBER:	PEN - 09 - 004 (Revised)
TITLE:	REDUCING OR SUSPENDING CONTRIBUTIONS TO A DEFINED CONTRIBUTION PLAN
LEGISLATION:	Pension Benefits Standards Act
DATE:	AUGUST 2009

Overview

This Bulletin provides guidance to administrators of defined contribution (“DC”) pension plans who are considering either:

- Reducing employer contributions; or
- Suspending all contributions, both employer and employee, to their pension plan.

Reducing Employer Contributions to a DC Plan

The level of employer contributions to a DC plan is a matter of plan design; however, in keeping with the established administrative practice of the Canada Revenue Agency, employer contributions to a DC plan cannot be less than 1% of members’ earnings.

In order to reduce employer contributions to a pension plan on a prospective basis, an administrator must amend the plan and submit the amendment to the Superintendent of Pensions (the “Superintendent”) in the prescribed form. The amendment must be submitted within 60 days of the effective date of the amendment, as required under section 15 (1) of the *Pension Benefits Standards Act* (the “Act”).

If the amendment is received more than 60 days after the effective date of the amendment, the Superintendent may refuse to register the amendment, as it may cause a reduction of benefits, contrary to the requirements of section 59 of the Act.

.../2

Suspending All Contributions to a DC Plan

In order to suspend contributions to a pension plan, an administrator must:

- Amend the plan to suspend all contributions, required and voluntary, whether made by the employer or employee, and submit the amendment to the Superintendent in the prescribed form. The amendment must be submitted within sixty days (60) of the effective date of the amendment, as required under section 15 (1) of the PBSA; and
- Make application to the Superintendent to continue the plan under section 48(2.1) of the Act.

If the amendment is received more than 60 days after the effective date of the amendment, the Superintendent may refuse to register the amendment, as it may cause a reduction of benefits, contrary to the requirements of section 59 of the Act.

Obtaining the Superintendent's Consent

If an application to suspend employer contributions is made, the Superintendent will consider the following factors:

- **Is continuing the registration of the plan in the best interests of plan members, despite the suspension of contributions?**
- **Were plan members consulted on the proposal to suspend contributions? If so, what percentage of members objected to the proposal? What was the response of the union (if applicable)?**
- **Can the administrator provide the Superintendent with the duration of the suspension of contributions? What is the rationale for the selected duration? If the suspension of contributions is expected to exceed one year in duration, why is such a long period necessary? Please note the Superintendent may decide that the suspension will come under review during the period initially granted.**
- **Can the administrator/employer provide the Superintendent sufficient financial information to give him assurance of the ongoing viability of the company?**

Administrators should be aware that, if the Superintendent refuses to register an amendment suspending all contributions to a pension plan, the expectation will be that contributions will continue at the rate established in the plan document.

Contacts

For more information on how to reduce or suspend contributions to a defined contribution pension plan, please contact:

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