CET - 023M
C.P. – P.L. 57
Régimes de
retraite à prestations
déterminées

Goodyear Canada Inc.
Comments on Quebec Bill 57

Confirmation of Surplus Ownership Provisions

Unless employers succeed in modifying the surplus ownership plan provisions in 2016, they will be forced to improve the plan benefits, for both active and inactive members if they are required to take contribution holidays. This situation is detrimental to plan sponsors since it forces employers to improve the pension benefits of members who are no longer employees.

In respect of surplus entitlement both while the plan is ongoing and on plan wind-up, we recommend that plan sponsors have the option of maintaining their plan provisions as is (and deal with surplus entitlement at the time of such wind-up) instead of being obligated to consult plan members in 2016.

Employer Reserve Account

We recommend that:

- the employer reserve account be credited with the employer's current service stabilization contributions, since they are greater than what is necessary to fully fund the plan and may, therefore, create a surplus;
- the employer reserve account be refunded to the plan sponsor in case of plan wind-up, before being subject to the pension plan's wind-up surplus provisions; and
- once contribution holidays have been taken, the employer be entitled to a refund of the "available surplus" (i.e., above 105% on a solvency basis and above 105% plus the stabilization provision on an ongoing basis) under the employer reserve account regardless of the pension plan's ongoing surplus provisions.

Current Service Stabilization Contribution

We understand that Bill 57 requires that the total normal cost include contributions required to fund the stabilization provision. We recommend that the current service stabilization contribution be removed from the new funding requirements because:

- plan sponsors are already funding the stabilization provision through accrued liabilities (with stabilization special payments);
- service cost should only represent actual cost of accruing benefits; and
- funding the stabilization provision on accrued liabilities (instead than on the normal cost) would allow funding flexibility to the employer and allow emerging actuarial gains to offset the stabilization margin on accruals since the previous valuation.

At a minimum, we believe that any stabilization on current service should be included in the employer reserve account (given that past service special contributions towards stabilization provision are included) and should be reduced by 5%, in line with the requirement with respect to liabilities.

Margin for Adverse Deviations in Going Concern Discounts Rates

Because employers will have to fund a stabilization provision, we recommend that the requirement to include margins for adverse deviations in the discount rate on a going concern basis be eliminated as it is no longer necessary and it will unnecessarily increase the level of employer contributions.