

RADAR

June 1, 2023



Message From the Editor

- There are no key items of concern to highlight this week.
- This issue covers the two-week period from May 19, 2023, to June 1, 2023.

GENERAL

Manitoba – Employment Standards

On May 30, 2023, Bill 235, *The Employment Standards Code Amendment Act* received royal assent and came into effect. This bill amends *The Employment Standards Code* to:

- expand the length of unpaid leave on the death of a family member from three days to five days

- provide that an employee may now take up to five days of unpaid leave if the employee or their spouse or common-law partner experiences a loss of pregnancy

Source: [Bill 235, The Employment Standards Code Amendment Act](#)

WEALTH SOLUTIONS

All – CAPSA – Miscellaneous

On May 26, 2023, the Canadian Association of Pension Supervisory Authorities (CAPSA) published its latest *Communique* (Spring 2023) and its *Strategic Plan 2023-2026*. Among other matters, these documents indicate the following:

- **CAP Guidelines** - CAPSA will release a revised version of Guideline No. 3, *Guidelines for Capital Accumulation Plans* for consultation in spring 2023, targeting publication of the final guideline in 2023

- **Risk Management** - CAPSA will release for consultation an integrated Risk Management Guideline in spring 2023 to be finalized by Q1 2024; it will be a comprehensive document on Pension risks including:

- CAPSA Risk Management Guideline
- Cyber Risk for Pension Plans Guideline

- Environmental, Social and Governance (ESG) Considerations in Pension Plan Management Guideline
- Leverage and Effective Management of Associated Risks Guideline

CAPSA will also incorporate Investment Risk, Use of Third Parties and Target Benefits in the Risk Management Guideline.

- **Decumulation in DC Plans** – CAPSA will update the current guidelines related to the decumulation of defined contribution account balances during the 2023-2026 cycle, by establishing a CAPSA Committee and Terms of Reference by the end of 2023; this committee will determine scope of work and complete its work in 2024
- **Regulators** – during the 2023-2026 cycle, CAPSA will prioritize initiatives aimed at:
 - identifying, sharing information and responding to emerging issues in the pension sector, as appropriate
 - determining methods for regulators to supervise the management of risk in pension plans

Source: [Communique Spring 2023](#)
[Strategic Plan 2023-2026](#)

Federal – Regulator

On May 30, 2023, the Office of the Superintendent of Financial Institutions (OSFI) published its latest *infoPensions* bulletin. Among other matters, the bulletin discusses the following:

Crypto-assets and crypto-related activities

- In January 2023, OSFI sent a survey to 31 of its largest federally regulated pension plans (FRPPs) to assess the potential exposure of FRPPs to crypto-assets and crypto-related activities. The majority of FRPPs surveyed did not have any exposure to crypto-assets or crypto-related activities. These FRPPs also indicated that they were not currently considering making these types of investments. While a few of the FRPPs surveyed

reported having indirect exposures to crypto-assets through third-party managers, such as hedge funds and pooled funds, these exposures were minimal.

- OSFI also reminds pension plan administrators that federally regulated pension plans will be required to disclose to OSFI their crypto-assets exposures (as announced in the 2023 Federal Budget). There are no further details available at this time, but OSFI will communicate details of this requirement at a later date.

OSFI's expectations for the Canadian Dollar Offered Rate transition

- OSFI previously outlined its expectations with respect to transactions linked to the Canadian Dollar Offered Rate (CDOR) and transition to the alternative interest rate benchmarks and reference rates in Canada, prior to the respective cessation dates
- These expectations do apply to FRPPs, for example, FRPPs may have exposures to transactions linked to CDOR through interest rate or foreign exchange derivatives, money market securities, floating rate notes, or variable rate lending agreements.
- OSFI expects that all new derivative contracts (bilateral, cleared, and exchange-traded) and securities (assets and debt liabilities) make the transition to alternative reference rates by June 30, 2023. No new CDOR exposures should be booked after that date, with limited exceptions for risk mitigation requirements.
- OSFI expects FRPPs to monitor the volumes and outstanding non-transitioned exposures until the cessation of CDOR on June 28, 2024, and to manage the transition.

OSFI surveys federally regulated pension plans after the United Kingdom gilt market event

- The survey indicated that the selected large FRPPs that use leverage may be less leveraged than their UK counterparts.

- Almost all the FRPPs surveyed confirmed that they have sufficient liquidity to cover their collateral obligations should a similar event occur in Canada.
- There appear to be differences between UK pension plans' liability-driven investment (LDI) practices and those of FRPPs in Canada. For example, there are differences in how leverage is measured, how it is used in pooled funds, and what can be used as collateral.
- OSFI continues to consider the use of leverage by FRPPs and how it should be measured and reported.
- OSFI is also working with the Canadian Association of Pension Supervisory Authorities (CAPSA) to develop harmonized expectations with regards to the use of leverage. A draft CAPSA guideline on *Leverage and the Effective Management of Associated Risks* was published for consultation in June 2022 (the consultation period ended on October 14, 2022).

Guideline B-15 - Climate Risk Management

- OSFI confirms that this guideline does not apply to FRPPs.
- CAPSA published its draft guideline on *Environmental, Social and Governance Considerations in Pension Plan Management* for consultation in 2022. OSFI continues to work with CAPSA on this topic and will assess whether additional OSFI guidance is needed in this area once the CAPSA guideline is finalized.

Source: [infoPensions](#)

Manitoba – Beneficiary Designations

On May 17, 2023, Bill 19, *The Beneficiary Designation (Retirement, Savings and Other Plans) Amendment Act* was proclaimed into force effective June 1, 2023.

This bill amends *The Beneficiary Designation Act (Retirement, Savings and Other Plans)* to provide that a legal representative (e.g., power of attorney) of a participant in a plan may now make a beneficiary designation on behalf of a participant if the participant cannot make the designation themselves. However,

the representative may designate a beneficiary **only if** the plan renews, replaces or converts a plan made by the participant and the same person is the designated beneficiary of both the new plan and the plan that it replaced.

A plan administrator would be expressly required to verify the identity of a person making a designation, and the identity and authority of a representative, before accepting a designation.

Related amendments are made to *The Mental Health Act*, *The Powers of Attorney Act* and *The Vulnerable Persons Living with a Mental Disability Act*.

Source: [Bill 19, The Beneficiary Designation \(Retirement, Savings and Other Plans\) Amendment Act](#)

Manitoba – Marriage Breakdown

On May 24, 2023, Manitoba proclaimed *The Family Support Enforcement Act* (Act) into force effective July 1, 2023.

Among other matters, this new Act provides for the following:

- gives the director under *The Family Support Enforcement Act* (Director) the authority to request information from any person, the government or another entity (including a pension plan administrator) about a support payor's:
 - pension and pension benefit credits
 - PRPP account
- when a support deduction notice is served on the person, government or other entity required to pay under a support deduction notice (Director), the notice binds, for as long as the notice remains in force, the support payor's pension benefits, as if they were wages, in the same manner as a garnishing order binds pension benefits
- if wages or pension benefits, or both, are attached by a support deduction notice, the total sum of \$250 each month, or any greater amount prescribed by regulation or determined by an order under this section, is exempt from attachment by

the notice (the exempt amount is to be prorated for any part of a month)

- if a support deduction notice attaching wages or pension benefits, or both, is issued to two or more SDN payors, the Director must:
 - determine how the monthly exemption is to be allocated; and
 - specify in each notice the portion of the monthly exemption that applies to the SDN payor under that notice, if any
- an order varying the amount of the monthly exemption must not
 - have the effect of increasing the exemption to more than 90% of the total wages and pension benefits bound by one or more support deduction notices in force at the time the order is made; or
 - reduce the exemption below \$250 each month or any greater prescribed amount
- the Lieutenant Governor in Council may make regulations:
 - prescribing an amount greater than \$250 as the monthly exemption for wages and pension benefits, and
 - respecting applications to court to vary the amount of the monthly exemption for wages and pension benefits
- make related technical amendments to *The Pension Benefits Act* (i.e., changing references to “maintenance order” to “support order” and references to “*The Family Maintenance Act*” to the “*The Family Support Enforcement Act*”)

Source: [The Family Support Enforcement Act](#)

Saskatchewan – Funding

On June 1, 2023, the Pension Division of the Financial and Consumer Affairs Authority (FCAA) announced that it is currently working on changes to *The Pension Benefits Regulations, 1993* (Regulations) to support the provisions of Bill 108, *The Pension Benefits Amendment Act, 2022* (that received royal assent on May 17, 2022). Bill 108 will not come into effect until proclamation (after changes to the Regulations are finalized).

FCAA plans to consult on the changes to the Regulations in the summer or early fall.

Source: [Bill 108, The Pension Benefits Amendment Act, 2022](#)

[News](#)

Saskatchewan – IPPs and Designated Plans

On May 29, 2023, the FCAA released a consultation paper with respect to exempting certain types of individual pension plans and designated pension plans from registration and regulation under *The Pension Benefits Act, 1992*.

Comments can be submitted until July 15, 2023.

Source: [Consultation Paper](#)

Contact Us

If you would like further information on any of these topics, please contact your Aon consultant at canada.retirement@aon.com.

The Aon Radar is provided for information purposes only and should not be relied upon as legal advice or opinion.

About Aon's Wealth Solutions

Global business is becoming increasingly difficult to navigate. We help employers, fiduciaries and investment officers optimize results and provide a more secure future for their stakeholders. Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

For further information on our capabilities and to learn how we empower results for clients, please visit <https://insights-north-america.aon.com/ca-en>.

© 2023 Aon Solutions Inc. All Rights Reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.