



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Services and Taxation Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	June 17, 2021
<b>SUBJECT/REPORT NO:</b>	Hamilton Wentworth Retirement Fund (HWRF) Plan Text Amendment (FCS21052) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Barb Howe (905) 546-2424 Ext. 5599
<b>SUBMITTED BY:</b>  <b>SIGNATURE:</b>	Rick Male Director, Financial Services and Taxation and Corporate Controller Corporate Services Department

**RECOMMENDATION**

That the Treasurer be authorized and directed to file the amendment to Section 4.01 to the Hamilton Wentworth Retirement Fund (HWRF), per Appendix 'A' to report FCS21052 with the applicable government agencies.

**EXECUTIVE SUMMARY**

It is recommended that the HWRF plan be amended to comply with changes to the Pension Benefit Act (PBA). New funding rules were introduced May 1, 2018 requiring plans to fund a Provision for Adverse Deviation (PfAD) on a going concern basis. The Act requires that the plan be amended to specify the obligation of the employer to contribute to the PfAD.

**Alternatives for Consideration – Not Applicable**

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: None

Staffing: None

Legal: The plan amendment and applicable documents need to be filed with the appropriate authorities within 12 months of the filing of the first valuation that reflects the new funding rules which came into force May 1, 2018. The December 31, 2019 valuation which was filed December 7, 2020 is the first valuation reflecting the funding changes.

## **HISTORICAL BACKGROUND**

On May 19, 2017 the Ministry of Finance announced proposed reforms to the funding framework for defined benefit pension plans. On April 20, 2018 the final regulations were released, and any valuation dated on or after December 31, 2017 must reflect the new funding rules which came into force on May 1, 2018.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

*An Application for Registration of a Pension Plan Amendment* (Form 1.1) must be filed with the Financial Services Regulatory Authority of Ontario (FSRA) and an *Application to Amend a Registered Pension Plan* (T920) must be filed with Canada Revenue Agency (CRA), accompanied by the resolution adopting the amendment.

## **RELEVANT CONSULTATION**

AON Hewitt Inc prepared the HWRF plan text amendment, attached as Appendix 'A' to report FCS21052.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The new funding rules introduced the concept of a PfAD into the PBA, which is basically the creation and funding of a reserve within a defined benefit plan. The objective of the PfAD is to provide a buffer against future adverse experience, thereby enhancing retirement income security. The amount of the PfAD will depend on the level of risk in the plan according to criteria specified in the PBA Regulations. Contributions to fund the PfAD will be required in respect of going concern liabilities. The amount of the PfAD for a defined benefit plan will be adjusted based on the following three factors:

- 1. Fixed Component** - a base percentage based on whether the plan is open (4%) or closed (5%) to new members, and

- 2. Asset Mix Component** - a percentage depending on the target asset allocation of the pension plan as set out in the plan's Statement of Investment Policies and Procedures (SIPP), and in accordance with a table in the PBA Regulations, and
- 3. Discount Rate Component** - a percentage reflecting the excess of the plan's going concern discount rate over a benchmark discount rate determined by detailed formulas set out in the PBA Regulations.

The new legislation also requires that the plan text be amended within twelve months of the date of the first valuation report filed under the new funding rules, to include (a) the obligations of the employer to contribute to the PfAD, (b) the funding of additional going concern liabilities (c) and any solvency deficiency.

The HWRF valuation at December 31, 2019 includes the new funding rules and was filed December 7, 2020. As a result, an amendment must be made to Article 4.01, respecting employer contributions to the plan, on or before December 7, 2021.

#### **ALTERNATIVES FOR CONSIDERATION**

None.

#### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

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##### **Our People and Performance**

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#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report FCS21052 – Resolution of the Council of The City of Hamilton

BH/dw