The Actuary

June 1976 – Volume 10, No. 6

THE PENSION BENEFITS ACT OF MANITOBA

by E. R. Vogt

Editor's Note: We are indebted to Professor Vogt and to the Actuaries' Club of Winnipeg for permission to publish this summary of a talk given by Professor Vogt to the Club at its March meeting.

Provincial regulation of private pensions in Canada was first introduced in Ontario in 1963. The Ontario Act applied to benefits arising out of service after Jan. 1, 1965. Some features of the legislation were the following:

The purpose was "to improve the portability of pension benefits and to enforce certain standards of solvency. In order to enhance the retirement security provided by private pension plans, the Act seeks to preserve for older employees the pension rights people commonly forfeit when they change jobs. In preserving these rights, the Act is expected, at the same time, to remove a penalty on the mobility of long-service employees and to reduce a possible impediment to the employment of older workers."

The Act provided for full and immediate vesting for all employees who had both attained age 45 and completed 10 years of service.

Locking-in benefits under the Act applied with the same conditions as vesting. After 10 years service and age 45 an employee may withdraw only 25% of the value of vested benefits. 75% of the vested benefits, arising out of both employer and employee contributions, must remain to the employee's credit for retirement income purposes.

Quebec, Alberta, Saskatchewan, and the Federal government all introduced similar legislation by 1967. Manitoba tried, but a retroactive protection of benefits feature, among other things, led to a setting aside of the proposed legislation.

Manitoba now expects to have similar legislation operative by Oct. 1, 1976. Nova Scotia expects to be operative by Jan. 1, 1977.

In Ontario and Quebec the operation of the Act is under the supervision of a Commission or Board, with a Superintendent of Pensions as the chief administrator. Alberta and Saskatchewan operate with only a Superintendent. Federal Pension Benefits are under the supervision of the Superintendent of Insurance, assisted by one of his senior officers in charge of the pensions legislation. Manitoba has adopted the Commission approach. Nova Scotia has elected to use only a Superintendent.

C.A.P.S.A. (Canadian Association of Pension Supervisory Authorities) is a national body with membership composed of Chairmen of Commissions (Superintendents of Alberta and Saskatchewan). This body facilitates moves toward uniform legislation, exchange of information, research into some of the more vexing problems of regulation and provides a periodic forum for public discussion. All provinces have signed a reciprocal agreement and each has signed a separate agreement with the Federal government, so that ordinarily an employer submits to regulation in the major jurisdiction only, the jurisdiction in which the largest number of pension plan members are located.

The Manitoba legislation will likely be non-uniform in at least one important aspect. Vesting will probably be required after 10 years service, without reference to age. However the locking-in provision will probably be uniform. Thus, before locking-in, vesting will be conditional upon the employee money not being withdrawn in cash.

Actuaries have been involved in many ways with pension regulation. All jurisdictions define an actuary as a Fellow of the Canadian Institute of Actuaries. Actuarial certificates are required for essentially all "non-insured" pension plans every three years. Laurence Coward was the first Chairman of the Pension Commission of Ontario and both he and D. S. Rudd have been members of the Commission for more than a decade. In Manitoba John Turnbull did much of the early drafting of the legislation and E. R. Vogt became the first Chairman of the Pension Commission of Manitoba. At the Federal level, Richard Humphrys and George Poznanski figure prominently.

The near future poses many interesting alternatives in Manitoba. The following questions, somewhat in order of urgency, provide some guidance. How soon can vesting be improved? What are the pros and cons of a considerably earlier age for locking-in? Can we effect early and significant improvement in private pensions to stave off some of the rising public criticism? Should RRSP (Registered Retirement Savings Plans sold to individuals, particularly professional people, and qualifying for income tax deductions) be brought under the legislation? How can we rationalize the impact of supplemental benefits (based on need)? These tend to penalize a person who has himself provided a modest level of retirement income and thus inhibit saving. Can the horror of inflation be controlled or, if not, how can private pensions compete with indexed civil service pensions? Should the governments increase the coverage provided by the CPP/QPP and OAS plans, as suggested by some labour and other organizations and, if so, should this be done at the federal or provincial levels? Is there a major, long-term function that private pension plans can satisfactorily perform? □

Actuarial Meetings

July 8, Denver Actuarial Club
Aug. 12, Denver Actuarial Club
Sept. 9, Denver Actuarial Club
Sept. 15, Seattle Actuarial Club

Note: Please send The Actuary *your Fall Club Meeting dates.*

Errata

Forgive us, Mr. Ingraham, for misspelling your name in the May Supplement!

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Those wishing to contact Colin E. Jack regarding the May article on the 20th International Congress of Actuaries may write to him at The National Reinsurance Company of Canada, 240 Saint James Street, Montreal, Quebec, H2Y 1L9. It's hard to keep track of these Canadian Fellows!

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Although the May article on enrolled actuaries states that currently issued enrollment certificates are valid for only a 5 year period, further inspection of the appropriate regulations reveals that certificates are virtually automatically renewable.