

MEMO

January 31, 2020

Re: “Level Income” Optional Forms under the *Pension Benefits Act, 1997*

Subject to section 42 of the *Pension Benefits Act, 1997* a defined benefit pension plan is permitted to provide an integrated pension benefit. Additional requirements of the Superintendent of Pensions are also outlined in Directive No. 14 – Integration Formula which can be found at the following link: <https://www.gov.nl.ca/snl/files/pensions-no14.pdf>

A pension plan must provide for a normal form of pension at retirement but it is common to also offer optional forms of pension. The specific optional forms may be based on administrative practice or policy or may be specified in the plan text.

Certain defined benefit pension plans without an integrated pension benefit have offered bridging or integration as an optional form. Such optional forms are often referred to as “level income options”. However, it is not possible to ensure compliance of such pensions with the *Pension Benefits Act, 1997* and, in some cases, bridge pensions have been found to be excessive.

Effective no later than April 1, 2020, pension plans offering integrated optional forms of pension (i.e. level income options) **must be amended** to clearly describe the intent of the “level income” optional form (e.g. indicating what other program(s) will be considered in the “level income”). In addition, the plan text **must be amended** to state that the pension payable under such an optional form will be in compliance with both section 42 of the *Pension Benefits Act, 1997* and Directive No. 14 – Integration Formula.

If you have any questions or concerns related to your pension plan, or if you require further information, please contact the Superintendent of Pensions, at michaelpdelaney@gov.nl.ca or (709) 729-6014. You can also write to us at the address below.