



## Termination and Modification of Employer Participation Policy

### Preamble

This policy sets out the terms and conditions established by the Municipal Pension Board of Trustees (Board) pursuant to section 12.2 of the Municipal Pension Plan (Plan) Joint Trust Agreement (JTA) and section 2(3) of the Plan Rules applicable to a participating employer wishing to withdraw from or modify the terms of their participation in the Plan, the procedural requirements to apply for withdrawal or modification and the consequences of withdrawal or modification for the employer and the active members.

This policy only applies to employers who participate in the Plan pursuant to a Board designation made under subsection 2(1)(c) of the Plan Rules.

Words and phrases which have a defined meaning in the Plan Rules shall have the same meaning when used in this policy.

### Consideration of Employer Withdrawal or Modification of Participation Request

1. An application for withdrawal must be made to the Board and shall include all active members in respect of which the employer is enrolled in the Plan. The Board will consider an employer application for withdrawal in any of the following circumstances:
  - (a) the employer has or intends to permanently discontinue its involvement in the undertaking in which all active members are employed for any reason including without limitation any of the following:
    - (i) the sale of the employer's assets to a third party,
    - (ii) the permanent closure of the enterprise,
    - (iii) the assumption of the enterprise by a third party,
    - (iv) the contracting out of the work performed by the active members, or
    - (v) the amalgamation of the employer with a third party;
  - (b) the employer has not employed any active members for a period of 12 consecutive months and there is no prospect of the employer doing so in the future;
  - (c) the terms and conditions of employment of all active members no longer require the employer to participate in the Plan; or
  - (d) an employer who was designated under subsection 2 (1) (c) (i), (ii), (iii) or (iv) of the Plan Rules no longer meets at least two of the three criteria specified in section 2(5) of the Plan Rules.

2. Where an employer is enrolled in the Plan in respect of more than one class of employee and any of the circumstances described in paragraphs 1(a), (b) or (c) apply to one or more of the classes of employees, but not all classes of employees, in respect of which the employer is enrolled in the Plan:
  - (a) the employer shall make an application to the Board to modify the terms and conditions of the employer's participation in the Plan; and
  - (b) such modification shall only be permitted by the Board if, in respect of the class or classes of employees in respect of which the employer will remain enrolled in the Plan, the criteria set out in section 5 of the Board's *Terms and Conditions of Employer Enrolment* are satisfied.

For greater certainty, paragraph (b) applies regardless of whether or not such class or classes of employees met the requirements of section 5 of the *Terms and Conditions of Employer Enrolment* (or such other terms and conditions) applicable at the time they were first enrolled.

3. If an employer applying for a modification under section 2 is unable to satisfy paragraph 2(b), the Board may request the employer to further amend the terms of its participation in the Plan in respect of all remaining classes that do not satisfy paragraph 2(b).

#### Withdrawal or Modification of Participation Application Procedure

4. An employer wishing to withdraw or modify its terms of participation shall apply to the Board in writing no less than 180 days in advance of the intended effective date of withdrawal or modification and shall give concurrent written notice of the intended withdrawal or modification to the active members and any union/association representing them. The application to withdraw or modify and the notice to the active members shall be in a form approved by the Board from time to time.
5. Under the Plan Rules "active member" means any employee who is making, or is deemed to be making, contributions to the pension fund, including an employee
  - (a) on a leave of absence approved by the employer,
  - (b) receiving a group disability plan benefit, or
  - (c) no longer required under section 5(2) to contribute (members must stop contributing on the earlier of reaching latest pensionable age or accruing 35 years of pensionable service)

but does not include a person who has terminated employment or who is receiving a pension benefit.

6. The application must state a proposed effective date for withdrawal or modification and must be accompanied by a certified copy of an employer resolution approving the application to withdraw or modify, satisfactory evidence of the circumstances upon which

application is being made, the identity and last known address of all active members, all other information and documentation specified by the Board from time to time and proof that notice of the intended withdrawal or modification has been given to all active members and any union/association representing them prior to the application being submitted.

7. On receipt of an application, the plan administrative agent shall prepare a report for the Board. The employer shall also provide in a timely fashion such further documentation and information as the plan administrative agent may request.
8. On request, the employer shall permit the plan administrative agent to review the employer's records so that the plan administrative agent may verify there are no enrolment arrears, payroll arrears or any other instance of non-compliance with the Plan Rules, as well as verify the facts cited in support of the application and any other matters considered relevant.
9. The plan administrative agent may engage the Plan actuary to perform a valuation report (which shall form part of the plan administrative agent's report) where appropriate including without limitation where:
  - (a) there is a reasonable expectation the withdrawal or modification alone or in conjunction with other withdrawals or modifications will have an adverse impact on contribution rates;
  - (b) the number of affected active members alone or in conjunction with other withdrawals or modifications exceeds 1% of all active members in the Plan; or
  - (c) any other circumstances where the plan administrative agent considers an actuarial report to be appropriate.
10. With the Board's knowledge, the Plan actuary may use such assumptions and methodologies as the actuary considers appropriate in the circumstances and which may vary from those used in preparing the actuarial valuation report under section 10.3 of the JTA.
11. The valuation report will be used to determine if the withdrawal or modification, alone or in conjunction with other withdrawals or modifications will have an adverse effect on:
  - (a) the employee and employer contribution rates set under sections 5 and 6 of the Plan Rules other than those payable to the inflation adjustment account, and
  - (b) the funded status of the inflation adjustment account on a current contribution basis.

#### Terms of Withdrawal or Modification of Participation

12. If an application for withdrawal is based on a cessation of operations by an employer who employed no more than 20 active members immediately prior to the cessation of operations and the application is not systemic in nature (herein referred to as an "Involuntary Withdrawal"), the plan administrative agent may approve the withdrawal by the employer

effective as of a date determined by the plan administrative agent on condition the employer pays to the Plan all amounts required under the Plan Rules up to the date of cessation of operations and such other terms and conditions as the plan administrative agent considers appropriate. The plan administrative agent shall report to the Board on an annual basis the names of all such employers who have withdrawn.

13. For all other applications, the report will be submitted to the Board for decision. Pending Board approval, employer participation will continue in the normal course unless otherwise approved by the Board. The effective date of withdrawal or modification shall be as determined by the Board, which may be a date other than the intended date specified by the employer.
14. The effective date of a withdrawal or modification, including an Involuntary Withdrawal, is herein referred to as the “Effective Date”.
15. The Board may require the employer to pay some or all of the costs of preparing the plan administrative agent’s report. These costs may include without limitation reimbursement of:
  - (a) the cost of administrative services attributable to employer non-compliance with the Plan Rules, unusual complexities associated with the application, or any other factors the Board considers appropriate, and
  - (b) legal, audit, and actuarial consulting fees and expenses incurred in the preparation of the report.
16. All active members on a leave of absence regulated by the Employment Standards Act on the Effective Date and who are entitled to purchase that period of absence under section 16 of the Plan Rules (an “ESA Leave”) shall be deemed to have applied to purchase service as of the Effective Date for the period commencing on the date the ESA Leave commenced up to the Effective Date.
17. The withdrawal or modification may be approved on such terms and conditions as the Board considers appropriate, including without limitation:
  - (a) the satisfaction of all employer obligations under the Plan,
  - (b) the payment of any costs and expenses incurred in preparing the withdrawal report which the Board determines should be paid by the employer,
  - (c) the payment by the employer of any sums recommended by the actuary to offset any adverse effect on the contribution rates or the funded status of the Inflation Adjustment Account,
  - (d) the ongoing employer obligations to provide the plan administrative agent with information and data pursuant to section 80 of the Plan Rules and as may otherwise be reasonably required,

- (e) where a successor employer is involved, approval may be contingent on the successor employer being designated as a participating employer,
- (f) where the plan members are enrolled in a successor pension plan to which Plan assets will be transferred, the assumption by the employer or successor plan of all obligations to the active members and those claiming through them for all entitlements associated with their pensionable and contributory service under the Plan,
- (g) the employer securing the employer's portion of the anticipated cost of the purchase of service by the active members who are on an ESA Leave,
- (h) where the Board considers it appropriate, the extension of applicable time limits to purchase service, and
- (i) the employer entering an agreement satisfactory to the Board containing the terms and conditions of Board approval.

#### Consequences of Withdrawal or Modification

##### 18. As of the Effective Date:

- (a) subject to section 3(9) of the Plan Rules and the exceptions noted below, the active members who will no longer participate in the Plan and whose employment has not already terminated shall be deemed to have terminated employment under the Plan;
- (b) in the case of a withdrawal, the employer shall no longer be an employer as defined by the Plan Rules but shall remain liable for its obligations under the Plan Rules relating to the period prior to the Effective Date, any agreement entered into with the Board and the terms and conditions of the Board's approval of the withdrawal or modification or, in the case of an Involuntary Withdrawal, the terms and conditions established by the plan administrative agent;
- (c) in the case of a withdrawal or a modification with no successor employer enrolled in the Plan:
  - (i) the active members on an ESA Leave on the Effective Date may complete the purchase of their period of absence in accordance with section 19 of the Plan Rules;
  - (ii) the amount paid by the employer for its portion of the cost of the purchase of service by the active members on an ESA Leave shall be applied to the purchase of service by the active members who complete their purchase of service, and any sum not so applied shall be refunded to the employer;
  - (iii) active members who have applied for and are entitled to receive benefits under a plan approved group disability plan and who provide to the plan administrative agent on an annual basis satisfactory proof that they remain entitled to receive benefits under that group disability plan, shall remain

active members and accrue deemed pensionable and contributory service until the earlier of:

- (A) the member attaining normal retirement age,
  - (B) the member accruing 35 years of pensionable service, or
  - (C) the date the member is no longer entitled to receive benefits under the plan approved group disability plan; and
- (d) in the case of a withdrawal or modification where there is a successor employer enrolled in the Plan the transfer of employment of the active members to the successor employer shall be considered as uninterrupted employment, but active members covered by a collective agreement who opts not to transfer their employment to the successor employer shall be deemed to have terminated employment under the Plan.