

March 2023

Ontario's *Pension Benefits Act* requires that you be advised annually that the Nursing Homes and Related Industries Pension Plan (the "Plan") has been designated as a Specified Ontario Multi-Employer Pension Plan, or SOMEPP. This letter is for your information only and does not require any action by you.

SOMEPP designation is available to multi-employer, target-benefit pension plans in which contributions are fixed by collective agreements. Being a SOMEPP does not change the amount of money available for benefits which depends upon the amount of contributions being received, long-term investment returns and long-term interest rates.

Ontario has special funding rules for SOMEPPs in recognition of the fact that pension plans receiving contributions from many employers are less likely to be terminated than plans receiving contributions from only one employer. The Plan now has hundreds of contributing employers. The bankruptcy or withdrawal of any one of these employers will not cause the Plan to be terminated.

As a SOMEPP, the Plan is no longer required to meet Ontario's solvency funding rules. Solvency funding assumes that the plan was terminated on a specific date and that all benefits were calculated, using the interest rates on that date, and paid out immediately. Solvency funding requires any funding shortfall to be eliminated within five years. When interest rates are low, as they have been for the last several years, pension plans that would otherwise be well funded, have solvency funding shortfalls.

The latest report from the Plan's actuary says that on January 1, 2022, the Plan was 66.5% funded under the solvency funding rules. If the Plan was not a SOMEPP, this shortfall would have to be eliminated within five years. Since contribution rates are fixed by collective agreements, the only way to do so would have been to reduce benefits. In the unlikely event that the Plan is terminated while designated as a SOMEPP, pension benefits would have to be reduced.

The Plan is still required to meet the going-concern funding rules where it is assumed that the Plan will continue indefinitely, and the value of benefits is calculated using long-term assumptions. Any going-concern funding shortfall in a SOMEPP must be eliminated within 12 years. Going concern funding makes sense for the Plan as there is no intention of terminating it. The latest report from the Plan's actuary says that at January 1, 2022, the Plan is fully funded on a going-concern basis.

If you have any questions about your Plan's status as a SOMEPP, please contact InBenefits, 105 Commerce Valley Drive West, Suite 310, Markham, Ontario, L3T 7W3.

(FSRA Registration #0996983)