NHRIPP NURSING HOMES AND RELATED INDUSTRIES PENSION PLAN
RRFAEC RÉGIME DE RETRAITE DES FOYERS D'ACCUEIL ET ÉTABLISSEMENTS CONNEXES

March 2025

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 pension plans (MEPPs) for 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 now has temporary funding rules for SOMEPPs which recognizes that pension plans with contributions from many employers are less likely to be terminated than plans with 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 a plan was terminated on a specific date and that all its benefits were calculated, using the interest rates on that date, and paid immediately. Solvency funding requires any funding shortfall to be eliminated within five years. When interest rates are lower than normal, as they have been for several years, pension plans which would otherwise be well funded will be less than fully funded on a solvency basis.

Recent pension law changes created a new category or pension plans called target benefit plans. Once MEPPs like the Plan convert to being target benefit plans they are permanently relieved from solvency funding. The Plan expects to convert to a target benefit plan within three years.

The latest report from the Plan's actuary says that on January 1, 2024, the Plan was 80.9% funded on a solvency basis. 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 be to reduce benefits. In the unlikely event that the Plan is terminated while a SOMEPP, pension benefits would have to be reduced.

SOMEPPs and target benefit plans must meet the going-concern funding rules which assume the plan will continue indefinitely, and the value of benefits is calculated using long-term assumptions. Going-concern shortfalls in a SOMEPP or target benefit plan 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, 2024, the Plan was fully funded on a going-concern basis.

If you have any questions, please contact InBenefits, 105 Commerce Valley Drive West, Suite 310, Markham, Ontario, L3T 7W3.

(FSRA Registration #0996983)