




CANADA
PRIVY COUNCIL • CONSEIL PRIVÉ

P.C. 2012-814
June 19, 2012

His Excellency the Governor General in Council,
on the recommendation of the President of the Treasury Board,
pursuant to subsections 13(1) and 28(1) of the
Special Retirement Arrangements Act, makes the annexed
*Regulations Amending the Retirement Compensation
Arrangements Regulations, No. 1.*

REGISTRATION - ENREGISTREMENT	
NO. <u>SOR/2012-131</u>	DATE <u>June 20, 2012</u>
	
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CLERK OF THE PRIVY COUNCIL—LE GREFFIER DU CONSEIL PRIVÉ

REGULATIONS AMENDING THE RETIREMENT COMPENSATION ARRANGEMENTS
REGULATIONS, NO. 1

AMENDMENTS

1. Sections 56 to 58 of the *Retirement Compensation Arrangements Regulations, No. 1* are replaced by the following:

Contributions

56. (1) Contributions by a participant to the Retirement Compensation Arrangements Account shall be on any amount of the participant's annual pay that exceeds the amount determined under section 8.1 of the *Royal Canadian Mounted Police Superannuation Regulations* and shall be calculated at the rates and paid in the manner set out in subsection 5(1), (2), (5), (6) or (7) of the *Royal Canadian Mounted Police Superannuation Act*.

(2) Contributions in respect of periods of leave without pay shall be calculated as set out in section 10 of the *Royal Canadian Mounted Police Superannuation Regulations* and shall be paid in the manner set out in sections 10.2 to 10.6 of those Regulations.

(3) An election under section 6.1 of the *Royal Canadian Mounted Police Superannuation Act* in respect of a period of leave without pay constitutes an election not to contribute to the Retirement Compensation Arrangements Account in respect of that period.

57. (1) A participant who makes an election under any of clauses 6(b)(ii)(B) to (K), (M) and (N) of the *Royal Canadian Mounted Police Superannuation Act* shall pay to the Retirement Compensation Arrangements Account, in respect of the portion of the participant's annual pay that exceeds the amount determined under section 8.1 of the *Royal Canadian Mounted Police Superannuation Regulations*, the amount that the participant would be required to contribute in respect of that portion under section 7 of that Act.

(2) The participant shall pay the amount in the manner set out in subsection 8(5) of the *Royal Canadian Mounted Police Superannuation Act*. However, if the participant opts to pay for a period of service referred to in clause 6(b)(ii)(N) of that Act in a lump sum, the participant shall ensure that the amount to be paid is received by the Commissioner within 30 days after the day on which the Commissioner sends notice to the participant of the amount to be paid.

(3) Sections 9.02 to 9.04 of the *Royal Canadian Mounted Police Superannuation Regulations* apply, with any necessary modifications, to a participant who makes an election referred to in subsection (1).

(4) The fact that a participant has opted to pay by instalments for a period of service referred to in subparagraph 6(b)(ii) of the *Royal Canadian Mounted Police Superannuation Act* and ceases to be a member of the Force before having paid all of the instalments constitutes a circumstance referred to in section 15 of the Act under which the contributor is required to contribute by reservation from any benefit referred to in that section. The unpaid amount shall be

reserved in accordance with section 9.05 of the *Royal Canadian Mounted Police Superannuation Regulations*.

(5) Any amount that may be recovered under subsection 24(1) of the Act shall bear simple interest at 4% per year and shall be recovered in accordance with section 9.08 of the *Royal Canadian Mounted Police Superannuation Regulations*.

58. (1) A participant who makes an election under clause 6(b)(ii)(L), (O) or (P) of the *Royal Canadian Mounted Police Superannuation Act* shall pay to the Retirement Compensation Arrangements Account an amount equal to the difference between the amount to be paid that would be determined in accordance with section 9.09 of the *Royal Canadian Mounted Police Superannuation Regulations* if subparagraph 10(1)(b)(iii) of that Act and section 20.2 of those Regulations were taken into account and the amount to be paid that would be determined if those two provisions were not taken into account.

(2) The participant shall pay the amount in the manner set out in subsection 8(5) of the *Royal Canadian Mounted Police Superannuation Act*. However, if the participant opts to pay in a lump sum, the participant shall ensure that the amount to be paid is received by the Commissioner within 30 days after the day on which the Commissioner sends notice to the participant of the amount to be paid.

(3) The fact that a participant has opted to pay by instalments for a period of service referred to in subparagraph 6(b)(ii) of the *Royal Canadian Mounted Police Superannuation Act* and ceases to be a member of the Force before having paid all of the instalments constitutes a circumstance referred to in section 15 of the Act under which the contributor is required to contribute by reservation from any benefit referred to in that section. The unpaid amount shall be reserved in accordance with section 9.05 of the *Royal Canadian Mounted Police Superannuation Regulations*.

(4) Any amount that may be recovered under subsection 24(1) of the Act shall bear simple interest at 4% per year and shall be recovered in accordance with section 9.08 of the *Royal Canadian Mounted Police Superannuation Regulations*.

2. The Regulations are amended by adding the following before section 61:

Benefits

Annuity or Annual Allowance

3. Subsection 61(3) of the Regulations is replaced by the following:

(3) The benefit to which a participant is entitled is payable in the same manner and subject to the same conditions as the annuity or annual allowance payable to the participant under the *Royal Canadian Mounted Police Superannuation Act*.

4. The Regulations are amended by adding the following before section 64:

Return of Contributions

5. The Regulations are amended by adding the following after section 64:

Transfer Value

64.1 (1) A participant who opts for a transfer value under section 12.1 of the *Royal Canadian Mounted Police Superannuation Act* on or after September 1, 2003 shall receive a lump sum amount in place of any other benefit under this Division.

(2) The lump sum amount is equal to the amount by which the amount referred to in paragraph (a) is greater than the amount referred to in paragraph (b):

(a) the amount of the transfer value that would be paid to the participant under section 12.1 of the *Royal Canadian Mounted Police Superannuation Act* on valuation day if paragraph 10(1)(b) of that Act applied without reference to the annual rate of pay referred to in subparagraph 10(1)(b)(iii) of that Act;

(b) any amount paid or payable to or in respect of the participant under that Act and section 67.2 in respect of the period of pensionable service to which the transfer value relates.

Death

6. (1) Subsection 65(1) of the Regulations is replaced by the following:

65. (1) If a participant dies, leaving no survivor or child to whom a benefit may be paid under this Part, or if the persons to whom such a benefit may be paid die or cease to be entitled to the benefit, there shall be paid to the beneficiary of the benefit referred to in subsection 22(2) of the *Royal Canadian Mounted Police Superannuation Act*, subject to the same conditions as are specified in that Act for the payment of such a benefit, a benefit calculated in accordance with subsections (2) to (4).

(2) Paragraphs 65(2)(a) and (b) of the Regulations are replaced by the following:

(a) the annual amount of any benefit payable to the participant under this Division, determined in accordance with subsection 61(2), not reduced on account of the age, period of pensionable service or period of service in the Force of the participant, and

(b) the amount of any annuity payable to the participant under the *Royal Canadian Mounted Police Superannuation Act*, determined in accordance with subsection 10(1) of that Act.

(3) The portion of subsection 65(3) of the French version of the Regulations before paragraph (b) is replaced by the following:

(3) La prestation calculée conformément au paragraphe (2) est réduite des sommes ci-après versées au participant ou à son égard :

a) toute somme versée en vertu de la présente partie;

7. The Regulations are amended by adding the following before section 66:

Manner of Payment

8. The Regulations are amended by adding the following before section 67:

Contributions Paid Under Part II or III

9. The Regulations are amended by adding the following after section 67:

Payment to an Eligible Employer

67.01 (1) Subject to subsection (2), if an amount is paid to an eligible employer in respect of a participant under subsection 24.1(3) of the *Royal Canadian Mounted Police Superannuation Act*, the Minister shall transfer to an external retirement compensation arrangement established by that employer the lesser of

(a) an amount equal to the aggregate of

(i) an amount, calculated by the Minister, equal to the actuarial value of the participant's benefits accrued under this Division and section 68 as of valuation day, that value being determined on the basis of the paid-up contributions of the participant under this Division and in the same manner and using the same actuarial assumptions as set out in the agreement referred to in subsection 24.1(2) of that Act with the employer, except that the rate of interest shall be one half of the rate of interest referred to in paragraph 63(1)(b) of the *Royal Canadian Mounted Police Superannuation Regulations*, and

(ii) an amount representing interest after valuation day on the amount determined under subparagraph (i) calculated at the same rate and in the same manner as set out in the agreement with the employer, and

(b) an amount calculated by the employer as being the amount that is required in order to pay to the participant, under the external retirement compensation arrangement, the benefits that accrued to the participant under this Division and section 68.

(2) If the eligible employer has not established an external retirement compensation arrangement or has established an external retirement compensation arrangement but that arrangement does not provide for the payment of benefits in consideration for the amount to be transferred, the Minister shall not transfer the amount to that employer's external retirement compensation arrangement, but shall pay to the participant

(a) if, on valuation day, the participant has two or more years of service in the Force to the participant's credit under the *Royal Canadian Mounted Police Superannuation Act*, the lump sum amount calculated in accordance with section 67.02; and

(b) in any other case, a lump sum amount equal to the sum of the contributions that the participant has made under this Division plus interest calculated at the rate and in the manner set out in subsection 9(6) of that Act.

(3) If the amount transferred under subsection (1) is less than the lump sum amount that would be paid to the participant under subsection (2), the Minister shall pay to the participant an amount equal to the difference.

(4) If a division of a participant's pension benefits is effected under the *Pension Benefits Division Act* before the date on which the transfer or payment is effected, the amount transferred or paid shall be reduced to take into account the adjustment to the participant's pension benefits made in accordance with section 21 of the *Pension Benefits Division Regulations*.

(5) The transfer or payment of an amount under this section shall be made within the time limit for the payment of an amount to an eligible employer provided for in the agreement with that employer or within 12 months after the day on which this section comes into force, whichever is the later.

(6) When all amounts referred to in this section have been transferred or paid, the participant shall no longer be entitled to any benefit under this Division or under section 68 in respect of the period of service to which the transfer or payment relates.

(7) For the purposes of this section and section 67.02, "valuation day" has the same meaning as in the agreement with the eligible employer.

67.02 The lump sum amount referred to in paragraph 67.01(2)(a) is equal to the amount by which the amount referred to in paragraph (a) is greater than the amount referred to in paragraph (b):

(a) the amount of the transfer value that would be paid to the participant under section 12.1 of the *Royal Canadian Mounted Police Superannuation Act* on valuation day, whether or not the participant would otherwise be entitled to a transfer value, if paragraph 10(1)(b) of that Act applied without reference to the annual rate of pay referred to in subparagraph 10(1)(b)(iii) of that Act;

(b) any amount paid or payable to or in respect of the participant under that Act and section 67.2 in respect of the period of pensionable service to the credit of the participant under that Act.

67.03 Any amount transferred by an eligible employer from the employer's external retirement compensation arrangement in respect of a participant, in accordance with an agreement referred to in subsection 24.1(2) of the *Royal Canadian Mounted Police Superannuation Act* that provides for payment of that amount to the Retirement Compensation Arrangements Account, shall be credited to that account.

10. The Regulations are amended by adding the following before section 67.1:

Benefits to Survivor, Children and Participant

11. The Regulations are amended by adding the following after section 67.1:

Transfer Value

67.2 A participant who, on or after September 1, 2003, opts for a transfer value under section 12.1 of the *Royal Canadian Mounted Police Superannuation Act* or becomes entitled to the payment referred to in subsection 24.1(7) of that Act shall receive a benefit in the form of a lump sum amount equal to the amount by which the transfer value is reduced as a result of the operation of the limits set out in section 20.2 of the *Royal Canadian Mounted Police Superannuation Regulations*.

COMING INTO FORCE

12. These Regulations come into force on September 1, 2012, but if they are registered after that day, they come into force on the day on which they are registered.

REGULATORY IMPACT ANALYSIS STATEMENT

(This statement is not part of the Regulations.)

Issue and Objectives

An Act to amend the Royal Canadian Mounted Police Superannuation Act, to validate certain calculations and to amend other Acts received Royal Assent on June 18, 2009. It amended the *Royal Canadian Mounted Police Superannuation Act* to expand existing authorities for counting prior service and to provide for pension transfer agreements with eligible employers. The necessary supporting amendments to the *Royal Canadian Mounted Police Superannuation Regulations* are being made concurrently. These new legislative provisions are designed to improve pension portability for members of the Royal Canadian Mounted Police.

Part IV of the *Retirement Compensation Arrangements Regulations, No. 1* which provides additional retirement benefits for certain members of the Royal Canadian Mounted Police Pension Plan needs to be amended in order to incorporate these new portability measures. The amendments provide for the appropriate accommodations with respect to transfer value pension benefits, the rules for elections to count prior service, and implementation of pension transfer agreements with outside eligible employers.

In addition, some minor housekeeping amendments have been made.

Description and rationale

The amendments:

- 1) allow for the payment of corresponding pension benefits out of the Retirement Compensation Arrangements Account to individuals who are entitled to a transfer value benefit under the *Royal Canadian Mounted Police Superannuation Act*. The transfer value is a lump sum payment equal to the actuarial present value of the pension plan member's future pension benefit;
- 2) require the payment of prior service election contributions into the Retirement Compensation Arrangements Account when an individual has made an election to count one of the new types of elective service that has been introduced under the *Royal Canadian Mounted Police Superannuation Act* (e.g., prior service under another Canadian pension plan, and prior service in respect of which a transfer value benefit was received under the Royal Canadian Mounted Police Pension Plan, the Canadian Forces Pension Plan, or the Public Service Pension Plan);
- 3) provide a mechanism for the transfer of amounts into and out of the Retirement Compensation Arrangements Account in respect of members of the Royal Canadian Mounted Police Pension Plan who choose to transfer their pension credits under a pension transfer agreement. In the case of a transfer to another pension plan, if the other employer has not established a retirement compensation arrangement, or if the other employer's

arrangement does not provide for benefits in consideration of the amount to be transferred, the amount available for transfer would be payable to the individual in a lump sum; and

- 4) consist of minor housekeeping amendments which include: simplifying the language; correcting references to specific provisions of the *Royal Canadian Mounted Police Superannuation Act* and its Regulations; and inserting headings.

The amendments are intended to support full implementation of the new pension portability provisions for members of the Royal Canadian Mounted Police.

The Office of the Superintendent of Financial Institutions has confirmed that these amendments do not change the actuarial liability or current service cost of Part IV of the *Retirement Compensation Arrangements Regulations, No. 1*.

Administrative costs associated with implementing these Regulations form part of the annual ongoing administrative costs charged to the Royal Canadian Mounted Police Pension Fund.

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