Canada enacts legislation to implement 2021 federal budget

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Legislation to implement provisions of the 2021 federal budget received Royal Assent on 29 Jun 2021. Bill C-30 includes wide-ranging changes that will impact workplaces, including federally regulated pension plans, leaves of absence and the tax treatment of various pension vehicles.

Highlights

Unclaimed property and federally regulated pension plans. Amendments to the Pension Benefits Standards Act (PBSA) allow the Minister of Finance to designate a financial entity to receive transferred assets for a pension benefit credit of a person who cannot be located.

Federally regulated negotiated contribution plans (NCPs). NCPs will be subject to additional registration provisions under the PBSA, and PBSA provisions that render amendments void will not apply to NCPs. Regulations will set out conditions that will void a NCP amendment.

Advanced life deferred annuities (ALDAs). The Income Tax Act (ITA) is amended to introduce an ALDA that requires periodic annuity payments to begin no later than the end of the calendar year in which the annuitant reaches age 85. An ALDA may only be acquired via a transfer of assets from a registered pension plan (RPP), a registered retirement savings plan, a registered retirement income fund, a pooled registered pension plan or a deferred profit sharing plan. Other criteria will have to be met to qualify as an ALDA.

Variable-payment life annuities (VPLAs). First proposed in the 2019 federal budget, VPLAs will provide an additional decumulation option for members of a defined contribution (DC) plan. A VPLA provides retirement payments that vary based on the investment performance of the underlying annuity fund and the mortality experience of annuitants. Bill C-30 establishes rules for VPLAs in the ITA regulations.

Individual pension plans (IPPs). Amendments to the ITA prohibit tax-deferred transfers to a defined provision of a RPP that qualifies as an IPP when the transferred benefits are attributable to employment with a former employer that is (or its predecessor employer was) not an IPP participating employer. The regulations will be amended to prohibit an IPP from providing retirement benefits for past years of service under a defined benefit RPP of an employer (or its predecessor employer) not participating in the IPP by excluding such periods from eligible service.

Specified multiemployer pension plans (SMEPs). Changes to the income tax regulations include additional conditions prohibiting certain contributions when registering an SMEP as a registered pension plan.

Employee life and health trusts (ELHT). Changes to the ITA facilitate the conversion of existing health and welfare trusts (HWT) into ELHTs, as first introduced in the 2018 federal budget. Amendments to various ELHT provisions allow current HWT arrangements to continue operation without significant change.

Old age security (OAS) enhancement. An amendment to the Old Age Security Act provides seniors aged 75 or older a 10% increase to their OAS payments starting in July 2022 and a one-time grant of CA $500 in August 2021 to seniors who will be age 75 or older in June 2022.

Canada Labour Code (CLC). Certain proposed changes to the CLC for federally regulated employers will better align it with provincial employment standards and proposed changes to the federal Employment Insurance Act. The amendments include a CA $15 per hour minimum wage and expanded leave entitlements. Employees will be entitled to up to 104 weeks of leave on the death or disappearance of a child (up from 52 weeks), 42 weeks of COVID-19 care-giving leave (up from 38 weeks) and 27 weeks of medical leave (up from 17 weeks).

Budget measures omitted from legislation

Missing from Bill C-30 are the administrative changes announced in the 2021 federal budget to simplify the correction of contribution remittance errors in DC plans. The proposals would permit DC plan administrators to make additional contributions — up to a dollar limit — to an employee’s account to correct an undercontribution error made in any of the past five years. Administrators also could correct overcontribution errors for any of the five years before the year in which the excess amount is refunded to an employee or employer. Other proposed measures included simplified reporting requirements. Release of draft regulations for comment is expected in the coming months.

Related resources

Non-Mercer resource

- Information on Bill C-30 (Parliament)

Mercer Law & Policy resource

- Canada’s federal budget 2021 includes employment provisions (30 Apr 2021)

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