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Potential COVID-19 implications for pensions and benefits

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For further information on the changes below or other matters related to pensions and benefits, please contact one of the authors above or any member of our Pensions and Benefits Group.

For many, the economic reverberations of the COVID-19 pandemic raise the question: “what will become of my retirement savings?” Pension plan members will be relying upon their employers for reassurance, and pension plan administrators will be expected to uphold their fiduciary standard, especially in trying times. Employees unable or unwilling to work may also have questions about their entitlement to benefits under any salary continuation, disability or comparable employee benefit programs. Here are a few considerations for plan administrators and employers to keep in mind while planning their COVID-19 strategy:

COMMUNICATION

Employees and plan members will likely have various concerns in the current uncertain environment and their usual avenues of communication (such as knocking on the pension plan manager’s door to discuss) may not be readily accessible. Plan administrators may consider hosting an online webinar or FAQ session (with dial-in information for those who do not use internet) which delivers clear and objective messaging, or creating a special webpage that the plan administrator will update from time to time. It is important that members (including retirees) know who to contact if they have questions, especially if the usual pension administration office is closed or working remotely.

FUNDING AND CONTRIBUTIONS

Sponsors of registered pension plans are, of course, required to continue to make contributions in accordance with the plan terms. The fact that the employer may be facing difficult economic times does not change the statutory obligations related to pension plan funding.
Administrators of defined benefit plans may wish to discuss with their plan actuary how the plan has been impacted, with a view to evaluating any necessary or desirable steps to mitigate funding risk.

**RISK MANAGEMENT**

Given the current uncertain economic climate, plan sponsors or administrators may wish to consider risk management strategies. For example, administrators should consider reviewing their investment strategy to determine whether changes are needed or desirable. If the investment strategy is revised, the administrator may have to file an amendment to its Statement of Investment Policies and Procedures with the applicable pension regulator. An employer facing difficult economic times and looking at options to contain employment-related costs may carefully consider plan design changes on a prospective basis (with adequate notice) as one potential option for cost control. There are other longer-term risk management strategies potentially available to plan sponsors, which we would be pleased to discuss with you.

**NON-PENSION BENEFITS**

Many employers offer benefits such as extended health, short-term and long-term disability insurance, and out of country travel insurance, that may be relevant to their employees in the current circumstances. Employers may wish to remind employees of the scope of these benefits potentially related to COVID-19, and how employees may access such benefits. Additional proactive steps that employers may take include evaluating provisions in benefit plans that apply during periods of lay-off to determine if coverage is sufficient and considering whether mandated isolation or self-isolation is covered under the wage replacement policy. Employers should also consider how measures proposed by the federal government may integrate with existing or proposed employer benefit programs.

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