

# SFPP SPONSOR BOARD

## Employer Withdrawal Policy



### A. AUTHORITY AND PURPOSE

The *Joint Governance of Public Sector Pension Plans Act* (Alberta) (“**Joint Governance Act**”) provides that the SFPP Sponsor Board has certain responsibilities and may make certain rules in relation to the operation of the Special Forces Pension Plan (the “**Plan**” or “**SFPP**”). SFPP is a non-collectively bargained multi-employer plan under the *Employment Pension Plans Act* (Alberta) (the “**EPPA**”).

Section 9 of Schedule 3 of the Joint Governance Act requires the SFPP Sponsor Board to establish this “**Employer Withdrawal Policy**” (or “**Policy**”), which sets out provisions governing the withdrawal of a Participating Employer from the Plan (“**Withdrawing Employer**”).

Pursuant to Section 19.02 of the Plan Text and Article 12 of the Participation Agreement, a Participating Employer may not withdraw from the Plan except in accordance with any rules made by the SFPP Sponsor Board or under the provisions of the Plan Text.

### B. INTRODUCTION

Pursuant to the Joint Governance Act, SFPP Corporation is both the administrator of the Plan and the trustee of the SFPP fund, as set out therein. The “**Pension Administrator**” is Alberta Pensions Services Corporation (or such other third party as may be designated by SFPP Corporation to provide pension administration services to SFPP).

Where this Policy refers to the SFPP Sponsor Board making a decision, making a request, or providing a notice, or similar actions, where the context requires (e.g., where the Sponsor Board has delegated a responsibility to SFPP Corporation), such decision, request, notice, or similar action may be undertaken by or on the recommendation of SFPP Corporation or the Pension Administrator, or may be communicated by SFPP Corporation or the Pension Administrator.

For greater certainty, this Withdrawal Policy is subject to Applicable Pension Law, and the transfer of assets and liabilities from the SFPP to a Receiving Plan (as defined below) is subject to approval of the Superintendent of Pensions.

All words defined in the Plan Text or in the Participation Agreement, and included in this Policy as capitalized terms, will have the same meaning when used in this Policy. For greater certainty, words not capitalized in this Policy, but defined in the Plan Text or in the Participation Agreement, will not necessarily have the same meaning when used in this Policy.

Nothing in this Employer Withdrawal Policy changes the terms or effect of the applicable terms of Applicable Pension Law, the Revenue Rules, the Plan Text, or the Participation Agreement. In the event of a conflict between this Policy and the terms of Applicable Pension Law, the Revenue Rules, the Plan Text, or the Participation Agreement, the terms of Applicable Pension Law, the Revenue Rules, the Plan Text, or the Participation Agreement will prevail over this Policy.

Notwithstanding anything to the contrary herein, subject to Applicable Pension Law and the Revenue Rules, the SFPP Sponsor Board may make additional rules or amend the rules governing a Withdrawing Employer or a withdrawal, including without limitation the process, timing, and Withdrawing Employer disclosures. Participating Employers will be notified in writing of any such changes as soon as practicable after the change is made.

### C. WITHDRAWALS

A Participating Employer may become a Withdrawing Employer and be subject to this Policy in a variety of circumstances, including without limitation in the following circumstances:

- withdrawal from providing Police Services or from an agreement regarding the provision of Police Services;
- SFPP Corporation makes a recommendation to the Sponsor Board for termination of a Participating Employer's participation in the Plan; or
- the collective bargaining agreement or other terms and conditions of employment governing participation in the SFPP no longer require the Participating Employer to participate in the Plan.

For greater certainty, a withdrawal for purposes of this Policy includes a partial withdrawal, or similar event, with respect to a particular class of employees.

A Withdrawing Employer must notify the SFPP Sponsor Board of its intention to terminate its participation in the Plan or the Participation Agreement, regardless of the circumstances of the withdrawal.

### D. REQUIREMENTS

As more fully set out in Paragraphs 1 through 6 (inclusive) of Section E, below, a Withdrawing Employer must:

- (a) provide prior written notice to the SFPP Sponsor Board of its intention to withdraw, which includes the information required by Paragraph 1 of Section E below;
- (b) at a minimum, include all Active Members among the **"Transferring Members"** who are included in the withdrawal, as described in subparagraph 2(a) of Section E below;

- (c) provide evidence satisfactory to the SFPP Sponsor Board that the Withdrawing Employer has obtained the required consent of Active Members (or other Plan beneficiaries), as set out in Paragraph 3 of Section E below;
- (d) identify a pension plan that will accept a transfer of the assets and liabilities attributable to the Transferring Members (“**Receiving Plan**”) that meets the requirements of Paragraph 4 of Section E below;
- (e) enter into Withdrawal Agreement in accordance with Section G below;
- (f) continue to participate in the Plan in accordance with the terms of the Plan Text, the Participation Agreement, Applicable Pension Law, the Revenue Rules, and any policies until the SFPP Sponsor Board otherwise notifies the Withdrawing Employer;
- (g) pay all Costs of the withdrawal in accordance with Paragraph 6 of Section E below; and
- (h) otherwise comply with the provisions of this Policy, the Participation Agreement, the Plan Text, the Revenue Rules, and Applicable Pension Law.

## E. REQUIREMENTS – ADDITIONAL DETAILS

### 1. Notice of Withdrawal

- (a) A Withdrawing Employer must notify the SFPP Sponsor Board in writing (with a copy to SFPP Corporation) of its intention to withdraw from the SFPP, in the form and manner approved by the SFPP Sponsor Board, at least 18 months prior to the Withdrawing Employer’s intended effective date of withdrawal.
- (b) A Withdrawing Employer must also promptly thereafter:
  - (i) identify the intended effective date of withdrawal;
  - (ii) identify the intended classes of Transferring Members;
  - (iii) provide a certified copy of: (A) a resolution of the Withdrawing Employer’s board, or (B) another authorizing document;
  - (iv) provide the evidence required pursuant to subparagraph 3(d) of this Section E of the consent obtained pursuant to subparagraph 3(a)(ii) of this Section E; and
  - (v) provide a certified copy of the notice distributed in accordance with subparagraph 3(a)(i) of this Section E, to Active Members and, if applicable, other Plan beneficiaries and the union or association representing Active Members, certifying the date the notice was transmitted to such persons.

- (c) A Withdrawing Employer must notify the SFPP Sponsor Board promptly in writing (with a copy to SFPP Corporation), in the form and manner approved by the SFPP Sponsor Board, if the Withdrawing Employer rescinds its decision to withdraw.

The Withdrawing Employer must send the notice of intended withdrawal (and any supporting documents or information in subparagraph 1(b) of this Section E) or intention to rescind the withdrawal to the addresses below, using the subject line, "Notice of Employer Withdrawal".

SFPP Sponsor Board  
1500 College Plaza  
8215 – 112 Street NW  
Edmonton, AB T6G 2C8  
**RE:** Notice of Employer Withdrawal  
**Copy to Email:** board@sfpp.ca

With a copy to SFPP Corporation at:

SFPP Corporation  
1500 College Plaza  
8215 – 112 Street NW  
Edmonton, AB T6G 2C8  
**Attention:** Elizabeth Doughty  
**RE:** Notice of Employer Withdrawal  
**Copy to Email:** liz.doughty@sfpp.ca

## 2. Transferring Members

- (a) The Transferring Members must, at a minimum, include all Active Members of the classes included in the withdrawal, including for greater clarity without limitation:
- (i) members who are receiving benefits under a Disability Plan;
  - (ii) members on a leave of absence without pay;
  - (iii) members who are employed by a "police commission", as defined in the Police Act; and
  - (iv) members who have accumulated 35 years of Pensionable Service and who are no longer contributing, pursuant to Section 6.04 of the Plan Text.
- (b) The SFPP Sponsor Board may require that, in addition to the Active Members, the Transferring Members must include other Plan beneficiaries, including without limitation the following individuals:
- (i) former employees of the Withdrawing Employer who have commenced pension payments;

- (ii) Pension Partners who are receiving or who are entitled to receive pension benefits under the SFPP (including survivor benefits or as a result of a pension division on relationship breakdown);
- (iii) Beneficiaries who are receiving pension benefits under a form of pension with a guarantee period; or
- (iv) former employees of the Withdrawing Employer who were employed with the Withdrawing Employer immediately prior to ceasing to be an Active Member and are not receiving pension payments, but who retain a right to benefits under the Plan.

### **3. Notice to Plan Beneficiaries and Requirements for Consent**

- (a) Before a Withdrawing Employer notifies the SFPP Sponsor Board of its intent to withdraw from the SFPP, the Withdrawing Employer must:
  - (i) in the form and manner approved by the SFPP Sponsor Board, notify all Active Members and, if applicable, other Plan beneficiaries and the union or association representing Active Members, of its intention to withdraw from SFPP; and
  - (ii) obtain consent to the withdrawal from at least 75% of the Withdrawing Employer's Active Members.
- (b) The SFPP Sponsor Board may in its sole discretion require that, in addition to the consent of the Active Members, the Withdrawing Employer must obtain the consent of other classes of Transferring Members, as described in subparagraph 2(b) of this Section E.
- (c) The Withdrawing Employer must notify the SFPP Sponsor Board (with a copy to SFPP Corporation) of its intention to seek such consent prior to doing so, using the addresses in Paragraph 1 of Section D.
- (d) The Withdrawing Employer must provide evidence satisfactory to the SFPP Sponsor Board that the Withdrawing Employer has obtained the required consent.

### **4. Receiving Plan Requirements**

- (a) With respect to the accrued entitlements of the Transferring Members, as of the date the corresponding assets and liabilities are transferred, the Receiving Plan must:
  - (i) be a pension plan that is registered in accordance with pension benefits standards legislation and the *Income Tax Act* (Canada) and which includes a

“defined benefit provision”, as such term is defined in the *Income Tax Act* (Canada) (but for greater certainty cannot be a target benefit plan, negotiated cost plan, or similar plan where accrued benefits can be reduced); and

(ii) subject to the EPPA or as otherwise approved by the Superintendent of Pensions:

(A) provide for the same or better benefits, rights, and entitlements as the benefits, rights, and entitlements of the Transferring Member under the SFPP on the day immediately preceding the effective date of withdrawal, or

(B) if the EPPA and Revenue Rules do not permit the Receiving Plan to provide benefits that comply with subparagraph 4(a)(ii)(A) of this Section E, then provide for benefits, rights, and entitlements that are substantially similar to the benefits, rights, and entitlements of the Transferring Member under the SFPP on the day immediately preceding the effective date of withdrawal.

(b) For greater certainty, the SFPP Sponsor Board does not require the Receiving Plan to satisfy the foregoing requirements with respect to any pension or other retirement or savings plan that may be provided in respect of service with the Withdrawing Employer on or after the effective date of withdrawal.

(c) The Receiving Plan must agree in writing to:

(i) record the transferred assets and related investment returns separately from the Receiving Plan’s other assets and liabilities, for the benefit of the Transferring Members for so long as such Transferring Members participate in the Receiving Plan;

(ii) provide for benefits, rights, and entitlements that comply with subparagraph 4(a)(ii) of this Section E;

(iii) administer the transferred assets and the Transferring Members’ benefits and other entitlements in accordance with applicable laws;

(iv) comply with the requirements under the EPPA with respect to the asset transfer and the Transferring Members; and

(v) cooperate in good faith with the SFPP Sponsor Board, SFPP Corporation and the Pension Administrator to execute the asset transfer.

## 5. Asset Transfer Calculation and Withdrawal Deficiency

- (a) SFPP Corporation will, in its sole discretion, determine:
  - (i) the assets and liabilities related to:
    - (A) the Transferring Members; and
    - (B) any individuals for whom the Withdrawing Employer is liable to fund the SFPP but who are not included in the Transferring Members (the “**Retained Members**”); and
  - (ii) any “withdrawal deficiency” in respect of which the Withdrawing Employer shall be required to remit additional funding to the SFPP prior to the transfer of assets and liabilities to the Replacement Plan, including for:
    - (A) any funding deficiency attributable to Transferring Members;
    - (B) any funding deficiency attributable to Retained Members; and
    - (C) any amounts described under subparagraph 5(c)(iii) to subparagraph 5(c)(v), inclusive, of this Section E.
- (b) SFPP Corporation will make such determination on the advice of an actuary who is a Fellow of the Canadian Institute of Actuaries, or such other advisors as may be retained by or on behalf of the Sponsor Board or SFPP Corporation, taking into consideration the impact of the withdrawal on the costs, investment strategy, and funding risk of the Plan as a whole.
- (c) Subject to regulatory approval, in calculating the assets and liabilities related to the Transferring Members and Retained Members, the actuary may use assumptions and methodologies the actuary considers appropriate in the circumstances, based on the timing of the transfer, and the following conditions shall apply:
  - (i) the assumptions and methodologies may vary from those used in preparing the actuarial valuation report for funding purposes;
  - (ii) actuarial excess will not be included in the calculation and no actuarial excess will transfer from the Plan to the Receiving Plan;
  - (iii) the calculation will include Costs related to the withdrawal;
  - (iv) the calculation will include an amount reflecting the transfer of funding risk in respect of any Retained Members to the remaining Participating Employers and Active Members;

- (v) cost of living adjustments for Transferring Members and the Retained Members will be reflected in calculation as follows:
  - (A) for pre-2001 COLA, 60% of an assumed Alberta Consumer Price Index (ACPI) will be applied in accordance with the Plan Text; and
  - (B) for post-2000 ad hoc COLA, which is granted on an annual basis based on the Plan's financial condition, as determined by the SFPP Sponsor Board in conjunction with SFPP Corporation.
- (d) The Withdrawing Employer will be required to contribute a one-time lump sum payment to SFPP in respect of any withdrawal deficiency identified in such calculation.
- (e) Subject to the requirements of the EPPA, the SFPP Sponsor Board may determine that an actuarial valuation report or a cost certificate is required in connection with the withdrawal to assess the potential impact on the Plan. Without limiting Paragraph 5 of this Section E, the Costs of any such report or certificate shall be borne by the Withdrawing Employer.

## 6. Withdrawal Costs

SFPP Corporation will determine, in its sole discretion, all fees, costs, and expenses of the withdrawal ("**Costs**") and the following conditions shall apply, without limitation:

- (a) All Costs related to the withdrawal will be paid by the Withdrawing Employer.
- (b) A framework for the determination of Costs will be established at the time of withdrawal, including a flat and/or per member base cost plus fees incurred.
- (c) Costs incurred include those related to, for example, legal, actuarial, investment (including Costs charged to the SFPP, investment losses pursuant to Paragraph (g) of Section F), consulting, communications, and benefit calculations, whether incurred internally or externally by SFPP Sponsor Board, SFPP Corporation, or the Pension Administrator.
- (d) If the Withdrawing Employer rescinds its notice to SFPP Sponsor Board of its intention to withdraw, such Withdrawing Employer remains liable for Costs incurred to the date the SFPP Sponsor Board receives the notice to rescind the withdrawal and in relation to any additional work required to be performed to give effect to the Withdrawing Employer's decision to rescind the withdrawal.

## F. MISCELLANEOUS

The following general terms and conditions shall apply to a Withdrawing Employer and the withdrawal:

- (a) Subject to Applicable Pension Law, the SFPP Sponsor Board reserves the right to change the effective date of withdrawal or to vary any timelines or deadlines with respect to the withdrawal.
- (b) Communications regarding SFPP from the Withdrawing Employer, whether to Transferring Members or Retained Members, may be reviewed and approved by SFPP Corporation, at its discretion.
- (c) If the impact of an employer withdrawal is deemed by the Sponsor Board or SFPP Corporation to be immaterial, or if the Sponsor Board or SFPP Corporation otherwise determines that any part of this Policy is not appropriate in the circumstances, the Sponsor Board may impose new or different terms on the withdrawal or the Withdrawing Employer, subject to Applicable Pension Law.
- (d) The Withdrawing Employer will provide any documentation, information, or records required by the Superintendent of Pensions.
- (e) The Sponsor Board or SFPP Corporation will notify the Withdrawing Employer of any outstanding administrative matters and provide direction regarding same (e.g., leave of absence purchases).
- (f) Should the Sponsor Board have reason to believe that the Withdrawing Employer is not complying with any policies, Applicable Pension Law, the Revenue Rules, the Plan Text, or the Participation Agreement, the Sponsor Board may engage auditors to independently verify the Withdrawing Employer's compliance therewith. The Withdrawing Employer agrees to provide such auditors with access, on a timely basis, to any and all information necessary to arrive at a reasonable assessment of compliance. Without limiting any other provision of this Policy, the Costs of any such audit shall be borne by the Withdrawing Employer.
- (g) The Sponsor Board will determine and establish any requirements and conditions governing the transfer of assets in cash or in kind to the Receiving Plan. Without limiting any other provision of this Policy, any additional Costs charged to the SFPP, or investment losses incurred, due to the need to liquidate funds for purposes of the asset transfer shall be borne by the Withdrawing Employer.

- (h) The SFPP Sponsor Board, SFPP Corporation, or the Pension Administrator may request such documentation or information as is necessary for the administration of the withdrawal, and the Withdrawing Employer shall provide such documentation and information in a timely fashion.

## G. WITHDRAWAL AGREEMENT AND WITHDRAWAL

The Withdrawal Agreement, as defined below, and the withdrawal will be subject to the following terms and conditions, without limitation:

- (a) The Withdrawing Employer shall enter into a tripartite “**Withdrawal Agreement**” with the SFPP Sponsor Board and SFPP Corporation. The Sponsor Board and SFPP Corporation shall determine the form and content of the Withdrawal Agreement, which shall contain, at a minimum:
  - (i) standard contractual clauses, including without limitation, an indemnity and release in favour of the SFPP Sponsor Board and SFPP Corporation, and their respective agents, including the Pension Administrator; and
  - (ii) an attestation that the Withdrawing Employer has complied with its obligations under the Plan Text, the Participation Agreement, Applicable Pension Law, the Revenue Rules, and any policies (including this Policy).
- (b) Upon the Sponsor Board being satisfied that the Withdrawing Employer has met all obligations under the Plan Text, the Participation Agreement, Applicable Pension Law, the Revenue Rules, and this Employer Withdrawal Policy, with specific reference to the terms of the Receiving Plan and the requirement to enter into a Withdrawal Agreement, the Sponsor Board will take such steps as may be required to effect the withdrawal.
- (c) With respect to a completed withdrawal:
  - (i) Subject to becoming employed by a Participating Employer and subject to the Plan Text, Transferring Members will no longer be eligible to participate in the Plan and will not accrue any further benefits under the Plan on or after the effective date of withdrawal;
  - (ii) The SFPP Sponsor Board, SFPP, and SFPP Corporation will be discharged in respect of all Transferring Member entitlements upon transfer of the corresponding assets and liabilities to the Receiving Plan and the Receiving Plan shall be liable and responsible for all such liabilities and obligations; and

- (iii) Except as required by the Superintendent of Pensions or the Canada Revenue Agency, and except as may be permitted by the Sponsor Board in its sole discretion, no part of the withdrawal (including the transfer of assets and liabilities) may be reversed, and any future participation in the Plan by the Withdrawing Employer shall be subject to such terms and conditions as the SFPP Sponsor Board or SFPP Corporation may impose at the relevant time.

Owner/Approver: SFPP Sponsor Board

Date Approved: February 29, 2024

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Next Scheduled Review: Every three years (2027)