



BULLETIN NUMBER:	PENS 16-009
TITLE:	Extension of Solvency Deficiency Payment Period
LEGISLATION:	Pension Benefits Standards Regulation
DATE:	October 2016

PURPOSE

The Government of British Columbia has amended the Pension Benefits Standards Regulation (Regulation) to extend the period over which solvency deficiencies can be funded.

This new short term funding relief comes in recognition of the persistent low interest rates used in determining solvency liabilities. (The Order in Council can be found [here](#)). It is intended to assist plan sponsors in managing the financial pressures of funding their defined benefits plans in the current low interest rate environment.

This bulletin provides guidance to plan administrators (Administrators) in meeting the Superintendent of Pensions' (Superintendent) requirements for accessing solvency funding relief provided by the amendment.

This Bulletin has no legal authority and the *Pension Benefits Standards Act* (the Act) and Regulation should be used to determine specific legal requirements.

BACKGROUND

Under the current legislation, a solvency deficiency must be amortized over a period not exceeding five years. The legislation further requires that each solvency deficiency must be funded separately and may not be combined with any other solvency deficiencies.

WHAT'S NEW

The amendment to the Regulation permits an Administrator, on submission of written election to the Superintendent, to consolidate all existing solvency deficiencies into one new solvency deficiency at the review date (Fresh Start) . The amendment allows for the new solvency deficiency to be amortized over a period not exceeding 10 years (extended from the usual 5-year requirement).

The Administrator may make an election under the new subsection only **once** in respect of a defined benefit component of the plan with a specified review date between December 31, 2015 and December 31, 2017, inclusive.

If an election is made, plan contributors as defined in section 56 of the Regulation, are exempt from making the solvency deficiency payments required by section 45 and 52(2) of the Act and section 57(2)(c) and 57(4) of the Regulation, so long as the contributions comply with the requirements of the new Schedule 8 to the Regulation.

For solvency deficiencies established with a review date after December 31, 2017, the provisions under section 45 and 52(2) of the Act and section 57(2)(c) and (4) of the Regulation will again apply.

This amendment does not change the period required by the Regulation to amortize unfunded liabilities.

WHO IS ELIGIBLE

Administrators of pension plans that contain one or more defined benefit provisions in their plan text document and have solvency deficiencies established as at a review date between December 31, 2015 and December 31, 2017, inclusive, are eligible to make an election under the amended Regulation.

GUIDANCE TO PLAN ADMINISTRATORS

1. File an election

- For actuarial valuation reports filed after the issuance of this bulletin, there is no requirement to file a separate Notice of Election to the Superintendent. The Administrator must indicate their election to amortize the plan's consolidated solvency deficiency at the review date by including an amortization schedule to eliminate the deficiency over 10 years in the valuation report filed with the Superintendent.
- In calculating the solvency asset adjustment, the Administrator is permitted to include the actuarial present value of 10 years worth of going concern unfunded liability payments (instead of the usual 5).

2. Instructions for plans that have already filed actuarial valuations on or after December 31, 2015

Although the amendment applies to valuations with a review date on or after December 31, 2015, some Administrators have filed their valuations reports prior to the coming into force of the amendment to the Regulation.

In the absence of an election, Administrators are expected to ensure that contributions are based on the recommendations set out in the valuation report filed with the Superintendent.

Administrators that have filed valuation reports with a review date on or after December 31, 2015 may make an election to amortize the solvency deficiency determined using a Fresh Start and amortized over 10 years.

Plan administrators wishing to make such an election must:

- Complete, sign and return the election form provided to the Superintendent before December 31, 2016
- Submit a revised amortization schedule prepared by the plan's actuary before December 31, 2016

Until the Administrator submits a revised schedule, the plan contributors are required to continue making payments in accordance with the schedule included in the valuation report filed with the Superintendent. Once a revised schedule is submitted, the payments made up to that date may be used to satisfy the payments required under the revised schedule.

The plan contributors may reduce future solvency deficiency payments or cease future required payments by using the payments already made to satisfy such future payments.

Administrators or plan contributors are not allowed to use excess solvency deficiency payments to reduce current service cost or unfunded liability payments.

3. Conditions of the extension

- The plan contributors must make a series of payments into the plan that will be sufficient, in the opinion of the plan actuary, to amortize the solvency deficiency over a period not exceeding 10 years.
- The Administrator must disclose to all active members and members receiving retirement benefits or their beneficiaries the fact that the plan has elected to amortize the plan's solvency deficiency over a period of 10 years.
- The Administrator must provide an updated Schedule of Expected Contribution (Form SOP-004) to the fundholder/custodian.

4. Administration

- Plan contributors must continue making transfer deficiency payments over a period not exceeding five years.
- In future valuations, the Administrator is allowed to include in the calculation of the solvency asset adjustment, the present value of payments that are yet to be made

under this schedule. The Administrator may also include the present value of unfunded liability payments required to be made for the remaining period of this extension.

MORE INFORMATION

If you have any questions, please contact the Office of Superintendent of Pensions at Pensions@ficombc.ca or by phone at 604.660.3555.

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