Financial Institutions Commission

BRITISH COLUMBIA

INFORMATION
BULLETIN

BULLETIN NUMBER:	**PENS-12-004**
TITLE:	**Restrictions to Commuted Value Transfers (Updated)**
LEGISLATION:	***Pension Benefits Standards Act***
DATE:	**OCTOBER 2012**

PURPOSE

The purpose of this bulletin is to advise plan administrators of the Superintendent of Pensions' (the "Superintendent") position on restricting commuted value transfers when they are below the solvency ratio in the most recent actuarial valuation for a defined benefit pension plan ("DB plan").

The bulletin specifically applies in circumstances where the solvency position of the DB plan has deteriorated since the last filed valuation and the administrator intends to make commuted value transfers out of the DB plan based on the lower estimated solvency ratio, until the next scheduled valuation is filed for the plan.

DISCUSSION

Under section 60 (3) of the *Pension Benefits Standards Act*, plan administrators must restrict transfers out of a DB plan when they believe the transfer will impair the solvency of the plan.

However, in certain circumstances, as described below, transfers may be permitted when certain conditions are met.

<u>No Consent Required from the Superintendent</u>

Despite section 60 (3) of the PBSA, it is the view of the Superintendent that a transfer under the circumstances described in this bulletin will not materially impair the solvency of the DB plan. As a consequence, the Superintendent's formal consent to the transfers is not required.

In order to complete this transaction, however, the administrator will be required to provide the Superintendent with <u>a certification from the plan's actuary</u> attesting to the deterioration in the solvency position of the DB plan.

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It is the Superintendent's expectation that any increase in the transfer deficiency (as defined in section 25 of the Regulation) that results from the lower commuted value payments will be administered in the same manner as any other transfer deficiency.

For example, at the last filed actuarial valuation, the solvency ratio of the plan is 80%. The plan actuary certifies at the end of the second year after the filed actuarial valuation that the solvency ratio of the plan has deteriorated to 70%. The administrator can provide a copy of the actuary's certification to the Superintendent and reduce future transfer payments to 70%.

It is the Superintendent's expectation that all transfer deficiencies resulting from the restricted payments will be paid up within five years from the date of the initial payment (i.e., the amount owing to the member, in this case the 30% owing; not 10% (80% - 70%).

BACKGROUND

Legislative References

Such an action on the part of the plan administrator is consistent with the requirements of section 8(5) of the *Pension Benefits Standards Act* (the "Act").

Section 25 of the Pension Benefits Standards Regulation (PBSR) sets out the rules for making transfers out of a DB plan. Section 25 of the PBSR can be reviewed at the following link:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/10_433_93#section25

If you have any questions concerning this bulletin, please talk to your plan's pension consultant or actuary.