Financial Institutions Commission
BRITISH COLUMBIA

INFORMATION
BULLETIN

BULLETIN NUMBER:	**PENS-14-003**
TITLE:	**Providing Notice of Contribution Holidays**
LEGISLATION:	***Pension Benefits Standards Act***
DATE:	**August 2014**

REQUIREMENT TO REPORT CONTRIBUTION HOLIDAYS

Plan administrators of defined benefit pension plans are required to provide notice of a contribution holiday. The *Pension Benefits Standards Act* (the Act) states:

Funding and solvency requirements

41 (1) This section applies only to pension plans that contain defined benefit provisions.

(1.2) An employer may, as prescribed, take a contribution holiday if the pension plan has surplus assets and provides for a contribution holiday.

Administrators should also review section 36 of the Pension Benefits Standards Regulation, sections (5) and (7):

Contribution holiday

36 (1) For purposes of section 41 (1.2) of the Act, the conditions for taking a contribution holiday are as set out in this section.

(5) For the purposes of this section, the administrator must

(a) give written notice, at the commencement of the contribution holiday, to the superintendent, the fund holder, any advisory

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committee and any relevant union, of the intention of the administrator to initiate the contribution holiday, and

(b) disclose the fact of the contribution holiday to members in the annual statement required under section 11 and, at the same time, to former members who are in receipt of benefits, which disclosures must contain the following information:

(i) a statement that the pension plan provides for a contribution holiday;

(ii) the amount of the surplus assets in the plan as determined in the most recent review;

(iii) the amount of the surplus assets that will be used by the employer to fund the contribution holiday during the fiscal year following the fiscal year covered by the annual statement;

(iv) a statement that, in the administrator's opinion, the plan will continue to meet the solvency requirements under section 35 after the taking of the contribution holiday;

(v) a statement of the right, under section 10 (4) and (5) of the Act, of any person entitled to a benefit, or the spouse or any designated beneficiary or agent of the person entitled to a benefit, to examine documents.

(7) A contribution holiday must not reduce surplus assets to less than 5% of the value of the liabilities under the plan, determined as of the previous review date.

AMORTIZATION

Section 36 (4) (a) of the Regulation requires that surplus assets in excess of the minimum amount specified in subsection (7) must be amortized over a period of five years. Generally, such amortization is done by recognition of equal amounts in each of the five years in the period.

There may be circumstances where amortization by recognition of equal amounts is not feasible, particularly where contributions required in the previous valuation are greater than those required in the most recently filed valuation and the employer has made the contributions as set out in the earlier valuation.

In such circumstances, it is the position of the Superintendent that the outstanding balance of surplus at any time must not be less than it would have been had the surplus assets been amortized by equal instalments.

Administrators are also reminded that the Superintendent may request a new valuation at any time where there is an adverse market event or other circumstance that may affect the funded position of a defined benefit pension plan.

FURTHER INFORMATION

Staff of the Superintendent can also assist you should you have any questions concerning the regulatory expectations of your plan under the British Columbia legislation.

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