



SECTION: Pension Benefits Guarantee Fund (PBGF)

INDEX NO.: P200-250

TITLE: Late Assessment Payments - Calculation of Interest - 1995
- O. Reg. 909 s. 37

APPROVED BY: The Superintendent of Pensions

PUBLISHED: Bulletin 5/4 (Winter 1995)

EFFECTIVE DATE: When Published [Information outdated - Feb. 2000]

Calculation of Interest on Overdue Guarantee Fund Assessment Payments

Subject to specific exemptions, any employer who is required to make contributions to a pension plan that provides defined benefits must pay an annual assessment to the Pension Benefits Guarantee Fund (the "PBGF"). The method of calculating the amount of the annual Guarantee Fund Assessment is set out in subsections 37(4) to (6) of the Regulation. Detailed information about the calculation is also included in the *Instructions for Completing the Guarantee Fund Assessment Form*.

The *Instructions* are part of the Annual Information Return ("AIR") mailing made by the PCO to administrators of pension plans that provide defined benefits. The form was developed by the PCO to assist administrators in complying with the requirements of subsection 18(6) of the Regulations.

Payment of an annual Guarantee Fund Assessment is due on the assessment date. The assessment date falls nine months after the last day of each fiscal year of a pension plan. Where payment is not received or post-marked on or before the assessment date, the amount payable after the assessment date is 120 per cent of the assessment otherwise owing.

A fixed rate of interest calculated on 120 per cent of an overdue Guarantee Fund Assessment is also payable from the day following the assessment date on which the payment is received. In accordance with subsection 37(14), interest must be calculated at a rate equal to the chartered banks' rate on prime business loans plus three per cent. For the purpose of that calculation, the chartered banks' rate on prime business loans is determined from the Canadian Socio-Economic Information Management ("CANSIM") Series B14020 rates which are published in the *Bank of Canada Review*.

A table which shows the monthly rates of interest over the period from January 1, 1987 to December 31, 1994 is reproduced below. The rates shown reflect the respective monthly CANSIM Series B14020 nominal rates, plus an additional three per cent.

	%	%	%	%	%	%
Year	Jan	Feb	Mar	Apr	May	Jun
1987	12.25	12.25	11.75	12.25	12.50	12.50
1988	12.75	12.75	12.75	13.25	13.25	13.75
1989	15.25	15.75	16.50	16.50	16.50	16.50
1990	16.50	17.25	17.25	17.75	17.75	17.75
1991	15.25	14.25	14.25	13.75	12.75	12.75
1992	10.50	10.50	11.25	10.75	10.50	10.00
1993	9.75	9.50	9.00	9.00	9.00	9.00
1994	8.50	8.50	9.25	9.75	9.75	11.00

	%	%	%	%	%	%
Year	Jul	Aug	Sep	Oct	Nov	Dec
1987	12.50	13.00	13.00	12.75	12.75	12.75
1988	13.75	14.25	14.75	14.75	14.75	15.25
1989	16.50	16.50	16.50	16.50	16.50	16.50
1990	17.75	17.25	16.75	16.75	16.25	15.75
1991	12.75	12.75	12.50	11.75	11.50	11.00
1992	9.75	9.50	9.25	10.75	12.75	10.25
1993	8.75	8.75	8.75	8.75	8.50	8.50
1994	10.50	10.25	10.00	10.00	10.00	11.00

Example:

Assume that a Guarantee Fund Assessment Payment is overdue for the fiscal year ending December 31, 1993, and when payment is received on January 18, 1995, the increase and applicable interest charges are not included. The outstanding amount which must be remitted is calculated as follows. Note that payments to the Pension Benefits Guarantee Fund are subject to Retail Sales Tax ("RST"). (Please refer to the BBS Policy Index Reference P200-150, and *PCO Bulletin* 4/1 (August 1993), page 8, for more information about the application of RST.)

PBGF Assessment

at assessment date: \$3,000.00
Assessment date: September 30, 1994
Date payment received: January 18, 1995
Interest: @ 10% from October 1, 1994 to January 18, 1995
(CANSIM B14020 rate at October 1, 1994 plus 3%)

Assessment at January 18, 1995	
\$3,000 @ 1.20	\$3,600.00

Plus Interest: \$3,600 @ 0.10 x $\frac{110}{365}$	
	<u>108.49</u>

Total Assessment at January 18, 1995	\$3,708.49
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Plus RST \$3,708.49 @ 0.08	<u>296.68</u>
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Total payment due as at January 18, 1995	\$4,005.17
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Less: Amount received on January 18, 1995	<u>3,000.00</u>
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Payment outstanding as at January 18, 1995	\$1,005.17
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Cheques must be made payable to the Pension Benefits Guarantee Fund. The registration number of the pension plan should be noted on each cheque.

More information about annual Guarantee Fund Assessments is available in the P200 series.

Please refer to P200-251 for the updated interest table for late assessment payments.