

Approach



Effective Date: October 17, 2019

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Approach to Requirements After Certain Annuity Purchases for Defined Benefit Plans

Purpose

To inform pension plan administrators of the FSRA supervisory approach regarding certain requirements associated with the defined benefit (DB) provision of a pension plan, which is frozen and has purchased annuities in respect of all of the DB entitlements under the plan and almost all of those annuities meet the requirements of Section 43.1 of the *Pension Benefits Act* (PBA).

To provide additional context regarding FSRA's general approach with respect to the scope of the statutory discharge provided by Section 43.1 of the PBA.

Scope

This Approach guidance applies to Ontario-registered pension plans and may be of interest to plan sponsors, administrators and their agents or advisors.

Principles

This Approach guidance is consistent with FSRA's regulatory approach to oversight of the pension sector, in that it is risk-based, outcomes-focused, reflects a focus on effective and efficient regulation, and reflects transparency.

Processes and Practice

FSRA is a risk-based and outcomes-focused regulator and this Approach is reflected in how it assesses certain regulatory filings. Where appropriate to reduce administrative burden, FSRA will assess on a case-by-case basis the ongoing requirement to submit the following statutory filings with respect to certain DB entitlements:

- Actuarial valuation reports and the corresponding Actuarial Information Summary (AIS);
- Pension Benefits Guarantee Fund (PBGF) Assessment Certificates; and
- The Investment Information Summary (IIS).

In addition, the Annual Information Return need not include the information for members with annuitized benefits unless they continue to accrue a benefit in the same plan.

FSRA's Approach is to consider on a case-by-base basis the regulatory benefit of DB filing requirements and whether specific burden relief may be warranted by FSRA.

This Approach guidance outlines, as an example, a set of circumstances, where FSRA may consider burden relief from certain PBA filing requirements.

Plan administrators for plans must first contact FSRA to determine if this Approach guidance applies to their plan.

In the absence of written confirmation from FSRA that this Approach guidance is applicable in advance of the relevant filing deadline, all required statutory filings required under the PBA will be expected to be filed on time.

Example

The following set of limited circumstances describe an example of the type of circumstances in which FSRA may consider providing burden relief from certain PBA filing requirements that would otherwise apply on a go-forward basis:

- The DB component of a plan is closed to new entrants and a DC component has been added to a plan;
- The exact DB pension amount for every member has been fixed and determinable (i.e. the DB benefit entitlements are frozen) and buy-out annuities have been purchased for all DB members including where there is a single individual from the DB component that continues to be employed and accruing benefits under the DC component of the plan; and
- The plan administrator filed a certificate of discharge with the Regulator pursuant to Section 43.1 of the PBA with respect to former and retired members of the plan.

In this example, the PBA does not provide a discharge under Section 43.1 with respect to an active member who is accruing DC benefits under the DC section of the plan and for whom an annuity was purchased for the DB pension benefit. However, and subject to the qualifications in this Approach, FSRA may consider burden relief in such an instance.

About this Guidance

This document is consistent with FSRA's Guidance Approach. As an Approach, it describes FSRA's internal principles, processes and practices for supervisory action and application of CEO discretion. They do not, of themselves, create compliance obligations.

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