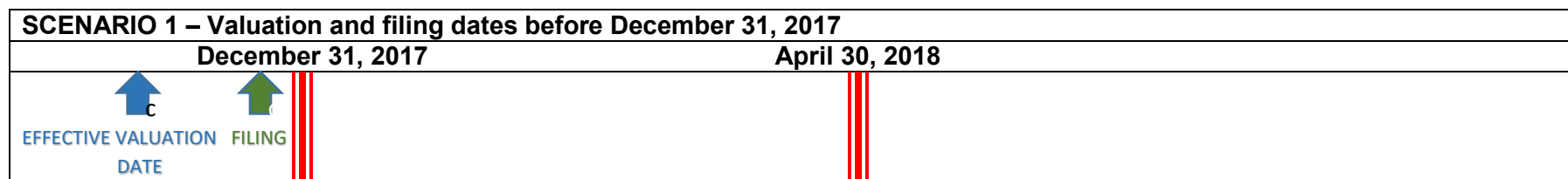


### **2018 Funding Reform - Ability to take contribution holidays and pay PBGF assessments**

In response to the new funding regime (set out in section 55.1 of the Pension Benefits Act (PBA) and [Regulation 250/18](#) which amends Regulation 909) that came into effect on May 1, 2018, FSCO has developed a chart illustrating the rules applicable in five scenarios, based on valuation and filing dates. For each scenario, the chart indicates which provisions govern contribution holidays and whether plan surpluses can be used to pay PBGF assessments.

The chart is based on the following aspects of the new funding regime (unless otherwise indicated, section references are to Regulation 909):

- 1) Section 55.1 of the PBA came into effect on May 1, 2018 and applies to all pension plans, regardless of the valuation or filing date of the report. Section 55.1 provides that contributions for normal cost (NC) and for the provision for adverse deviations (PfAD) in respect of NC may be reduced or suspended if there is an available actuarial surplus (AAS). AAS is defined under section 7.0.2.
- 2) The new funding requirements (PfAD & 85% solvency funding threshold) set out in sections 4 and 5 only apply to **a report with a valuation date on and after December 31, 2017 and filed after April 30, 2018**.
- 3) For reports with **a valuation date on and after December 31, 2017**, section 7(1) does not apply due to section 7(1.1) but the remaining provisions of section 7 (excluding 7(4)) still apply. Therefore, in certain circumstances, plans will be subject to both sections 7 and 7.0.3 and must meet the requirements of both in order to take a contribution holiday.
- 4) The applicability of section 7.0.3 is premised on the filing date (not the effective date) of a report, i.e., it applies to **a report filed on and after December 31, 2017**.
- 5) The limitations on the amount of actuarial gain that can be applied to reduce NC set out in sections 7(3.1) and 7(3.2) only apply to fiscal years ending before January 1, 2020.
- 6) The ability to use an actuarial gain to pay a PBGF assessment under section 7(4) was revoked as at May 1, 2018. Therefore, PBGF assessments may be paid under section 7(4) only if they were paid prior to May 1, 2018. Effective May 1, 2018, AAS may be used to pay PBGF assessments in accordance with section 7.0.3(2) – but only where a valuation report has been filed on or after December 31, 2017.

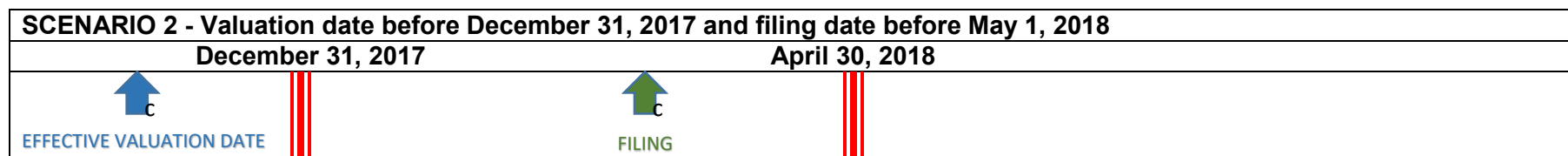


<b>Contribution Holiday</b>		
<ul style="list-style-type: none"> <li>1<sup>st</sup> plan fiscal year<sup>(1)</sup> (assuming no off-cycle filing and no filing extension)</li> </ul>	<i>Valuation report filed before December 31, 2017</i> <ul style="list-style-type: none"> <li>No TR test</li> <li>No PfADs for funding</li> <li>No AAS disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Sec 14(7) applies since valuation date before Dec. 31/17 (no PfADs and AAS provision)</li> <li>Sec 7 applies</li> </ul>
	<i>PBGF assessment paid on or before Apr 30, 2018</i> <ul style="list-style-type: none"> <li><b>Permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7(4) applies since it was in effect until May 1, 2018, permits PBGF assessment to be payable from pension fund</li> </ul>
	<i>PBGF assessment paid after Apr 30, 2018</i> <ul style="list-style-type: none"> <li><b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7(4) revoked as at May 1, 2018 (no PBGF assessment payable from pension fund)</li> </ul>
<ul style="list-style-type: none"> <li>2<sup>nd</sup> plan fiscal year</li> </ul>	<i>Actuarial cost certificate within 90 days (filed on or before Apr 30, 2018)</i> <ul style="list-style-type: none"> <li>No TR test</li> <li>No AAS disclosure</li> </ul> <i>PBGF assessment paid after Apr 30, 2018 (likely)</i> <ul style="list-style-type: none"> <li><b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7(3.1) - (provision to require actuarial cost certificate) applies since fiscal year ends before Jan 1/20</li> <li>Sec 7.0.2 does not apply as it is not in effect until May 1, 2018 (so no PfADs and AAS provision)</li> <li>Sec 7(4) revoked as at May 1, 2018 (no PBGF assessment payable from pension fund)</li> </ul>
<ul style="list-style-type: none"> <li>2<sup>nd</sup> plan fiscal year and 3<sup>rd</sup> plan fiscal year (if ending before Jan 1, 2020)</li> </ul>	<i>Actuarial cost certificate within 90 days (filed after Apr 30, 2018)</i> <ul style="list-style-type: none"> <li>Do TR test</li> <li>Disclose AAS</li> </ul> <i>PBGF assessment paid after Apr 30, 2018</i> <ul style="list-style-type: none"> <li><b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7(3.1) - (provision to require actuarial cost certificate) applies since fiscal year ends before Jan 1/20</li> <li>Sec 7.0.2 (and PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS applies</li> <li>Include disclosure of AAS at last valuation date<sup>(2)</sup> as an addendum to last filed valuation report. This may be included in the actuarial cost certificate under Sec 7.1(2)</li> <li>Sec 7(4) revoked as at May 1, 2018 (no PBGF assessment payable from pension fund)</li> <li>Useable surplus = min (Sec 7(3.2), Sec 7.0.2<sup>(2)</sup>)<sup>(3)</sup></li> </ul>
<ul style="list-style-type: none"> <li>3<sup>rd</sup> plan fiscal year (if ending on and after Jan 1, 2020)</li> </ul>	<i>Actuarial cost certificate not required as per Sec 7(3.1), but needed to fulfill PBA Sec 55.1</i> <ul style="list-style-type: none"> <li>Do TR test</li> <li>Disclose AAS</li> </ul> <i>PBGF assessment paid after Apr 30, 2018</i> <ul style="list-style-type: none"> <li><b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7.0.2 (and PBA, sec. 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS applies</li> <li>Sec 7(4) revoked as at May 1, 2018 (no PBGF assessment payable from pension fund)</li> <li>Useable surplus = min (Sec 7.0.2<sup>(2)</sup>, sec 7(3))<sup>(3)</sup></li> </ul>

(1) The valuation report filed later in the year replaces the actuarial cost certificate filed within 90 days of the plan fiscal year.

(2) Where the last valuation report was filed before May 1, 2018, we recognize that a PfAD would not have been identified in that report. In these situations, FSCO will consider alternative approaches to account for the PfAD component of the AAS as at the date of the last valuation.

(3) AAS and actuarial gain revealed at last filed report under section 3 or 14 shall be adjusted to reflect any amounts funded from AAS/actuarial gain since the date of the last valuation.



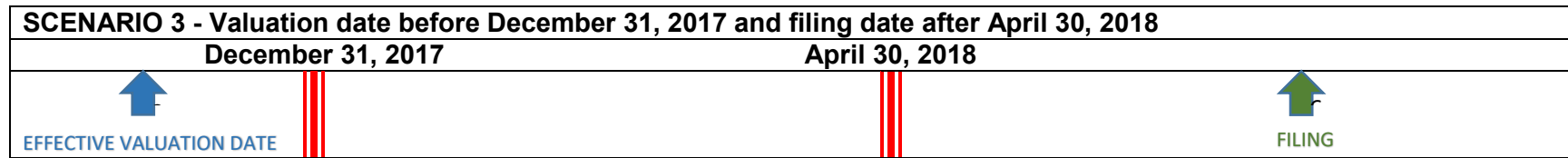
<b>Contribution Holiday</b>		
<ul style="list-style-type: none"> <li>• 1<sup>st</sup> plan fiscal year<sup>(1)</sup> (starting after Apr 1, 2017 and before Dec 31, 2017) <i>(assuming no off-cycle filing and no filing extension)</i></li> </ul>	<p><i>Valuation report filed before April 30, 2018</i></p> <ul style="list-style-type: none"> <li>• No TR test</li> <li>• No PfADs for funding</li> <li>• No AAS disclosure</li> </ul> <p><i>PBGF assessment paid on or before Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li>• <b>Permitted</b> to be payable from pension fund</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li>• <b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 14(7) applies since valuation date before Dec. 31/17 (no PfADs and AAS provision)</li> <li>• Sec 7 applies</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Sec 7(4) applies since it was in effect until May 1, 2018, permits PBGF assessment to be payable from pension fund</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Sec 7.0.3(2) does not apply at the time the report was filed (before May 1, 2018)</li> </ul>
<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> plan fiscal year</li> </ul>	<p><i>Actuarial cost certificate within 90 days (filed on or before Apr 30, 2018)</i></p> <ul style="list-style-type: none"> <li>• No TR test</li> <li>• No AAS disclosure</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018 (likely)</i></p> <ul style="list-style-type: none"> <li>• <b>NOT</b> permitted to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 7(3.1) - (provision to require actuarial cost certificate) applies since fiscal year ends before Jan 1/20</li> <li>• Sec 7.0.2 (PBA, sec 55.1) does not apply as it is not in effect until May 1, 2018 (so no PfADs and AAS provision)</li> <li>• Sec 7.0.3(2) does not apply at the time the actuarial cost certificate was filed (before May 1, 2018)</li> </ul>
<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> plan fiscal year (ending before Jan 1, 2020)</li> </ul>	<p><i>Actuarial cost certificate within 90 days (filed after Apr 30, 2018)</i></p> <ul style="list-style-type: none"> <li>• Do TR test</li> <li>• Disclose AAS</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li>• <b>Permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 7.0.3 applies since report filed after Dec. 31/17</li> <li>• Sec 7.0.3(2) applies since timing is after April 30, 2018</li> <li>• Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS applies</li> <li>• Include disclosure of AAS at last valuation date<sup>(2)</sup> as an addendum to last filed valuation report and AAS at the date of actuarial cost certificate in the actuarial cost certificate under Sec 7.1(2)</li> <li>• Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))<sup>(4)</sup></li> </ul>
<ul style="list-style-type: none"> <li>• 3<sup>rd</sup> plan fiscal year (ending on or after Jan 1, 2020)</li> </ul>	<p><i>Actuarial cost certificate within 90 days</i></p> <ul style="list-style-type: none"> <li>• Do TR test</li> <li>• Disclose AAS</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li>• <b>Permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 7.0.3 applies since report filed after Dec. 31/17</li> <li>• Sec 7.0.3(2) applies since timing is after April 30, 2018</li> <li>• Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS applies</li> <li>• Include disclosure of AAS at last valuation date<sup>(2)</sup> as an addendum to last filed valuation report (if one is not done) and AAS at the date of actuarial cost certificate in the actuarial cost certificate under Sec 7.1(2)</li> <li>• Useable surplus = min (Sec 7.0.3(4))<sup>(3)</sup>, Sec 7(3))<sup>(4)</sup></li> </ul>

(1) The valuation report filed later in the year replaces the actuarial cost certificate filed within 90 days of the plan fiscal year.

(2) Where the last valuation report was filed before May 1, 2018, we recognize that a PfAD would not have been identified in that report. In these situations, FSCO will consider alternative approaches to account for the PfAD component of the AAS as at the date of the last valuation.

(3) Useable surplus = Sec 7.0.3(4) after December 31, 2019 as Sec 7(3.1) expires and is not applicable for fiscal years ending on and after January 1, 2020; sec 7(3) still applies after December 31, 2019

(4) AAS and actuarial gain revealed at last filed report under section 3 or 14 shall be adjusted to reflect any amounts funded from AAS/actuarial gain since the date of the last valuation.

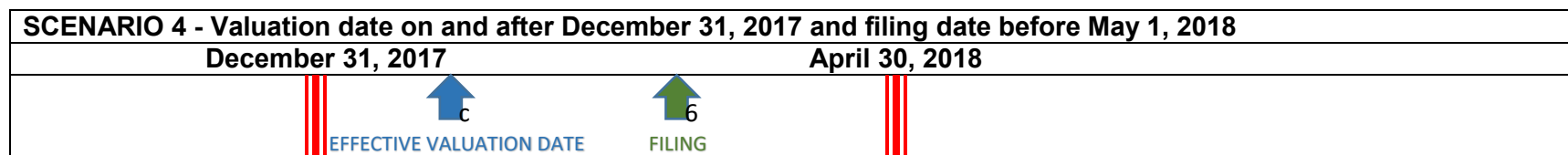


<b>Contribution Holiday</b>		
<ul style="list-style-type: none"> <li>1<sup>st</sup> plan fiscal year<sup>(1)</sup> (starting after Aug 1, 2017 and before Dec 31, 2017) (assuming no off-cycle filing and no filing extension)</li> </ul>	<p><i>Valuation filed after April 30, 2018</i></p> <ul style="list-style-type: none"> <li>Do TR test</li> <li>No PfADs for funding</li> <li>Disclose AAS</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li><b>Permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 14(7) applies since valuation date before Dec. 31/17 (no PfADs and AAS provision)</li> <li>Sec 7.0.3 applies since report filed after Dec. 31/17</li> <li>Sec 7.0.3(2) applies since timing is after April 30, 2018</li> <li>Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS apply.</li> <li>Include disclosure of AAS in valuation report even though there is no requirement thereunder</li> <li>Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))</li> </ul>
<ul style="list-style-type: none"> <li>Subsequent plan fiscal years</li> </ul>	<p><i>Actuarial cost certificate within 90 days</i></p> <ul style="list-style-type: none"> <li>Do TR test</li> <li>Disclose AAS</li> </ul> <p><i>PBGF assessment paid after Apr 30, 2018</i></p> <ul style="list-style-type: none"> <li><b>Permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7.0.3 applies since report filed after Dec. 31/17</li> <li>Sec 7.0.3(2) applies since timing is after April 30, 2018</li> <li>Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS apply.</li> <li>Include disclosure of AAS at the date of actuarial cost certificate in actuarial cost certificate under Sec 7.1(2) even though there is no requirement thereunder</li> <li>Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))<sup>(2)(3)</sup></li> </ul>

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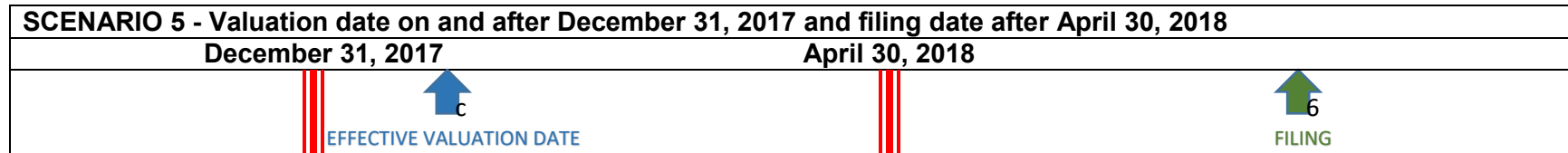
<b>Contribution Holiday</b>		
<ul style="list-style-type: none"> <li>• 1<sup>st</sup> plan fiscal year<sup>(1)</sup> (assuming no off-cycle filing and no filing extension)</li> </ul>	<p><i>Valuation report filed before May 1, 2018</i></p> <ul style="list-style-type: none"> <li>• No TR test</li> <li>• No PfADs for funding</li> <li>• No AAS disclosure</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 14(7) (no PfADs and AAS provision)</li> <li>• Sec 7.0.3(2) does not apply since section 7.0.3 not in effect until May 1, 2018</li> </ul>
	<p><i>PBGF assessment paid after Apr 30, 2018 (likely)</i></p> <ul style="list-style-type: none"> <li>• <b>NOT</b> permitted to be payable from pension fund</li> </ul>	
<ul style="list-style-type: none"> <li>• Subsequent plan fiscal years</li> </ul>	<p><i>Actuarial cost certificate within 90 days</i></p> <ul style="list-style-type: none"> <li>• Do TR test</li> <li>• Disclose AAS</li> <li>• PBGF assessment <b>permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>• Sec 7.0.3(2) applies since timing is after April 30, 2018</li> <li>• Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS apply</li> <li>• Include disclosure of AAS at last valuation date<sup>(2)</sup> as an addendum to last filed valuation report (if one is not done). This may be included in the actuarial cost certificate under Sec 7.1(3).</li> <li>• Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))<sup>(3)(4)</sup></li> </ul>

(1) The valuation report filed later in the year replaces the actuarial cost certificate filed within 90 days of the plan fiscal year.

(2) Where the last valuation report was filed before May 1, 2018, we recognize that a PfAD would not have been identified in that report. In these situations, FSCO will consider alternative approaches to account for the PfAD component of the AAS as at the date of the last valuation.

(3) Useable surplus = Sec 7.0.3(4) after December 31, 2019 as Sec 7(3.1) expires and is not applicable for fiscal years ending on and after January 1, 2020; sec 7(3) still applies after December 31, 2019

(4) AAS and actuarial gain revealed at last filed report under section 3 or 14 shall be adjusted to reflect any amounts funded from AAS/actuarial gain since the date of the last valuation.



Contribution Holiday		
<ul style="list-style-type: none"> <li>1<sup>st</sup> plan fiscal year<sup>(1)</sup> (assuming no off-cycle filing and no filing extension)</li> </ul>	<i>Valuation report filed after April 30, 2018</i> <ul style="list-style-type: none"> <li>Do TR test</li> <li>Include PfADs for funding</li> <li>Disclose AAS</li> </ul>	<ul style="list-style-type: none"> <li>Sec 14(8.0.2) and Sec 14(8.0.5) (PfADs and AAS provisions)</li> <li>Sec 7.0.2 and 7.0.3 apply</li> <li>Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))</li> </ul>
	<i>PBGF assessment paid after Apr 30, 2018</i> <ul style="list-style-type: none"> <li><b>Permitted</b> to be payable from pension fund</li> </ul>	
<ul style="list-style-type: none"> <li>Subsequent plan fiscal years</li> </ul>	<i>Actuarial cost certificate within 90 days</i> <ul style="list-style-type: none"> <li>Do TR test</li> <li>Disclose AAS</li> <li>PBGF assessment <b>permitted</b> to be payable from pension fund</li> </ul>	<ul style="list-style-type: none"> <li>Sec 7.0.3 applies</li> <li>Sec 7.0.2 (PBA, sec 55.1) in effect at May 1, 2018 so provisions for TR test and PfADs for calculating AAS apply</li> <li>Useable surplus = min (Sec 7(3.2), Sec 7.0.3(4))<sup>(2)(3)</sup></li> </ul>

(1) The valuation report filed later in the year replaces the actuarial cost certificate filed within 90 days of the plan fiscal year.

(2) Useable surplus = Sec 7.0.3(4) after December 31, 2019 as Sec 7(3.1) expires and is not applicable for fiscal years ending on and after January 1, 2020; sec 7(3) still applies after December 31, 2019

(3) AAS and actuarial gain revealed at last filed report under section 3 or 14 shall be adjusted to reflect any amounts funded from AAS/actuarial gain since the date of the last valuation.