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Educational Note

Transfer Values – Ontario Reporting Requirements

Committee on Pension Plan Financial Reporting

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Members should be familiar with educational notes. Educational notes describe but do not recommend practice in illustrative situations. They do not constitute Standards of Practice and are, therefore, not binding. They are, however, intended to illustrate the application (but not necessarily the only application) of the Standards of Practice, so there should be no conflict between them. They are intended to assist actuaries in applying Standards of Practice in respect of specific matters. Responsibility for the manner of application of Standards of Practice in specific circumstances remains that of the members in the pension practice area.

Memorandum

To: All Pension Actuaries

From: Tyrone G. Faulds, Chairperson
Practice Council

Michael Banks, Chairperson
Committee on Pension Plan Financial Reporting

Date: November 6, 2009

Subject: Educational Note: Transfer Values – Ontario Reporting Requirements

This educational note provides guidance on actuarial reporting pursuant to certain requirements of regulations to the Pension Benefits Act of Ontario with respect to transfer values.

This guidance describes illustrative practice but does not constitute Standards of Practice and, therefore, is not binding. Responsibility for the manner of application of Standards of Practice in specific circumstances remains that of the members in the pension practice area.

In accordance with the Institute's Policy on Due Process for the Approval of Guidance Material other than Standards of Practice, this educational note has been prepared by the Committee on Pension Plan Financial Reporting and has received final approval for distribution by the Practice Council on November 2, 2009.

As outlined in subsection 1220 of the Standards of Practice, "*The actuary should be familiar with relevant Educational Notes and other designated educational material.*" That subsection explains further that a "practice which the Educational Notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation." As well, "Educational Notes are intended to illustrate the application (but not necessarily the only application) of the Standards, so there should be no conflict between them."

If you have any questions or comments regarding this educational note, please contact Michael Banks at his CIA Online Directory address, Michael.Banks@mercero.com.

TGF, MB

Transfer Values – Ontario Reporting Requirements

On July 7, 2009, the Financial Services Commission of Ontario (FSCO) published a policy T800-402 regarding Commuted Value Transfers from pension plans and a related form, Request for Approval to transfer commuted values or purchase annuities (the “FSCO form”). Completion of the FSCO form, in accordance with the policy, requires a statement of the value of plan assets and a determination of a plan’s solvency liabilities (the “actuarial information”) as of a specified determination date. The solvency liabilities may be either based on a solvency valuation of the plan as at the determination date or “a reasonable projection of the plan’s solvency liabilities from the last valuation date to the determination date.” The actuarial information is to be certified by an actuary to have been determined in accordance with accepted actuarial practice.

This educational note has been prepared by the Committee on Pension Plan Financial Reporting (PPFRC) to provide guidance on reporting requirements pursuant to the Standards of Practice associated with providing the actuarial information.

Application of Standards of Practice

The actuarial information constitutes a solvency valuation even if performed only for the purpose of determining a transfer ratio for purposes of the FSCO form. All relevant Standards of Practice including relevant reporting requirements and Standards of Practice relating to materiality (subsection 1340) and approximation (subsection 1510) would be considered.

Since the actuarial information includes a valuation of assets and liabilities, sections 1800 and 3600 of the Standards of Practice would require a short report to complement the information on the FSCO form. Such a report would generally include:

- the party for which the report is prepared (usually the plan administrator),
- the purpose of the report – it may be appropriate to specify that the report is prepared for the sole purpose of providing the information required to satisfy the FSCO policy,
- a description of the membership data and its source or, if the calculation is based on the data used for a prior filed report, a statement that a summary of data can be found in the prior report,
- the source of the asset information used for the calculations,
- a description of the plan provisions, which might be by reference to a prior filed report with appropriate treatment of any subsequent amendments,
- a summary of the assumptions used, which could be in the form of a description of the current interest rates used for the calculation of the solvency liabilities and, if applicable, a statement that all other assumptions are as used for the solvency valuation in a prior filed report,
- a statement of the market value of plan assets at the determination date,
- the method for valuing the solvency liabilities and a description of any liability for benefits excluded from the solvency valuation, which could, if applicable, be by reference to a prior filed report,

disclose any subsequent events, whether or not the events are taken into account in the calculations, and, if there are no subsequent events, a statement to that effect, and

the actuary's opinion that the report has been prepared in accordance with accepted actuarial practice in Canada.