Willis Towers Watson

# Client Advisory

## Temporary Solvency Relief for Defined Benefit Plans Registered in British Columbia

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### Summary

British Columbia's *Pension Benefits Standards Regulation* has been amended to provide a new round of temporary solvency relief measures for defined benefit plans registered in British Columbia with a review date between December 31, 2018 and December 31, 2020 (inclusive). Under the new relief measures, a plan can consolidate existing solvency deficiencies and amortize the consolidated deficiency over a 10-year period, although specific provisions will depend on whether the plan administrator had applied for similar temporary relief provided in 2016. Additional disclosure to members and pensioners is required but an administrator does not need their consent.

This Client Advisory sets out the requirements and rules with respect to temporary solvency funding relief and will be of interest to plan administrators of defined benefit plans registered in British Columbia.


Effective January 24, 2019, the *Pension Benefits Standards Regulation* (Regulation) has been amended to permit administrators of defined benefit (DB) pension plans registered in British Columbia to consolidate existing solvency deficiencies into a new solvency deficiency (i.e., a "fresh start") and amortize this deficiency over 10 years instead of five. This temporary relief is similar to that provided in 2016, although specific details will depend on whether the plan administrator had applied for the prior solvency relief.

This temporary solvency relief will apply to solvency deficiencies determined under an actuarial valuation with a review date between December 31, 2018 and December 31, 2020 (inclusive) (Relief Window). The Regulation limits funding relief applications to a single application per plan.

The Financial Institutions Commission of British Columbia issued Information Bulletin 19-001 which provides additional guidance for plan administrators.

## Relief Provisions

Options provided under this new round of solvency relief will depend on whether the plan used the prior relief provisions. Specifically, plan administrators that:

- Had not applied for the prior round of solvency relief can now consolidate all existing solvency deficiencies into one new solvency deficiency at the review date (i.e., a “fresh start” approach) and this deficiency can be amortized up to 10 years; and
- Had applied for the prior round of solvency relief can make a further election for relief in respect of any new solvency deficiency, which can be amortized for up to 10 years, but a further consolidation of all existing solvency deficiencies is not permitted.

To take advantage of this relief, an actuarial valuation report within the Relief Window must be filed with the Superintendent stating that the administrator is electing this solvency relief and outlining the 10-year solvency amortization schedule. For the purpose of determining the solvency asset adjustment, the administrator may include the present value of 10 years’ worth of going concern amortization payments, instead of the current five. Consent from plan members is not required.

Once the Superintendent has approved the solvency relief, the administrator must:

- For each year of the extended amortization period, disclose, in the annual statements of active members and members receiving retirement benefits, that the plan has elected to amortize the solvency deficit over 10 years; and
- Provide an updated Schedule of Expected Contribution to the fundholder or custodian.

Transfer deficiency payments must continue to be amortized within five years.

## For more information

This Advisory is not intended to constitute or serve as a substitute for legal, accounting, actuarial or other professional advice. For information on how this issue may affect your organization, please contact your Willis Towers Watson consultant, or:

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