

Alberta Funding Relief Provisions - 2009

In response to the market decline in the fall of 2008, short term funding relief provisions have been added to the Alberta Employment Pension Plans Regulation. These new provisions are intended to help plan sponsors with the financial pressures caused by 2008 plan experience.

It should be noted that Plans for Connected Individuals (PCIs) which must comply with the funding requirements of the Alberta Act but are exempt from registration and the requirement to file valuation reports with Alberta Finance do not have to make an application to the Superintendent if they wish to use one of the following options. However, most of the conditions listed below (such as, for example, the preparation of an up-to-date actuarial valuation) relating to an application to the Superintendent of Pensions for approval of one of the options would still be required.

If you are interested in reducing your pension plan costs, please contact Westcoast Actuaries for more details.

The options which have been introduced are as follows:

Option 1 -Use of the revised CIA Standards of Practice for Determining Commuted Values

Valuations done at review dates on and after September 1, 2008 may use the CIA's revised standards of practice for pension commuted values (CVs) when calculating the solvency position of a plan. This generally reduces the solvency liability by between 5% and 10%.

This Option may be used together with the other measures outlined below.

Option 2 - Solvency Moratoriums

This option must be applied for before December 31, 2009. Plans that apply and receive consent will be exempt from making solvency payments for three years from the review date of the actuarial valuation submitted when making the application.

This option has conditions attached to it including the requirement that no benefit improvements may be made while under the moratorium period.

Only one application may be made, in writing, by the plan sponsor. The application is subject to the following conditions and must include:

- ✓ An actuarial valuation report as at the review date that includes the plan's solvency position,
- ✓ Confirmation that no benefit improvements will be made while under the moratorium,
- ✓ Previously established unfunded liabilities must be amortized over the lesser of the remaining amortization period and 10 years

- ✓ Any newly established unfunded liabilities must be amortized over 10 years,
- ✓ Where a termination benefit is paid out a payment equal to the transfer deficiency will be made to the plan before paying out the benefit.
- ✓ Confirmation that annual member statements will include a statement that the Plan has a moratorium on making solvency deficiency special payments, and
- ✓ Within 180 days after the end of the moratorium the administrator must file an actuarial valuation and cost certificate that reflects the plan's solvency status and must fund any solvency deficiency identified over the ensuing 5 years.

Option 3 – Extension of Amortization Period

Plan sponsors who elect this option are permitted to amortize the solvency deficiency created between the date of the last filed actuarial valuation and the date of the current valuation report over a ten year period (rather than the usual five year period). All previously established solvency deficiencies continue to be amortized over the remainder of their five year schedule. This valuation related to this option must coincide with a review date that is between September 1, 2008 and December 31, 2009.

This option has conditions attached to it similar to Option 2, but may appeal to plan sponsors who wish to have the continued flexibility to make benefit improvements.

Only one application may be made, in writing, and is subject to the following conditions and must include:

- ✓ A valuation report as at the review date (application date).
- ✓ For the purposes of determining solvency assets, the actuary is permitted to include the actuarial present value of 10 years worth of going concern unfunded liability special payments (instead of five), and
- ✓ Using this solvency asset adjustment, the corresponding new solvency deficiency recognized as at the review date may be amortized over a 10 year period.
- ✓ Where a termination benefit is paid out a payment equal to the transfer deficiency will be made to the plan before paying out the benefit.
- ✓ Confirmation that annual member statements will include a statement that the Plan has received the extension on making solvency deficiency special payments, and
- ✓ A solvency deficiency caused by a subsequent benefit improvement must be amortized over the normal 5 year period.

If Option 2 or 3 is selected, The Plan will need to comply with any other conditions that are set by the Superintendent