

Saskatchewan Registered Pension Plans
Temporary Solvency Funding Relief Measures

June 2009

"In response to the unprecedented decline in the capital markets in 2008" the Saskatchewan Government will be amending the Pension Benefits Regulations, to provide temporary relief from solvency deficiency funding for sponsors of defined benefit plans. The pension plan sponsor can elect a three year moratorium from funding a solvency deficiency established in a valuation of a plan prepared between December 31, 2008 and January 1, 2011 ("the relief valuation").

Sponsors should consider their options prior to the Regulations come into force. If an election for relief is being considered, the plan administrator must ensure that relief is not prohibited by the plan text. If it is prohibited, a plan amendment will need to be filed and approved before the relief can be elected.

If the plan sponsor chooses to request a moratorium on solvency payments, the following are the details of how this will be administered:

- **Filing an Election for Relief**

A written notice of election should be filed with the Superintendent of Pensions at the same time as the relief valuation is filed. A letter from the administrator to the Superintendent is sufficient for this purpose.

The election can only be made once.

- **Disclosure to Members**

Within sixty days of providing written notice of election to the Superintendent of Pensions, written notice of election must be provided to plan members and former members.

- **Normal Cost**

Surplus assets identified in the going concern valuation can't be used for employer contributions toward the plan's normal actuarial cost. This does not apply to cost-shared plans, where the plan members are contractually obligated to share in funding the actuarial cost of the plan.

- **Revised Standards of Practice**

The revised Standards of Practice for Pension Commuted Values can be used for solvency valuations prior to April 1, 2009, provided the review date is on or after December 12, 2008.

- **Benefit Improvements**

No benefit improvements can be made during the period of the relief, except where established by collective bargaining agreement or other contract before the coming into force of the amended Regulations.

- **Solvency Deficiency Payments during Moratorium**

Any solvency deficiency payments for a solvency deficiency established prior to election of the relief must continue to be made during the period of the relief. Although payments toward a solvency deficiency established in the relief valuation are not required if an election for relief is made, the plan sponsor may make solvency deficiency payments, if permitted under the Income Tax Regulations.

- **Withdrawal from Relief**

An administrator may withdraw the election by filing a notice of withdrawal with the Superintendent of Pensions. The withdrawal can only have effect from the plan's fiscal year end. An actuarial valuation is required to be prepared as at the effective date of the withdrawal, and filed not later than 9 months after the review date.

Any solvency deficiency payments relating to a deficiency established prior to the election of the relief must continue to be amortized in the usual manner. Payments toward a deficiency established in the relief valuation are not required. A new deficiency established by the valuation prepared as at the effective date of the withdrawal from the relief must be funded over the usual 5 year period.

- **End of the 3 Year Relief Period**

An actuarial valuation is required to be prepared as at the end of the relief period. This would be the usual triennial valuation. Any solvency deficiency payments relating to a deficiency established prior to the election of the relief must continue to be amortized in the usual manner. Payments toward a deficiency established in the relief valuation are not required. Any new deficiency established by the valuation prepared as at the end of the relief period must be funded over the usual 5 year period.

- **Termination of Relief**

The Superintendent of Pensions may terminate the election for relief if any requirements under the Regulations are breached, and all solvency deficiencies of the plan must then be funded in accordance with the Regulations.

- **Funding on Plan Termination**

Where a plan that has elected relief is terminated during the relief period, and there is a solvency deficiency identified in the plan termination report, the employer must either pay off the solvency deficiency in a lump sum or via

payments made at least monthly over a period of not more than five years from the review date. However, there are two exceptions to this requirement:

- 1. Where the liability of the employer is limited pursuant to a collective bargaining agreement, employers are required only to contribute the amount established in the agreement, regardless of whether or not it meets the solvency requirements of the Regulations.
- 2. The Superintendent of Pensions may waive the requirement for the employer to pay off the solvency deficiency. This exception is intended to address cost-shared plans where the contributions of both the employer and the plan members are subject to change in order to address a solvency deficiency. The plan administrator may file a request for a waiver in advance of filing the election for relief.

If you want to reduce the cost of your IPP or RPP for 2009 and years following and you sponsor a defined benefit pension plan registered in Saskatchewan, then get in touch with WAI and we can tell you what reduction in costs can be achieved.