

## Office of the Superintendent - Pension Commission

### Policy Bulletin #9

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### Termination and Winding Up of Plans

**Reference:** *The Pension Benefits Act* Section 33, Subsections 1(1), 21(1), 21(1.1), 21(2), 21(3), 21(11) to (11.1), 21(13), 21(13.1) 21(21), 21(22), 21(23), 26(2), 26(2.1), 26(2.4) 26(3), 26(4), 26.1(11) and 26.1(12), and the *Pension Benefits Regulation* Sections 1.1, 3.3, 4.7, and 4.19, and 4.30, Subsections 3.31(2), 3.34(1), 4.30(1) to (7), 5.7(1) to (3), 5.8(1) to (2) and 5.9(1) to (2), Part 7 and Schedule A

#### Introduction

The termination and winding up of a pension plan that is registered in Manitoba involves certain specific filing requirements and procedures which are outlined below.

Unless otherwise specified, a reference to the termination or winding up of a plan includes a reference to the termination or winding up of a part of a plan.

With respect to the termination and winding up of a Simplified Money Purchase Pension Plan please refer to Part 9 of the Pension Benefit Regulation (regulation).

#### Total Plan Termination

A pension plan is terminated:

- (a) when the commission refuses to register the plan;
- (b) when the commission cancels the plan's registration;
- (c) when the employer suspends or ceases making contributions to a plan or suspends or ceases crediting any benefits under the plan, if the suspension or cessation affects all members and other beneficiaries of the plan;
- (d) on the date set out in a notice of termination filed with the commission under subsection 26(4) of *The Pension Benefits Act* (Act);
- (e) when the commission makes a declaration under subsection 33(1) of the Act that the plan is wound up.

Employer contributions are not deemed to have ceased if the contributions are being made from certified actuarial surplus under the pension plan provided it is permitted under the terms of the documents governing the plan.

If contributions to a plan cease because a new plan has been adopted or the members have joined another plan

- (a) the termination provisions of Part 7 of the regulation do not apply to the original plan; and

- (b) the benefits of the original plan are deemed to be benefits associated with the new plan for service prior to the establishment of the new plan, whether or not the assets and liabilities of the original plan have been consolidated into the new plan.

### **Partial Plan Termination**

A partial plan termination occurs when:

- (a) the commission makes a declaration under subsection 33(1) of the Act where an employer had discontinued or is the process of discontinuing part of his or her business operations in which a substantial number of his or her employees who are members of the pension plan are employed;
- (b) subject to subsection 26.1(12) of the Act, the employer suspends or ceases making contributions respecting a specific and identifiable class or group of members and other beneficiaries of the plan;
- (c) the employer suspends or ceases crediting any benefits under the plan respecting a specific and identifiable class or group of members.

In the circumstances set out in clause (b) or (c) above, the only part of the plan that is terminated is the part that relates to the specific and identifiable class or group of members and other beneficiaries affected by the actions of the employer.

Some examples of identifiable classes are all salaried employees, all union members, all management employees, etc. (based on occupation).

The criteria used for purposes of determining if a partial plan termination has occurred include, but are not necessarily limited to the following:

- Has the total plan membership, including members outside of Manitoba, declined by more than 10%;
- Has the Manitoba membership declined by more than 25%; or
- Has the number of Manitoba members declined by more than 50.

A decision to declare a partial plan wind-up will not normally be made if the affected members will otherwise receive their full accrued benefit under the plan. If only part of a plan is terminated, the entitlement of members and other beneficiaries affected by the partial termination must not be less than if the entire plan had been terminated on the date of the partial termination. This does not apply to a multi-unit pension plan (MUPP).

### **The Termination Process**

There are eight steps in the termination process:

1. Plan Termination Notice and Termination Date,
2. Remittance of Contributions,
3. Preparation of the Termination Report,
4. Filing of Required Documentation,
5. Approval,
6. Disclosure,
7. Distribution of Assets
8. Cancellation of Plan Registration.

The following description of each step applies equally to both total and partial plan terminations unless stated otherwise. It should be noted that other than payments to members who are receiving a pension from the plan as of the termination date and any other payments approved by the superintendent, *no assets may be distributed or no new pensions commenced* until the superintendent has approved the termination report.

### **Step 1 – Plan Termination Notice and Termination Date**

Where the administrator is party to the decision to terminate and wind-up a plan, the administrator must notify the commission, in writing, of that fact immediately after deciding to terminate the plan and provide the date at which the pension plan will be terminated. *The plan's termination date cannot be earlier than the date on which the commission is notified under subsection 26(4) of the Act.*

The administrator must give written notice of the termination of a plan or the partial termination of a plan to all members and other beneficiaries affected by the termination that must include the name of the plan, its provincial registration number, the plan termination date and the administrators contact information. Plan administrators may wish to consult with their legal counsel to determine what other information should be included in the notice.

Subject to an appeal being filed the notice must be given within 60 days after the occurrence of the action that resulted in the termination or partial termination of the plan. If an appeal has been filed the notice of termination must be served within 60 days after a decision is made upholding the action in question. Additional contributions may be required if a solvency deficiency exists at the termination of a plan. (Please refer to “**Treatment of Solvency Deficiency/Surplus**” below.)

Once a decision has been made to terminate the plan, the administrator has fiduciary obligations to act prudently and continue to take the necessary steps to ensure that the investment policy is appropriate and that the benefit entitlements calculated on termination are safeguarded until paid out. To this end, the administrator is expected to review the plan's assets and as appropriate, have the assets structured to ensure that, any cash termination benefits are backed with cash, and the required annuities backed with suitable bonds to minimize against increases in annuity prices.

### **Step 2 - Remittance of Contributions**

Within 30 days after the termination date, the employer must remit to the pension fund, all outstanding employee contributions *plus* all employer contributions required by the terms of the plan, the Act and regulation that would have otherwise been required to meet the tests for solvency in respect of benefits accrued to the termination date.

### **Step 3 - Preparation of the Termination Report**

Within six months after the termination of a plan, the administrator must file with the commission a termination report that sets out

- (a) the names of the members and other beneficiaries under the plan;
- (b) the assets (valued at their liquidation value without taking into account the actuarial value of any special payments) and liabilities of the terminated plan;
- (c) in the case of a plan with a defined benefit provision,

- (i) where there is a solvency deficiency in the plan, information on the special payments being made to amortize the deficiency and the date on which the deficiency will be fully amortized, or
  - (ii) where there is a surplus in the plan, a description of the manner in which the surplus is to be utilized;
- (d) the proposed benefits to be provided to members and other beneficiaries under the terminated plan including
  - (i) the nature of the benefits to be provided (i.e. annuities purchased for members who are receiving a pension, confirmation of portability for locked-in active members, treatment of non-active members, etc.),
  - (ii) For active members their
    - A. date of birth
    - B. date of hire
    - C. value of employee required contributions, if any
    - D. value of employer required contributions (defined contribution provision only)
    - E. amount of the accrued monthly pension (defined benefit provision only)
    - F. commuted value of the accrued pension (defined benefit provision only)
    - G. excess employee contributions, if any (contributory defined benefit provision only)
    - H. value of voluntary additional contributions, if any,
  - (iii) For non-active members and other beneficiaries
    - A. accrued pension
    - B. if non-active members or other beneficiaries are being given portability, the value of employee contributions, and the commuted value of the pension (defined benefit provision), or the value of employee and employer contributions (defined contribution provision);
- (e) where there is a solvency deficiency in a plan with a defined benefit provision, a description of the methods of allocation or priorities, in accordance with section 7.11, 7.13 or 7.15 of the regulation, as applicable, for determining the partial benefits payable;
- (f) confirmation that all employee voluntary additional and required contributions, as well as all employer contributions have been remitted to the pension fund;
- (g) confirmation that all amendments, including any amendments that are required to bring the plan text into compliance with the current legislation to the termination date, have been filed with the OSPC;
- (h) a description of the assumptions and methods used to determine the plan liabilities at the termination date;
- (i) the rate of interest to be paid on the benefits from the termination date to the date that benefits are paid to the members;
- (j) for members employed in other provinces, any additional information related to the plan termination that is required by the relevant pension standards legislation applicable to those members;
- (k) the reason for terminating the plan;
- (l) confirmation that there is no continuing pension plan for the plan members registered, or to be registered under the Act and regulation, or any other pension standards legislation;
- (m) confirmation of 100% vesting, and that all members who terminated within six months prior to the termination date were 100% vested;
- (n) any other information that the superintendent requires to ensure that the termination and winding up of the plan will comply with the Act and the regulation.

The termination liability must reflect all benefits provided under the plan and the applicable provisions of the Act and regulation and should be separately summarized for each major category of membership. For members entitled to a deferred pension who are expected to receive a commuted value and active members, the termination liability must be consistent with the individual commuted values of the benefit entitlements. The commuted values must be determined in accordance with the applicable CIA Standards of Practice for Pension Commuted Values and the legislative requirements. Please see *Policy Bulletin #7 – Determination and Transfer of Commuted Values*.

For members who are receiving a pension from the plan and members who are entitled to a deferred pension, the liability should reflect the approximate cost of purchasing the pension provided under the plan. For this purpose, either a quotation from an insurance company or an estimate based on the interest and mortality assumptions that underlie the Canadian Institute of Actuaries (CIA) transfer value basis is acceptable.

The report must comply with the prescribed requirements of the Act and regulation. As well, in preparing a report for a plan with a defined benefit provision, the regulation requires that the plan's actuary prepare the report in a manner that is consistent with the requirements of the Act, the regulation, and the most recent standards of practice for the valuation of pension plans issued by the CIA and in case of any conflict between the Act, regulation and the standards of practice, the Act and regulation prevail.

The termination report must be prepared by:

- (a) a representative of the fund holder who is authorized by the fund holder, the administrator or a person approved by the superintendent, in the case of a plan that has only a defined contribution provision;
- (b) an actuary, in the case of a plan with a defined benefit provision;
- (c) a person authorized by the insurer, in the case of an insured plan.

### ***Treatment of Solvency Deficiency/Surplus***

#### Full plan termination and winding up with a solvency deficiency

Where a solvency deficiency exists at the termination of a plan, excluding a multi-unit pension plan, the employer must amortize any outstanding solvency deficiency identified with the termination report. The solvency deficiency calculated at that time is based on the valuation of plan termination liabilities. It replaces any previously identified solvency deficiencies, and is estimated without taking into account the present value of any outstanding special payments for going-concern unfunded liabilities.

The plan's assets are to be allocated to each member, whether active, non-active or other beneficiaries entitled to benefits, in proportion to his or her commuted value entitlement, reduced according to the plan's solvency ratio as per the termination report.

The employer must make special payments to amortize the solvency deficiency at least monthly over a period of not more than five years from the review date until the plan's assets are sufficient to liquidate an outstanding solvency deficiency identified in the termination report.

Alternatively, the employer may immediately amortize the solvency deficiency by means of a lump sum payment to the pension plan, and the full benefit entitlements of members and other persons may be settled.

In the event the employer is not immediately amortizing the solvency deficiency, all pensions currently in pay cannot continue to be paid at 100% and must be reduced as soon as practicable to reflect the funded level of the plan. Benefits must be settled in the same manner as in the event of the termination of a fully funded pension plan, except that the value of the benefits available for transfer, or used to purchase annuities, are reduced to the plan's actual solvency ratio, as per the termination report.

An Annual Information Return is required to be filed within 180 days following the end of each fiscal year during the period that special payments continue to be paid and until the solvency deficiency has been amortized.

No on-going actuarial valuations are required after the plan termination. A solvency liability is not re-estimated after plan termination; thus, members and other persons receive shares of the plan's assets (and any investment income in excess of the liability that accrues to the fund between plan termination and wind-up) in proportion to their commuted value entitlements that were reduced at the plan's termination date according to the plan's solvency ratio.

Within 60 days after the last special payment being made to the plan by the employer toward the amortization of the solvency deficiency, the administrator must prepare and file with the superintendent an additional updated termination report in accordance with subsection 7.12(2) of the regulation.

Once the updated termination report has been approved by the superintendent, the administrator must, subject to the locking-in requirements of the Act and Part 10 of the regulation, pay or transfer to each member and other beneficiary the balance of the commuted value of the person's benefit that was not paid as an initial benefit under section 7.11 of the regulation, adjusted for interest for the period between the termination date of the plan and the time that the unpaid balance is paid at a rate equal to the rate of return that can reasonably be attributed to the operation of the pension fund for that period.

For a full understanding of the rules for funding of a solvency deficiency at plan termination, it is strongly recommended that the administrator or consultant refer to sections 4.19, 7.11 and 7.12 of the regulation.

#### Partial termination creating a solvency deficiency

A partial plan termination may not negatively impact the solvency position of the remainder of the pension plan. The solvency ratio of the plan on a post-partial termination basis must be at least equal to the solvency ratio of the plan prior to the partial termination.

Where a partial termination creates a solvency deficiency, the administrator may either:

- (a) immediately amortize that solvency deficiency in a lump sum payment. In this situation, the commuted value of the benefit of the affected member may be paid out (if elected by that member); or
- (b) amortize the solvency deficiency in monthly payments over a period not greater than 5 years including accrued interest. In this situation, the amount transferable from the pension fund on behalf of (and if elected by) the affected member is an amount equal to the commuted value of the benefit less the transfer deficiency related to the partial termination. Any transfer deficiency remaining shall be transferred within 5 years of the initial transfer and must include interest up to the end of the month immediately preceding the date when the last transfer is made.

### Partial benefits when amortization not completed

When there is a solvency deficiency in a terminated plan and the termination report for the plan is approved by the superintendent and

- (a) some, but not all, of the payments have been made to amortize the solvency deficiency as required by subsection 7.12(1) of the regulation; and
- (b) the plan's assets are not sufficient to pay the outstanding benefits payable in accordance with subsection 7.12(3) of the regulation;

the administrator must file with the commission an updated termination report under section 7.7 of the regulation for the plan that provides for reduced final benefits as set out in subsection 7.14(2) of the regulation.

When the updated termination report is approved by the superintendent, the administrator must pay or transfer, subject to the locking-in requirements of the Act and Part 10 of the regulation, a reduced final benefit to each member and other beneficiary that is calculated by multiplying the balance of the commuted value of the person's benefit that was not paid as an initial benefit under section 7.11 of the regulation by the solvency ratio of the plan in the updated termination report.

### Partial benefits if employer bankrupt

If a terminated plan with a defined benefit provision has a solvency deficiency and the sponsoring employer has declared bankruptcy the actuary who prepares the termination report must propose that the plan's assets be allocated to provide, subject to the locking-in requirements of the Act and Part 10 of the regulation, partial benefits in accordance with subsection 7.13(2) of the regulation.

In these circumstances the plan's assets are to be allocated as set out below to provide the following to members and other beneficiaries:

- (a) assets must first be allocated to provide for benefits equal to the value of member voluntary additional and required contributions, with interest in accordance with section 5.17 of the regulation;
- (b) if assets remain after the allocation under clause (a), the assets must be allocated to provide for accrued benefits in respect of which no unfunded liability exists;
- (c) if assets remain after the allocation under clause (b), the assets must be allocated to provide for accrued benefits in respect of which an unfunded liability exists.

An unfunded liability in respect of any benefits at the date of termination has the effect of reducing those benefits in proportion to the extent to which those benefits remain unfunded.

Each unfunded liability is to be dealt with separately and applied only to the benefits in respect of which it was established.

### Treatment of solvency deficiency for multi-unit pension plan

Section 7.13 of the regulation applies when there is a solvency deficiency in a multi-unit pension plan that has been completely terminated.

If part of a multi-unit pension plan relating to a specific employer is terminated, the administrator must pay or transfer, subject to the locking-in requirements of the Act and Part 10 of the regulation, a reduced benefit to each member and other beneficiary in the terminated part of the plan that is calculated by multiplying the commuted value of his or her benefit entitlement as of

the termination date of that part of the plan by the solvency ratio of that part of the plan as at the termination date.

#### Treatment of a surplus

Where there is a surplus in the plan at termination, and any of the surplus is to be allocated to the members, the method of allocation, and the individual amount of allocation must be included in the termination report.

Where there is a surplus in the plan at termination, and the employer intends to seek a surplus refund the requirements under the Act and regulation must be followed. Please see [Policy Bulletin #6 Payment of Surplus Assets from Pension Plans](#).

#### **Step 4 - Filing of Required Documents**

The documents normally required to terminate a pension plan include the termination report and a certified plan amendment and/or Board Resolution terminating the plan (if required according to the terms of the plan documents) or a letter from the employer authorizing the termination of the plan.

If a plan is terminated within three months of the plan's last fiscal year, the annual information return required under subsection 3.26(1) of the regulation does not have to be filed for the year of termination.

If a plan is terminated more than three months after the end of the plan's last fiscal year, the annual information return required under subsection 3.26(1) of the regulation must be filed for the year of termination within 6 months after the plan is terminated.

However, if a terminated plan, other than a MUPP or a plan referred to in section 7.13 of the regulation, has a solvency deficiency, the administrator must file an annual information return for the plan until the deficiency is amortized in accordance with subsection 4.19 of the regulation.

#### **Step 5 - Approval**

If on review, the submitted documentation is incomplete or deficient, including, for example, not being certified or signed, additional documentation or information will be requested for further review.

Once all required documentation and information has been filed and it is determined that it complies with the Act and regulation, the superintendent will provide written notification to the administrator that the plan termination report is approved and assets may be distributed in accordance with the terms of the report. Until this written notice of approval has been received, the plan's assets must not be distributed. However, as previously mentioned, payments may continue to members and other beneficiaries who are receiving a pension as of the termination date and any other payment approved by the superintendent.

#### **Step 6 - Disclosure**

Within 60 days after the termination report is approved by the superintendent, the administrator must provide each member and other beneficiary with a termination statement that complies with the applicable requirements in Schedule A (Statements) of the regulation, including but not limited to:



- (a) the amount of the benefits payable, member's options and deadlines for choosing options;
- (b) if benefits are to be reduced, the reasons for the reduction and a description of the method of reduction;
- (c) if there are surplus assets, how they will be utilized and a description of the members options, if any, and any deadlines for choosing options.

Where the plan employer is seeking a surplus refund, the additional disclosure requirements of section 4.29 of the regulation must be met.

Active members are entitled to the same options that they would have had, had their period of continuous employment ended and they ceased to be an active member on the plan termination date (i.e. cash refund if not locked-in, locked-in transfer, etc.) and must be given at least 90 days after the receipt of their termination statements to make their elections.

### **Step 7 - Distribution of Assets**

The distribution of assets must commence as soon as possible after the plan termination report has been approved. The pension fund cannot continue once the plan has been terminated except for purposes of accepting special payments in respect of a solvency deficiency as noted above under Step 3 - Preparation of the Termination Report.

In all cases of a total plan termination, all assets must be disbursed. Active members may elect how they wish their benefits to be paid, subject to locking-in requirements. Annuities reflecting the pension provided under the plan must be purchased for members who are receiving a pension and members who are entitled to a deferred pension. Further, the administrator must decide how to provide for the benefit entitlements for those members who cannot be located, and for those members who are entitled to a deferred pension. These payments may be through the purchase of deferred annuities, or possibly LIRAs. The superintendent requires a listing of all members for whom annuities have been purchased as well as the contact information of the insurance company and the policy numbers of the annuities purchased.

In the case of a partial plan termination, those assets related to the partial termination must be disbursed. In this case, however, the disbursement may include leaving in the plan those assets related to members who are receiving a pension, members who are entitled to a deferred pension and those active members who elect to receive a deferred pension from the plan.

Where there are problems locating plan members, the OSPC suggests the procedures set out in "Appendix A - Unlocatable Members and Other Beneficiaries" attached to this bulletin be considered.

Under special circumstances, the superintendent will consent to a delay in termination of the pension plan. The delay must normally be of a short term nature.

In the case of a full plan termination, continuing the plan and the pension fund solely for the purpose of continuing to pay members who are receiving a pension benefit from the plan is not an acceptable reason for delaying the termination. Some examples of acceptable reasons are to:

- (a) avoid a distress sale of assets which would cause a loss to the plan;
- (b) settle the issue of surplus ownership; or
- (c) continue the pension fund exclusively to complete the funding of a solvency deficit.

This consent must be applied for in writing, with a full explanation as to the need for the delay, and an estimated date as to when termination can be expected to proceed and any other terms and conditions set out by the superintendent.

When approving a delay in the winding up of a plan, the superintendent exempt the administrator from the normal requirements to provide member statements and may instead permit the administrator to provide members and other beneficiaries with a termination statement within 60 days after the supplemental termination report as described below is approved.

If the winding up of a plan does not begin immediately after the plan is terminated, the administrator must file a supplemental termination report with the commission that sets out the information required under the regulation for termination reports but that is updated in a manner acceptable to the superintendent. The supplemental termination report must be filed by a deadline specified by the superintendent.

If a plan does not provide for the payment of expenses incurred in the winding up of the plan, the superintendent may, by written authorization, allow reasonable expenses related to the winding up of the plan to be paid in priority to benefits payable under the plan.

### **Step 8 - Cancellation of Plan Registration**

In the case of a full plan termination and winding up with a solvency deficiency, once all the special payments required to fully amortize the solvency deficiency have been made, an additional report setting out the information contained in the termination report, but updated, is required to be filed with the commission within 60 days of the last special payment being made to the plan. Once all plan's assets have been disbursed from the pension fund the administrator must advise the superintendent. On receipt of confirmation of full disbursement, the superintendent will issue a certificate of cancellation of registration of the pension plan.

In the case of all other full plan terminations, once all plan's assets have been disbursed from the pension fund the administrator must advise the superintendent. On receipt of confirmation of full disbursement, the superintendent will issue a certificate of cancellation of registration of the pension plan.

It should be noted that until the certificate of cancellation of registration is issued, the plan remains registered and the administrator continues to stand in a fiduciary role to members whose benefits have not yet been paid out.

If you have any questions regarding this bulletin you may contact us at:

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*This bulletin has no legal authority. The Pension Benefits Act of Manitoba and the Pension Benefits Regulation should be used to determine specific requirements.*

## Appendix A - Unlocatable Members and Other Beneficiaries

The following advice sets out a process that would permit funds to be “written off” if the member(s) are unlocatable, subject to the employer taking certain steps to locate a member before applying to have him declared unlocatable by the superintendent. “Written off” refers to the process of settling benefits for unlocatable members that does not include a forfeiture of their benefits to the pension plan.

First the administrator must:

- provide evidence to the superintendent that all reasonable avenues have been exhausted in an effort to locate those persons;
- reasonable evidence could include
  - telephone book listings and online web-based resources for telephone listings,
  - contact last designated beneficiary,
  - contact relevant organizations (e.g. unions and professional organizations),
  - generic newspaper ads in relevant locations,
  - provide the superintendent with a list of the members, former members or persons entitled to benefits under the plan that cannot be located. The list as a minimum should include for each missing person
    - name of the missing person (if the person is not the former plan member the name of the plan member as well)
    - Social insurance number
    - last known address
    - date of birth
    - outstanding amount of each person’s benefit entitlement at wind-up, including any surplus entitlement, with interest
    - written certification/evidence of what searches/avenues were exhausted in an effort to locate each missing person

Note: Some government departments such as Canada Revenue Agency, Human Resources and Social Development Canada or Provincial motor vehicle registries may also be able to assist by searching their databases for recent records.

Second, following notification to the superintendent that these persons could not be located, the administrators may:

- purchase life annuities for the members, former members or persons entitled to benefits under the plan or
- pay the funds into court and/or
- apply to the Court for its opinion, advice or direction or
- maintain the plan’s fund and continue to file financial statements and valuation reports.

Please note that:

- the OSPC is unable to receive and administer monies for unlocatable members nor can the funds be paid to the Public Trustees Office to be administered by the Public Trustee;
- in terms of any application to the court, the OSPC will not approve the assignment of the pension benefit credits of any unlocatable members or other beneficiaries to other members or beneficiaries under the plan;
- the plan administrator cannot complete the plan wind up if assets and liabilities remain for beneficiaries who cannot be located.

## Appendix B - Glossary of Terms

**Accepted actuarial practice** - an actuarial practice that is consistent with the applicable standards of practice published by the Canadian Institute of Actuaries.

**Active member** - a member of the plan who is accruing a pension under the plan, or would be accruing a pension if it were not for a temporary interruption in employment.

**Actuary** - a Fellow of the Canadian Institute of Actuaries.

**Administrator** - the person or body of persons referred to in subsection 28.1(1) or (1.1) of the Act which is responsible for administering the plan.

**Commuted value** – of the pension and other benefits that a person has a present or future entitlement to receive under a plan means, as at any particular time,

- (a) the actuarial present value of the benefits as at the particular time, if they are provided for under a defined benefit provision; or
- (b) the monetary value of the person's account under the plan at the particular time, if the benefits are provided for under a defined contribution provision.

**Defined benefit provision** - a plan provision under which a member's pension

- (a) is to be determined with reference to the member's remuneration for each year of employment, or for a selected number of years of employment; or
- (b) is expressed as a fixed amount for each year of employment, or as a fixed periodic amount.

**Defined contribution provision** - a plan provision under which a member's pension is to be determined with reference to

- (a) amounts required to be contributed to the member's account by the member and the member's employer; and
- (b) the investment earnings and losses and any other amounts credited or allocated to the member's account.

**Member** – an employee or former employee who is accruing, entitled to or receiving a pension under the plan.

**Non-active member** – an employee or former employee who is entitled to a pension under the plan which has not yet commenced, and a former employee who is receiving a pension under the plan.

**Pension** - a benefit in the form of a series of periodic payments that continues for the life of a member, whether or not it is continued to another person after the member's death, and includes a future entitlement to such payments but does not include ancillary benefits until they become part of the pension under subsection 21.1(2) of the Act.

**Pension benefit credit** - the value at a particular time of the pension and other benefits to which the person is then entitled.

**Plan termination basis** - a valuation based on the assumption that the plan is terminated as of the review date to which the valuation relates.

**Solvency assets** - if a plan is being terminated or wound up under Part 7 of the regulation, the value of the assets of the plan as of a review date at their liquidation value determined on a plan

termination basis, reduced by the actuary's estimate of the expenses that would be incurred by the pension fund in winding up the plan. Solvency assets include the value of any

- (a) cash balance; and
- (b) accrued and receivable income.

**Solvency deficiency** - any amount by which the solvency liabilities of a plan determined as of a review date exceed the plan's solvency assets as of the review date.

**Solvency liabilities** - the value of the liabilities of a plan, determined as of a review date on a plan termination basis and in a manner that takes into account any increase or decrease in benefits that would occur on a plan termination other than a decrease that would result from a reduction of additional benefits according to subsection 21(23) of the Act.

**Solvency ratio** - the ratio of

- (a) a plan's solvency assets (not including the value of any special payments specified in clause (c) of the definition "solvency assets" in the regulation attributable to its defined benefit provision as of a review date; to
- (b) the plan's solvency liabilities attributable to its defined benefit provision as of that date.

**Special payment** - a payment under clause 4.18(1)(c) of the regulation to amortize a solvency deficiency; and includes an alternative payment under subsection 4.18(5) of the regulation.

**surplus** - in the case of a plan that is being terminated or wound up under Part 7 of the regulation, the amount, if any, by which the plan's solvency assets exceed its solvency liabilities as stated in the report required to be filed under subsections 7.7(1) and 7.10(4) of the regulation.

**Termination date** - the date that the pension plan ceases to operate and all members are fully vested and entitled to a pension benefit.

**Transfer deficiency** - means, where the solvency ratio is less than 1, the amount by which the commuted value of a benefit exceeds the product of that commuted value and the solvency ratio.

**Wind up** - in relation to a pension plan that has been terminated, the process of distributing the plan's assets.