

Memorandum



To: Our Ontario Pension Clients
From: Actuarial Department
Date: April 3, 2009
Re: **2009 Ontario Budget – Solvency Funding Relief Measures**

With the release of the 2009 Ontario Budget on March 26, 2009 the government announced that they were proceeding with the temporary Solvency Funding Relief Measures that were first announced in December 2008.

While the full details are not yet available or final (this will require the passing of new legislation and the eventual release of the revisions to the Regulations of the Pension Benefits Act) the following are the key highlights, as we currently understand them, that would apply to reports with valuation dates on or after September 30, 2008:

- ✓ Consolidation of existing solvency payment schedules into a new five-year payment schedule (i.e. if you were paying \$10,000 per month in solvency special payments for the next two years you could reamortize this deficit over five years and pay \$4,300 per month)
- ✓ Deferring for one year from the valuation date the start of new going-concern and solvency special payments
- ✓ If no more than one-third of the aggregate of all active, deferred and retired plan members indicate that they object, extending the solvency payment schedule to a maximum of 10 years for any new solvency deficiency determined in the report (i.e. if the new solvency deficiency would have resulted in additional required contributions of \$10,000 per month for five years then this amount could instead be amortized over ten years and you would pay \$5,600 per month)
- ✓ Contribution holidays would not be permitted in fiscal years ending in 2010 through 2012 unless an actuarial cost certificate is filed annually with FSCO confirming that the plan continued to be in surplus
- ✓ The Canadian Institute of Actuaries' revised Standard of Practice for Pension Commuted Values, scheduled to take effect on April 1, 2009 could be used for the purpose of solvency valuations on or after December 12, 2008 (these revised standards generally provide for lower commuted values)
- ✓ If solvency payment schedules are consolidated or extended, any benefit enhancements in the next five years must be funded over a maximum of five years on both a solvency and going-concern basis

In response to the Solvency Funding Relief Measures outlined above, we propose the following steps:

- The preparation of all draft funding valuations as at December 31, 2008 will be delayed until the amendments to the Pension Benefits Act and Regulations are final
- In the absence of instructions to the contrary, we will assume that all of our clients will take advantage of the Solvency Funding Relief Measures automatically available; this therefore excludes the extension of the solvency payment schedule to ten years (given the requirement to obtain consent from the plan membership)
- Clients who do not have a funding valuation required as at December 31, 2008 may wish to consider moving up the timing of their next funding valuation by a year or two to take advantage of these Solvency Funding Relief Measures
- We will begin to schedule conference calls for the end of April with any of our clients who so request to discuss the above Solvency Funding Relief Measures and how they may apply to a particular situation

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We ask that our clients advise us if they are considering seeking consent from their members to extend the solvency payment schedule to ten years.

In addition, please let us know if you would like to schedule a conference call for the end of April to discuss these Solvency Funding Relief Measures and how they may apply to your particular situation.

Please feel free to contact your consultant (Jason, Dean or Joe) if you have any questions or concerns.

