

Memorandum



To: Our Ontario Pension Clients
From: Pension Administration Department
Date: March 22, 2022

Re: New PBGF Guidance from FSRA

Introduction

On February 14, 2022, the Financial Services Regulatory Authority of Ontario (FSRA) published [brand new guidance](#) for the assessment calculations and deadlines related to the Pension Benefits Guarantee Fund (PBGF).

As a reminder, most private-sector single-employer defined benefit pension plans in Ontario are covered by the PBGF, which provides a form of insurance to the pension plan members should their employer face insolvency while their pension plan is less than 100% funded.

Contributions to the PBGF

Employers sponsoring DB pension plans covered by the PBGF must pay an annual assessment to the PBGF (this is sometimes called a PBGF ‘premium’). The amount of the assessment is calculated using a formula primarily based on the total solvency liabilities and the solvency deficit reported for the pension plan in the actuarial valuation report. The solvency deficit is the most significant driver of the assessment calculation, and those pension plans with large deficits end up paying significant contributions to the PBGF. The assessment date is nine months after the last day of the pension plan’s fiscal year (September 30 for most plans given their December 31 year ends).

In their new guidance, FSRA has stated that “for pension plan fiscal years ending on or after December 31, 2021, FSRA will require the PBGF annual assessment to be based on the information set out in the most current valuation report filed with FSRA that has a valuation date that is on or before the fiscal year end immediately preceding the assessment date.”

FSRA’s stated objective is to eliminate the aggressive practice of filing a new actuarial valuation with an arbitrary valuation date shortly before the assessment date for the primary reason of reducing the amount owing to the PBGF. (None of ASI’s clients have employed this aggressive practice.)

We note that while the majority of ASI’s clients perform their regular valuations as at their pension plan’s year-end date (often December 31), there are a number of plans with regular valuations as at the beginning of the year (often January 1) primarily due to historical reasons. While up until now this one-day difference was largely inconsequential, that will no longer be true for the calculation of PBGF premiums.

Our pension administration team will apply these new rules effective immediately. While this change will have no impact for the majority of ASI's clients, those clients who perform valuations as at January 1 will experience a one-year delay before reflecting the new valuation in their PBGF calculations. This one-year delay will cause the PBGF assessment to be higher or lower than without the delay, and the actual impact will depend on whether the solvency position of the plan improved or deteriorated since the last valuation.

Prior to performing the next valuation, our actuarial department will contact those clients with a January 1 valuation date to confirm the valuation dates going forward.

Deadlines and Penalties

The submission of the PBGF Assessment Certificate electronically within the FSRA Pension Portal is due on the assessment date (i.e. September 30 for most plans). This deadline to submit this form is not new. What has been new for the past couple of years is that the deadline to submit the payment for the PBGF assessment, which is also September 30 for most plans, has been strictly enforced. Further, if FSRA grants an extension to file the PBGF Assessment Certificate, that extension doesn't apply to the payment due date because, according to FSRA, they do not have that authority.

FSRA has been very clear of late regarding these simultaneous deadlines and the significant 20% plus interest penalty for late payment.

We therefore remind clients to be diligent about respecting the regulatory deadlines and our pension administration team will continue to proactively follow-up with clients as the deadline approaches. We also encourage our clients to pay the PBGF assessment electronically to reduce the possibility of a late payment due to postal delays.

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For further details on this new guidance from FSRA, including some editorial comments, please see [our latest blog](#).

Please feel free to contact your consultant (Jason, Dean or Joe) if you would like to discuss any of the above.