INFORMATION

BULLETIN

BULLETIN NUMBER:	**PENS-15-009**
TITLE:	**Equities in a Target Benefit Provision**
LEGISLATION:	***Pension Benefits Standards Act***
DATE:	**DECEMBER 2015**

PURPOSE

The purpose of this bulletin is to advise stakeholders of what will be considered "equities" for purposes of determining the benchmark discount rate (BDR) under section 2 of the Pension Benefits Standards Regulation (the Regulation).

BACKGROUND INFORMATION

As set out in section 2 of the Regulation, target benefit provisions (TBPs) are required to calculate a provision for adverse deviation (PfAD).

As part of the process for calculating a PfAD, the actuary must determine the BDR using the formula described in section 2 of the Regulation. The formula includes an amount determined by multiplying the "equity allocation" of the plan by the "maxiumum equity risk premium."

"Equity allocation" is defined as "the percentage of assets of the target benefit component of the plan that is invested in equities**."**

"Equities" are defined as **"**securities listed on a securities exchange, **and includes any other investments that the superintendent has, in a record published by the superintendent, recognized as equities."** (emphasis added)

While we recogize that this may not be precise, for ease of administration we have defined "equities" for the calculation of the BDR to include common shares, preferred shares, private equity and all hedge funds. Everything else including Real Estate will be considered as non-equities for this purpose.

In determining the asset mix allocation to use for the BDR calculation, we require that plans use the target asset allocation as documented in the Statement of Investmet Policies and Procedures.

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MORE INFORMATION

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