
BULLETIN NUMBER:	PENS 17-002
TITLE:	Termination Expense Assumption
LEGISLATION:	Pension Benefits Standards Regulation
DATE:	June 2017

PURPOSE

This bulletin outlines the expectations of the Superintendent of Pensions (Superintendent) on the termination expense assumption employed in the actuarial reports for pension plans with benefit formula provisions.

BACKGROUND

It has come to the Superintendent's attention that some termination expense assumptions used for solvency funding purposes significantly differs from the actual cost incurred in terminating a pension plan. In some cases, members' benefit entitlement could further be reduced in the event of plan termination when assets are insufficient.

THE SUPERINTENDENT'S EXPECTATION

The solvency valuation should provide for expenses that may reasonably be expected to be paid by the pension fund, under the postulated termination scenario, between the valuation date and the wind-up of the plan, i.e. the date when all plan benefits are settled and assets are distributed. In order to provide for a realistic manner of settling benefits, the Superintendent expects the actuary to make and disclose the assumption as to when the wind-up of the plan might reasonably occur after the termination date, considering the delays incurred

- to prepare and file the termination report with the Superintendent;
- in the Superintendent's review and approval of the report ; and
- to effectively pay the benefits.

Unless the actuary is satisfied that the expenses of wind-up are not to be charged to the pension fund, the actuary should make an explicit assumption regarding these expenses. Expenses would usually include, but are not limited to, fees related to preparation of the actuarial wind-up report, legal and other consulting services, costs related to the purchase of annuities, custodial and auditing services, and administrative costs related to the settlement of benefits.

It should be clear from the actuarial report that the termination expense amount represents the actuary's best estimate assumption.

MORE INFORMATION

If you have any questions, please contact the Office of Superintendent of Pensions at Pensions@ficombc.ca or by phone at 604.660.3555.

At the Office of the Superintendent of Pensions, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Pension Benefits Standards Act*, Regulations and other pertinent legislation. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.