



SECTION:	Wind Up
INDEX NO.:	W100-106
TITLE:	Treatment of Prior Year Credit Balance - Regulation 909 ss. 4(3), 5(13) to 5(16.2) and 5.1(5)
APPROVED BY:	Superintendent of Financial Services
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Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

*Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at www.fSCO.gov.on.ca. All pension policies can be accessed from the **Pensions** section of the website through the **Pension Policies** link.*

This policy provides guidance on the application of the prior year credit balance (PYCB) under the PBA, with specific reference to the options available on full or partial wind up of a pension plan. The policy does not apply to pension plans that provide defined benefits that do not use a benefit allocation method to set contribution rates. In addition, this policy does not address the treatment of any PYCB in a jointly-sponsored pension plan. In this policy and unless specifically noted otherwise, the term "assets" refers to all the assets of a pension plan, including the PYCB.

Treatment of PYCB in an On-going Pension Plan

The concept of the PYCB was introduced into the PBA in 1992. Where the employer contributes more than the minimum required contributions to the pension plan, a PYCB may be established. The PYCB is determined in accordance with sections 5(13) to 5(16.2) or section 5.1(5) of the Regulation.

The employer may choose to reduce the amount of the PYCB in accordance with section 5(16.1) of the Regulation.

Where a report filed or submitted under any one of sections 3, 4 and 14 of the Regulation discloses a PYCB, the employer may apply part or all of the PYCB against future contribution requirements for normal cost or special payments, in accordance with section 4(3) of the Regulation.

Application of PYCB on Full Wind Up of a Pension Plan

On full wind up of a pension plan, the application of the PYCB will vary depending on the funded status of the pension plan. Where:

- assets are less than the liabilities, the plan is in a deficit position.
- assets exceed the liabilities, the plan is in a surplus position.

Pension Plan in Deficit Position on Wind Up

Where the pension plan is in a deficit position on the wind up date, the employer may choose to apply all or a portion of the PYCB against any normal cost or special payments due and not paid at the wind up date, in accordance with section 4(3) of the Regulation. In addition, the employer may choose to reduce the amount of the PYCB in accordance with section 5(16.1) of the Regulation. The balance of the PYCB, if any, following such application will remain in the pension plan for application against the annual special payments required in respect of the pension plan deficit on wind up, as set out under section 75 of the PBA and section 31 of the Regulation. In such a case, the assets used for the calculation of the deficit as of the wind up date or any subsequent date must not include the PYCB that remains in the pension plan.

If all liabilities under section 75 of the PBA have been fully funded and all benefits settled, any remaining assets must be distributed in accordance with the PBA and Regulation.

Pension Plan in Surplus Position on Wind Up

Where the pension plan is in a surplus position on the wind up date, there are no future funding requirements against which the PYCB can be applied. After all benefits have been settled, any remaining assets must be distributed in accordance with the PBA and Regulation.

See also Policy [S900-510 \(Application by Employer for Payment of Surplus on Full Wind Up of a Pension Plan\)](#).

Application of PYCB on Partial Wind up of a Pension Plan

On partial wind up of a pension plan, any normal cost or special payments due and not paid at the wind up date must be met by applying all or a portion of the PYCB, or otherwise be made by the employer. Once any such outstanding normal cost or special payments are paid, the assets of the pension plan must be split between the on-going portion and the wound up portion of the pension plan. The order and methodology for the split of the assets excluding the PYCB and for the PYCB, as of the wind up date, are set out below.

1. The employer may choose to reduce the amount of the PYCB in accordance with section 5(16.1) of the Regulation. Any reduction of the PYCB increases the assets available for the notional split of assets in 2 below.
2. Following any reduction under section 5(16.1) of the Regulation, the assets of the pension plan, excluding any PYCB remaining after step 1 above, are notionally split between the on-going portion and the wound up portion of the pension plan in accordance with the requirements of the PBA and the Regulation. See Policy [W100-102 \(Filing Requirements and Procedure on Full or Partial Wind Up of a Pension Plan\)](#).
3. Any PYCB remaining after step 1 above must then be allocated between the on-going and wound up portions of the pension plan, as determined by the employer. Any PYCB allocation to the wound up portion of the pension plan is limited to the amount required to fully fund the liabilities under the wound up portion of the pension plan.

Once the assets in the pension plan are notionally split between the on-going and wound up portions of the pension plan, each portion of the plan is treated separately.

On-going Portion of the Pension Plan

The on-going portion remains an active pension plan. As such, the options for the future application of any PYCB in the on-going portion of the pension plan are as set out above under the heading **Treatment of PYCB in an On-going Pension Plan**.

Wound Up Portion of the Pension Plan

The wound up portion is effectively a fully wound up pension plan. As such, the options for the application of any PYCB in the wound up portion of the pension plan are as set out above under the heading **Application of PYCB on Full Wind Up of a Pension Plan**.