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Ability to Take Contribution Holidays and Pay PBGF Assessments

In response to the new funding regime (set out in section 55.1 of the Pension Benefits Act (PBA) and **Regulation 250/18** which amends Regulation 909) that came into effect on May 1, 2018, FSCO has developed a chart illustrating the rules applicable in five scenarios, based on valuation and filing dates. For each scenario, the chart indicates which provisions govern contribution holidays and whether plan surpluses can be used to pay PBGF assessments.

Chart – Ability to take contribution holidays and pay PBGF Assessments

The chart is based on the following aspects of the new funding regime (unless otherwise indicated, section references are to Regulation 909):

1. Section 55.1 of the PBA came into effect on May 1, 2018 and applies to all pension plans, regardless of the valuation or filing date of the report. Section 55.1 provides that contributions for normal cost (NC) and for the provision for adverse deviations (PfAD) in respect of NC may be reduced or suspended if there is an available actuarial surplus (AAS). AAS is defined under section 7.0.2.
2. The new funding requirements (PfAD & 85% solvency funding threshold) set out in sections 4 and 5 only apply to **a report with a valuation date on and after December 31, 2017 and filed after April 30, 2018**.
3. For reports with **a valuation date on and after December 31, 2017**, section 7(1) does not apply due to section 7(1.1) but the remaining provisions of section 7 (excluding 7(4)) still apply. Therefore, in certain circumstances, plans will be subject to both sections 7 and 7.0.3 and must meet the requirements of both in order to take a contribution holiday.
4. The applicability of section 7.0.3 is premised on the filing date (not the effective date) of a report, i.e., it applies to **a report *filed* on and after December 31, 2017**.
5. The limitations on the amount of actuarial gain that can be applied to reduce NC set out in sections 7(3.1) and 7(3.2) only apply to fiscal years ending before January 1, 2020.
6. The ability to use an actuarial gain to pay a PBGF assessment under section 7(4) was revoked as at May 1, 2018. Therefore, PBGF assessments may be paid under section 7(4) only if they were paid prior to May 1, 2018. Effective May 1, 2018, AAS may be used to pay PBGF assessments in accordance with section 7.0.3(2) – but only where a valuation report has been filed on or after December 31, 2017.

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