FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

Funding and Actuarial Filing Requirements For Plan Improvements under the New Funding Regime

1. Section 3 of Regulation 909 (“Regulation”) requires the plan administrator to file a report when a plan amendment changes contributions or creates or changes a going-concern unfunded liability or solvency deficiency. The report must contain any of the information required under section 14 of the Regulation that might be affected by the amendment.
2. The new funding rules and void benefit improvement amendment rule, which came into effect on May 1, 2018, necessitate a review of section 3 report filing requirements. A section 3 report with a valuation date on or after December 31, 2017 (and filed after April 30, 2018) results in the application of the new funding rules to the pension plan.
3. A section 3 report could be in the form of a complete valuation report. A section 3 report prepared this way may be filed under **both** section 3 and section 14.
4. A section 3 report could also only consider the incremental impact of the amendment. However, this option will not be available for the first section 3 report filed after April 30, 2018 if the last section 14 report is filed under the old funding regime. Given that the section 3 report triggers the application of the new funding requirements, all of the information required in a report under section 14 would be affected by the amendment and, therefore, a full valuation must be set out in the section 3 report. In other words in this situation, FSCO will require a section 3 report that contains all of the information that is required in a section 14 report.
5. FSCO Policy A400-100 provided guidance to practitioners regarding FSCO’s requirements and expectations under an actuarial cost certificate approach to a section 3 report filing under the old funding regime. Policy A400-100 does not require the filing of a section 3 report if certain conditions are met. Given the new funding regime, this option is no longer available; i.e., where there is a plan amendment that has an effect on funding as set out in section 3 of the Regulation, the actuary must file either a section 3 incremental report (if the last filed report is under the new funding regime) or a complete valuation report which may also be filed as a new section 14 report. Policy A400-100 is currently under review and will be updated.
6. The solvency ratio (“SR”) and going-concern funded ratio (“GC Ratio”) tests under section 3.0.1(1) or (2) of the Regulation are for the sole purpose of testing if the amendment is void or not under section 14.0.1 of the Pension Benefits Act (“PBA”); they have no funding implication (except for any upfront contributions that the plan sponsor makes to satisfy the requirements under section 3.0.1(1) or (2) of the Regulation).

Scheduled Online Service Disruption Notice

Please consult our **outage schedule** for more details.

7. The threshold tests under section 14.0.1 of the PBA are measured as at the later of the effective date of the benefit improvement as stated in the amendment and the date on which the amendment is adopted (generally the Board approval date). The additional contributions to meet the requirements under section 3.0.1(1) or (2) of the Regulation, if any, must be made before the section 3 report is filed in accordance with the timing requirements in section 3(2) of the Regulation.
8. Table A describes how the **incremental funding** is determined under a section 3 report filing (once a prior section 14 report is filed under the new regime). **Generally, funding requirements per the last section 14 report (and any subsequent section 3 reports) previously filed with FSCO remain unchanged except as otherwise noted in Table A**. We have assumed that the thresholds required under section 3.0.1(1) of the Regulation are met (and any upfront contributions as may be required in order to satisfy such thresholds have been made) or that the threshold requirements do not apply due to section 3.0.1(4) or (5).
9. If the thresholds under section 3.0.1(2) of the Regulation are met (instead of the thresholds under section 3.0.1(1) of the Regulation), then the incremental going concern liability and incremental solvency liability will be fully funded. In this situation, only the incremental normal cost (and the associated PfAD) are left to be funded per Table A. Note that section 3.0.1(2) of the Regulation does not require the funding of a PfAD for the increase in going concern liabilities due to a plan amendment.
10. The valuation date for the purpose of a section 3 report (prepared either in an incremental funding or full valuation approach), is the later of the effective date of the benefit improvement as stated in the amendment and the date on which the amendment is adopted. The section 3 report must be filed in accordance with the timing requirement in section 3(2) of the Regulation.
11. This document does not address a situation where the amendment's effective date is after the section 3 report is filed.

TABLE A: Incremental Funding Requirements and Conditions

Funding = Sum of:	Incremental Funding Requirements[(a)]	Conditions for Reduction in Funding Requirements
Incremental Normal Cost ("NC") and the associated PfAD	• Incremental NC and its associated PfAD (**reflecting PfAD in last valuation filed with FSCO**).	• If the plan sponsor wants to apply available actuarial surplus to reduce the funding of the Incremental NC and its associated PfAD, it can do so by following the rules for a contribution holiday under the PBA and the Regulation[(b)].
Incremental Going-concern ("GC") Liability	• 8 year amortization of Incremental GC Liability (**no PfAD application**) in excess of any upfront contributions (to	• If the plan sponsor wants to apply some or all GC surplus to offset the funding of the Incremental GC

	get over the thresholds under section 3.0.1(1) of the Regulation), commencing immediately from the valuation date.	Liability (in excess of any upfront contributions), FSCO expects the following conditions to be satisfied: i. Prior to the plan amendment, the plan sponsor is not required to make any GC or solvency special payments; and ii. The actuary can demonstrate that the plan has a GC surplus immediately before any top up contributions (for this purpose, an **updated PfAD** and asset data as at the valuation date must be used). • As a result, FSCO expects the Incremental GC Liability to be offset by (i) any upfront contributions (to get over the thresholds under section 3.0.1(1) of the Regulation or otherwise made in respect of the amendment) and (ii) the lesser of the GC surplus as at the last filed report(c) and the updated GC surplus (established above); the resulting amount must be amortized over no more than 8 years. • If the actuary believes that the funded position of the plan has improved, the plan administrator always has the option of filing a section 3 report in the form of a complete valuation report (which may also be filed as a section 14 report).
Incremental Solvency Liability	• 5 year amortization of 85% of Incremental Solvency Liability reduced by any upfront contributions (to get over the thresholds under section 3.0.1(1) of the Regulation) and the	• If the plan sponsor wants to eliminate the funding requirement with respect to the Incremental Solvency Liability, then FSCO expects the following conditions to

	present value of any special payments in relation to the Incremental GC Liability established above for the same period, commencing no later than 12 months from the valuation date.	be satisfied: i. Prior to the plan amendment, the plan sponsor is not required to make any GC or solvency special payments; and ii. The actuary can demonstrate that the plan does not have a reduced solvency deficiency immediately after the plan amendment by using updated asset and market data. • If the actuary believes that there is no reduced solvency deficiency as at the valuation date, after taking the plan amendment into account, the plan administrator always has the option of filing a section 3 report in the form of a complete valuation report (which also may be filed as a section 14 report) in order to avoid solvency special payments.

Notes

a. Under this approach, all funding requirements per the last section 14 report (and any subsequent section 3 reports) remain unchanged; there is not a wholesale re-measurement. Additional contributions are being made to the plan and there is no usage (not even partial usage) of existing assets of the plan to satisfy any funding requirements or increases in liabilities.

   For the purpose of a section 3 report prepared under the incremental funding approach, the valuation methods for both liabilities and assets should be consistent with the last filed section 14 report.

b. Example:

   - Last filed section 14 report at January 1, 2019, indicates Available Actuarial Surplus (“AAS”).
   - Plan’s fiscal year ending December 31.
   - Actuary files a cost certificate under section 7.0.3(3)(a) of the Regulation for a contribution holiday for 2020.
   - The Board approves the amendment on July 1, 2020, and the effective date of plan amendment is August 1, 2020.
   - Scenario 1

- A section 3 incremental funding report for the plan amendment is filed on September 30, 2020 indicating no AAS.
- Contribution holiday ceases, that is, contributions should resume once a section 3 report for the plan amendment is filed and catch-up contributions for the months of August and September, 2020 with interest are also required.

- Scenario 2
  - A section 3 incremental funding report for the plan amendment is filed on September 30, 2020 with an updated AAS which is greater than the normal cost and its PfAD after the plan improvement for the remainder of the fiscal year.
  - Contribution holiday continues to the end of the fiscal year.

c. The GC surplus as at the last filed report shall be adjusted to reflect any amounts funded from the GC surplus since the date of the last valuation.