



Special Notice

July 15, 2009

Ontario imposes new limits on commuted value transfers

Effective immediately, Ontario plan administrators that know or *ought to know* that the plan's transfer ratio has dropped by 10% or more and is below 0.9, must get approval from the Superintendent before allowing terminating members to transfer their commuted value or buy an annuity.

The new **policy** published earlier this month by the Financial Services Commission of Ontario (FSCO), applies to all defined benefit pension plans registered in Ontario.

Monitoring the transfer ratio

The "transfer ratio" refers to the ratio of assets to liabilities assuming that the plan is terminated as of the day of calculation. Past practice for most plans has been to calculate the transfer ratio only as part of the regular actuarial valuation (typically conducted every three years). FSCO's new policy advises that the plan administrator should monitor the plan's transfer ratio on a regular basis, and continue to check it every time a terminating member transfers funds out of the plan, unless the calculation has been done within the last three months.

Application for Superintendent's approval

If the plan's transfer ratio drops by 10% or more (and is less than 0.9), the administrator must complete a **Request for Approval form**, before allowing any commuted value transfers. This form, which must be signed by both the plan's actuary and administrator, includes:

1. An actuarial certificate stating the:
 - updated transfer ratio;
 - date on which the transfer ratio was determined;
 - market value of plan assets; and
 - solvency liabilities of the plan as of that date.
2. The proposed treatment of the transfer deficiencies.

Transfers out of the plan

FSCO expects to implement a one-week turnaround on requests for approval. The administrator should not transfer any part of the commuted value until approval is granted.

If FSCO determines that a transfer below 100% may be made, the administrator is obligated to pay the balance of the commuted value to the terminated member within five years from the date of the initial transfer. Alternatively, the administrator may seek approval to transfer 100% of the commuted value, as long as the total of all transfer deficiencies since the most recently filed valuation date is less than 5% of the market value of the assets as of the date of the most recently calculated transfer ratio. The administrator may also seek approval to transfer 100% of the commuted value if a lump-sum contribution equal to the transfer deficiency is made to the pension fund.

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Action required

All plans must develop a process to monitor their transfer ratios. Plans that have not yet prepared an actuarial valuation reflecting the significant market losses in 2008, should take immediate steps to estimate their current transfer ratio. Any plan whose transfer ratio has dropped by 10% or more (and is less than 0.9) must also take immediate steps to adopt a benefit transfer policy.

If you would like to discuss these changes in more detail or need any help developing your policy and process, please contact your Eckler consultant.

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