

GUIDE TO APPLICATION FOR SOLVENCY MORATORIUM

GENERAL

Pursuant to subsection 2 (2) of Schedule 1.1 to the Pension Benefits Standards Regulation, the administrator of a defined benefit multi-employer negotiated cost pension plan (“MENCNP”) must make application for a solvency moratorium in the form and manner required by the Superintendent of Pensions (the “Superintendent”). Effective immediately, the Superintendent requires that the administrator of a MENCNP must complete and submit the form titled “APPLICATION FOR SOLVENCY MORATORIUM” (the “APPLICATION”) when seeking consent for a solvency moratorium.

COMPLETING THE APPLICATION

The following provides information to assist administrators in completing certain sections of the APPLICATION. If the space allotted in any section of the APPLICATION is insufficient to provide the required information, additional sheets of paper may be used and attached to the APPLICATION.

1. PLAN IDENTIFICATION

- A. Administrators must provide the name of the plan as defined in the plan documents. The British Columbia registration number is also required to be provided.
- B. The name of, and contact information for, the current Chair of the Board of Trustees is to be provided.
- C. The primary industry of the participating employers is to be set out. If the employers operate in a variety of activities (for example, residential and commercial construction, building maintenance and industrial activity), the activity of the majority of employers should be listed.

2. FUNDED STATUS

- A. The review date for the actuarial valuation report (“AVR”) on which the APPLICATION is based must be entered. The review date is also known as the “as at” date of the AVR.
- B. The period for which the moratorium is being requested is to be provided. The three-year period of the moratorium cannot start before January 1, 2007, and cannot extend beyond December 31, 2010.

GOING CONCERN BASIS

The going concern assets and liabilities to be entered here must be drawn from the AVR on which the APPLICATION is based. The surplus/unfunded liability disclosed in the AVR must also be entered.

SOLVENCY BASIS

The results of the solvency valuation, including the amount of the solvency asset adjustment, if any, are to be reported here.

3. AMORTIZATION REQUIREMENTS

Information for the schedule of payments required to fund each unfunded liability and solvency moratorium in accordance with the requirements of the legislation must be provided on this page. If necessary, attach a separate piece of paper detailing payment requirements. The amounts to be entered here are the amounts required to be paid in the absence of the solvency moratorium, as indicated in the AVR.

A. Existing Unfunded Liability Payments

(a) Date Originally Established

The Date Originally Established will be the review date of the AVR in which the unfunded liability was first identified.

(b) Original Amount

This represents the full amount of the unfunded liability identified at the Date Originally Established.

(c) Remaining Amount

This is the amount of the unfunded liability remaining as at the date of the most recent AVR.

(d) Annual Payment

The annual amount of the payment required to fund the unfunded liability in accordance with the requirements of the legislation.

(e) Date of Last Payment

This is the end of the prescribed amortization period. This will normally be the end of the 15th year after the Date Originally Established. For example, if the unfunded liability was originally identified in the AVR prepared as at December 31, 2000, the Date of Last Payment will be December 31, 2015. Please refer to the AVR to obtain this information.

B. Existing Solvency Deficiency Payments

(a) Date Originally Established

The Date Originally Established will be the review date of the AVR in which the solvency deficiency was first identified.

(b) Original Amount

This represents the full amount of the unfunded liability identified at the Date Originally Established.

(c) Remaining Amount

This is the amount of the solvency deficiency remaining as at the date of the most recent AVR.

(d) Annual Payment

The annual amount of the payment required to fund the solvency deficiency in accordance with the requirements of the legislation.

(e) Date of Last Payment

The end of the prescribed amortization period is to be entered here. This will normally be the end of the fifth (5th) year after the Date Originally Established. For example, if the unfunded liability was originally identified in the AVR prepared as at December 31, 2006, the Date of Last Payment will be December 31, 2011. Please refer to the AVR to obtain this information.

4. Revised Amortization Requirements

Information for the schedule of payments required to fund each unfunded liability, assuming the Superintendent consents to the APPLICATION for solvency moratorium, is to be provided. In accordance with the requirements of Schedule 1.1 to the Regulation, the amortization period must be a period that is the lesser of 10 years and the remaining period of amortization determined in accordance with the requirements of the legislation.

If the amortization period for an unfunded liability is shortened in order to comply with the requirements of Schedule 1.1 to the Regulation, the actuary must recalculate the payments to be made over the remaining period.

For example, if an unfunded liability was identified in the AVR prepared as at December 31, 2004, normally the date of last payment for the unfunded liability would be December 31, 2019. If the Board of Trustees is applying for a solvency moratorium, and prepares an AVR as at December 31, 2007, the remaining period for this unfunded liability would be 12 years. In this case, the remaining period would have to be shortened to 10 years, with the date of last payment being December 31, 2014. The actuary must recalculate the payments needed to retire this unfunded liability as at December 31, 2014.

If an unfunded liability was identified at an earlier date such that the remaining amortization period is less than 10 years, the payments must continue to be made in accordance with the originally identified schedule. For example, if an unfunded liability was identified as at December 31, 2000, the end of the amortization period would end with the date of last payment being December 31, 2015. If the Board of Trustees is applying for a solvency moratorium, and prepares an AVR as at December 31, 2007, the remaining period would be eight (8) years. In this case, the remaining period would **not** be changed, and the date of last payment would remain December 31, 2015.

5. Contributions

Negotiated Contribution Rate – Employer: The rate of employer contributions, expressed as dollars or parts of dollars per hour worked or percent of pay, set out in the most recent collective agreement, is to be entered here. Where there are different contribution rates under different collective agreements, the actuary must calculate an average of contributions received, expressed as dollars or parts of dollars per hour worked or percent of pay.

Negotiated Contribution Rate – Employee: The rate of employee contributions, expressed as dollars or parts of dollars per hour worked or percent of pay, set out in the most recent collective agreement is to be entered here. Where there are different contribution rates under different collective agreements, the actuary must calculate an average of contributions received, expressed as dollars or parts of dollars per hour worked or percent of pay.

Total Contribution Rate: This figure will be the sum of the **Negotiated Contribution Rate – Employer** and the **Negotiated Contribution Rate – Employee**.

Current Service Cost: The cost of benefits accruing in the year, expressed as dollars or parts of dollars per hour worked or percent of pay, is to be entered on this line.

Expenses: If expenses are not specifically included in the **Current Service Cost**, the cost of expenses, based on the actuary's assumption in the most recent AVR, expressed as dollars or parts of dollars per hour worked or percent of pay, is to be entered here.

Unfunded Liability Payments: The cost of amortizing all unfunded liabilities, if any, over the shorter of the remaining amortization period and 10 years, expressed as dollars or parts of dollars per hour or percent of pay, is to be entered here.

Total Contribution Requirements: The sum of the **Current Service Cost**, **Expenses**, and **Unfunded Liability Payments** is to be entered on this line.

Excess/Shortfall: The difference, positive or negative, between the **Total Contribution Rate** and the **Total Contribution Requirements** is to be entered here. Plan administrators should know that where there is a shortfall of contributions, staff will not recommend that the Superintendent consent to the solvency moratorium.

6. CERTIFICATION

The APPLICATION certification must be signed by the Chair of the Board of Trustees. The Chair is certifying that the information provided on the APPLICATION is true, correct and complete.

For further information, contact us at:

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