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Revised Educational Note

Transfer Values – Ontario Reporting Requirements

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Revised Educational Note

Transfer Values – Ontario Reporting Requirements

Committee on Pension Plan Financial Reporting

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Members should be familiar with educational notes. Educational notes describe but do not recommend practice in illustrative situations. They do not constitute standards of practice and are, therefore, not binding. They are, however, intended to illustrate the application (but not necessarily the only application) of the Standards of Practice, so there should be no conflict between them. They are intended to assist actuaries in applying standards of practice in respect of specific matters. Responsibility for the manner of application of standards of practice in specific circumstances remains that of the members.

MEMORANDUM

To: All Pension Actuaries

From: Bruce Langstroth, Chair
Practice Council

Manuel Monteiro, Chair
Committee on Pension Plan Financial Reporting

Date: January 26, 2015

Subject: **Revised Educational Note: Transfer Values – Ontario Reporting Requirements**

This updated educational note is intended to provide guidance to actuaries on actuarial reporting pursuant to certain requirements of regulations under the Pension Benefits Act of Ontario with respect to transfer values.

An [educational note](#) on this subject was originally published in November 2009. This updated educational note updates the original educational note to conform to the Pension Specific Standards of Practice effective February 1, 2014.

As outlined in subsection 1220 of the Standards of Practice, “The actuary should be familiar with relevant Educational Notes and other designated educational material.” That subsection explains further that a “practice that the Educational Notes describe for a situation is not necessarily the only accepted practice for that situation and is not necessarily accepted actuarial practice for a different situation.” As well, “Educational Notes are intended to illustrate the application (but not necessarily the only application) of the standards, so there should be no conflict between them.”

In accordance with the Institute’s Policy on Due Process for the Approval of Guidance Material other than Standards of Practice, this educational note has been prepared by the Committee on Pension Plan Financial Reporting and has received final approval for distribution by the Practice Council on January 22, 2015.

Should you have any questions or comments regarding it, please contact Manuel Monteiro at manuel.monteiro@mercer.com.

BL, MM

Transfer Values – Ontario Reporting Requirements

On July 7, 2009, the Financial Services Commission of Ontario (FSCO) published a policy T800-402 regarding Commuted Value Transfers from pension plans and a related form, Request for Approval to transfer commuted values or purchase annuities (the “FSCO form”). Completion of the FSCO form, in accordance with the policy, requires a statement of the value of plan assets and a determination of a plan’s solvency liabilities (the “actuarial information”) as of a specified determination date. The solvency liabilities may be either based on a solvency valuation of the plan as at the determination date or “a reasonable projection of the liabilities to the determination date.” The actuarial information is to be certified by an actuary to have been determined in accordance with accepted actuarial practice.

This educational note has been prepared by the Committee on Pension Plan Financial Reporting (PPFRC) to provide guidance on reporting requirements pursuant to the Standards of Practice associated with providing the actuarial information.

Application of Standards of Practice

The actuarial information constitutes a solvency valuation even if performed only for the purpose of determining a transfer ratio for purposes of the FSCO form. All relevant Standards of Practice including relevant reporting requirements and Standards of Practice relating to materiality (subsection 1340) and approximation (subsection 1510) would be considered.

Since the actuarial information includes a valuation of assets and liabilities, sections 1800 and 3260 of the Standards of Practice would require a short report to complement the information on the FSCO form. Such a report would generally include:

- the party for which the report is prepared (usually the plan administrator),
- the purpose of the report, the terms of engagement and the type of each valuation undertaken – it may be appropriate to specify that the report is prepared for the sole purpose of providing the information required to satisfy the FSCO policy,
- a description of the membership data, its source and the tests performed or, if the calculation is based on the data used for a prior filed report, a statement that a summary of data can be found in the prior report,
- the source of the asset information used for the calculations and the tests performed,
- a description of the plan provisions, which might be by reference to a prior filed report with appropriate treatment of any subsequent amendments,
- a description of the postulated scenario, which might be by reference to a prior filed report, a summary of the assumptions used, which could be in the form of a description of the current assumptions (e.g., interest rates and mortality tables) used for the calculation of the solvency liabilities and, if applicable, a statement that all other assumptions are as used for the solvency valuation in a prior filed report,
- a statement of the market value of plan assets at the determination date,

the method for valuing the solvency liabilities and a description of any liability for benefits excluded from the solvency valuation, which could, if applicable, be by reference to a prior filed report, the funded status at the determination date,

a description of the treatment of contingent benefits, which may be the same as found in the prior report,

disclosure of any subsequent events, whether or not the events are taken into account in the calculations, and, if there are no subsequent events, a statement to that effect, and

the actuary's opinion that the report has been prepared in accordance with accepted actuarial practice in Canada.

In accordance with paragraph 3260.06 of the Standards of Practice, a report that is not based on valuation results extrapolated from an earlier report would also include:

the incremental cost between the determination date and the next calculation date, the effect on the solvency liabilities, at the determination date, of using a discount rate 1.0% lower than that used at the determination date, and

if the report does not include a going concern valuation, a description and quantification of the gains and losses between the prior calculation date and the determination date.

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