

February 20, 2018

Pension Benefits Guarantee Fund Assessment Formula  
Pension Policy Branch  
Ministry of Finance  
5th Floor, Frost Bldg S.  
7 Queen's Park Crescent  
Toronto, ON M7A 1Y7

**Subject: Proposed Changes to Pension Benefits Guarantee Fund (PBGF) Assessments**

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Its members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.

We are pleased to offer the following comments on the consultation document [Reform of Ontario's Funding Rules for Defined Benefit Pension Plans: Proposed Changes to Pension Benefits Guarantee Fund \(PBGF\) Assessments](#).

We understand that it is necessary to review the current assessment rules following the 50 percent increase in the maximum guaranteed benefits and the proposed changes to the Ontario funding framework. We also appreciate the importance of this issue.

The aforementioned document does not include any detail as to the analysis that was performed to support the changes. It would be important for plan sponsors, plan members, and the public to have a more comprehensive review of the assessment structure if that was not already undertaken. Specifically, this analysis should address both the severity **and** likelihood of PBGF claims, and should be based on an actuarial approach. The proposals—roughly a 50 percent increase in the risk-based assessment accompanied by a doubling of the maximum assessment—seem somewhat simplistic on the surface, and remain focused on only the severity of a PBGF claim. We also have concerns about the appropriateness of the new component based on PBGF liabilities, as it does not appear to be related to the underlying risk.

If such steps have not already been taken, the CIA would recommend that a group be formed with a mandate to perform a more comprehensive analysis of the PBGF premium structure, and to develop an approach more directly based on actuarial principles. In particular, the assessment rules should more accurately reflect both the likelihood and the expected amount of a claim under this program. The CIA would be very interested in participating in such an initiative. We also recommend that any new assessment structure not be implemented until such an analysis has taken place. If this analysis has been done, we would be very interested in seeing the details, so we could provide more comprehensive feedback. We agree that the PBGF

represents an important protection for plan members, and as such, we think that transparency is essential.

Thank you for taking the time to consider our comments.

Yours truly,

Sharon Giffen, FCIA  
President, Canadian Institute of Actuaries