



BC FICOM PENSION STAKEHOLDER ENGAGEMENT FORUM

On March 7, 2017, the BC Financial Institutions Commission (“BC FICOM”) held a pension stakeholder engagement forum regarding the new pension legislation that became effective September 30, 2015. The intent of the forum was to provide stakeholders the opportunity to share experiences, and issues of the new legislation and for BC FICOM to provide information and guidance on these issues. Topics included administration, governance and assessments, target benefit plans and solvency funding.

This bulletin is to inform clients, administrators and consultants by providing a high level summary of the forum, particularly with a focus on administrative issues. BC FICOM has confirmed that the event will be recorded and all event material will be published on BC FICOM’s website. Please refer to their website, http://www.fic.gov.bc.ca/index.aspx?p=pension_plans/index, for more information.

Summary of Administrative Issues

1. RSS Feed

The current RSS feed is used to inform subscribers of any changes or notices that fall under BC FICOM’s responsibilities including matters that relate to credit unions and trust companies, insurance companies, pension plans, real estate, mortgage brokers and the Credit Union Deposit Corporation. Stakeholders have requested whether the RSS feed can be filtered further, i.e., for pension-related matters. The Office of the Superintendent is investigating this request and may be able to revise the feed in the near future.

2. Records Retention Guideline

A draft guideline has been prepared and is currently being reviewed. It is expected to be published for stakeholder comment sometime near the end of Spring 2017.

3. Pension Obligations

It was confirmed that for pension plans with at least \$10 million in assets, pension obligations are required on audited financial statements in accordance with the CPA Canada Handbook. However, BC FICOM has stated that if an audited financial statement is filed with their office and pension obligations are not included, they will not recommend any enforcement.

4. Superintendent’s LIRA and LIF List

The Superintendent’s current LIRA and LIF list shows all issuers who offer locked-in pension products. Prior versions of the list detailed the various names of the funds and related specimen plan numbers, in addition to the name of the issuers. It was requested by some stakeholders, for ease of administration, that the Superintendent consider reverting back to the more detailed list. BC FICOM has confirmed that due to a lack of resources in maintaining the prior version, the current format will remain in place.

5. Retirement Statements/Other Correspondence to Members

Electronic delivery of retirement statements and other pension correspondence is acceptable as long as consent is obtained from the member/beneficiary. Administrators were encouraged to start collecting email addresses at the time of member enrolment.

6. Shortened Life Expectancy

This provision was previously an option for the plan but is now a requirement under the BC Pension Benefits Standards Act ("BC PBSA"). It was clarified that the shortened life expectancy provision would cover both active and deferred vested members (does not apply to those in receipt of a monthly pension).

One specific concern with the provision is that no timeline on the expected remaining lifetime of the individual is given (i.e., death within two years). BC FICOM stated that an individual is eligible for this provision provided the individual meets the qualification requirements of the plan. Note that a plan is not permitted to stipulate the remaining expected lifetime of the individual. Other comments provided by stakeholders were:

- Do all smokers qualify for this provision as smoking will considerably shorten life expectancy?
- Do drug addicts qualify for this provision?

BC FICOM stated that the forum was not the place to debate these issues.

It was noted that when a physician's statement is received for shortened life expectancy and there is doubt regarding the claim, an administrator may request a second opinion by a medical physician of their choosing. BC FICOM has confirmed that where an administrator releases funds due to a shortened life expectancy claim and does so in good faith, there will be no penalties imposed by their office.

The use of a standard medical form was discussed but BC FICOM stated that they will not be creating a form due to the complexities involved. A suggestion to possibly amend this provision to add an expected remaining timeline was raised and noted by BC FICOM.

7. Pension Eligibility Date

The pension eligibility date is the age or date that a member can receive an unreduced pension. In accordance with the BC PBSA, it was noted that a member may start his or her pension early on a reduced basis at any time within 10 years before he or she reaches the plan's pension eligibility date. A question was asked that if a plan's normal retirement age is 65, earliest retirement age is 55 and unreduced retirement is available at age 60, does this mean that a plan must allow its members to retire as early as age 50? After discussion, it was noted that the answer is no as the ability to retire on an unreduced pension at an early retirement age is an ancillary benefit.

8. Governance/Plan Assessments

Stakeholders questioned if completion of the Self-Assessment Questionnaire contained in CAPSA's Guideline No. 4: Pension Plan Governance would suffice as a pension plan's requirement to complete a plan assessment. BC FICOM stated they are still reviewing the questionnaire and will confirm at a later date.

Other questions regarding privacy, the format of the assessment, the period covered by the assessment, who should complete the assessment were discussed.

9. Missing Plan Members

BC FICOM confirmed that small pension amounts that fall under the 20% of the YMPE threshold can be transferred to the Unclaimed Property Society of BC. The Unclaimed Property Society does not want to hold any locked-in funds. Also, any monies transferred to the Unclaimed Property Society will not accrue any interest. Alternatively, annuities may be purchased for missing members and the responsibility of locating these members will shift to the insurer.

ABOUT PBI

PBI Actuarial Consultants Ltd. is a dynamic and growing company focused on providing actuarial, administrative and investment consulting services for pension and benefit plans, as well as various trust funds. PBI serves clients across Canada from offices in Vancouver, Montreal and Toronto with a focus on multi-employer plans, non-profit and public sector organizations.

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