

Great News for Target Benefit Pension Plans in BC

On October 3, 2022, following several years of review by a working group comprised of regulators, actuaries, and industry representatives led by BCFSAs, the government of British Columbia approved amendments to the Pension Benefits Standards Regulation (Regulations) for plans with target benefit provisions effective December 31, 2022. The new definition will impact valuations filed after December 30, 2022. These changes to the regulations were implemented through an Order in Council.

Since being introduced in 2015, the Provision for Adverse Deviations (the PfAD) applicable to plans with target benefit provisions has proven to be highly volatile and overly cumbersome, resulting in some plans struggling to meet funding requirements. In some cases, this has caused a reduction in the security of benefits the regulations were designed to protect.

Under the new Regulations, the PfAD definition will be simplified and principles based. Under the new rules, the formula for determining the PfAD will be a minimum amount equal to 7.5% plus a plan-specific PfAD. The size of the plan-specific PfAD will be determined and set by the Board of Trustees and may differ between plans due to benefit design, investment strategy, demographic risks, and the ultimate goals of the plan, among other considerations. Administrators will be required to support and document their rationale for the size of the overall PfAD within the plan's funding policy.

The new definition was designed to be both stable and predictable, to promote benefit security, but at the same time simple to derive, understand, and provide the flexibility for plans to prioritize their overall funding objectives.

Other Changes

Among several other technical changes, the amended Regulations also clarify the ability of target benefit plans to utilize actuarial surplus to meet funding requirements, again providing flexibility to the administrators of the plans, this time by allowing administrators to determine how best to use the plan's available surplus.

Another critical change that we promoted is enhanced communication to members of target benefits plans. Having better member communication is important when benefits could decrease.

Funding policy requirements were also enhanced to take into account changes being made to the PfAD. This will help the Trustees formulate the plan-specific PfAD.

Next Steps

The BCFSAs intend to provide regulatory guidance material for setting and documenting a plan's PfAD under the new rules. PBI has had an actuary on the working group that helped create the new regulations and is also part of the team designing the guidance material.

PBI will provide further analysis and guidance once this additional BCFSAs material is released. If you have any questions, your PBI consultants are available to help.

PBI, Caring for the future...now!