



August 1988

PBSA Update

Introducing *PBSA Update*

In our efforts to improve communications between the Office of the Superintendent of Financial Institutions and the organizations it supervises, we are sending this *Update* to all sponsors of federally regulated pension plans and to organizations that service the industry. This *Update* covers an area of interest to all plan sponsors – the results of a pilot project regarding pension plan examination.

We have also been asked to provide guidelines about converting defined benefit plans to defined contribution or money purchase plans. Because this is of concern only to those plan sponsor who are undertaking or contemplating such a change, we would ask those interested to contact us for a copy of the guidelines.

We will be sending further *Updates* from time to time, and would like to hear any comments and suggestions that you think would improve communications between our Office and the supervised plans. Write to us at:

PBSA Update
Pension Benefits Division
Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Ontario
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You may fax the Pension Benefits Standards Division at (613) 990-7394 or e-mail us at penben@osfi-bsif.gc.ca.

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1. Pension Plan Examinations

As explained in Chapter 1 of the *Pension Benefits Standards Act, 1985* Reference Manual, sent to you in August last year, the Superintendent's Office carries out periodic on-site examinations of pension plans registered under the Act. The authority for these examinations is section 34. The examinations are designed to assist our Office in carrying out its supervisory duties.

We have carried out examinations in the past, but there haven't been many and our focus has been on the larger plans. The Auditor General of Canada has recommended that we substantially increase the number of examinations we conduct. We concur with that recommendation and are planning to increase the number of examinations so as to be able to examine a wider cross-section of the federally regulated pension plans. Plans that are running into administrative or financial difficulties and those consistently late in filing the required documents will be among the prime candidates for examination. During 1988-89 we hope to complete as many as 40 on-site examinations.

In most cases when a plan is scheduled for examination, we will write well in advance to the plan sponsor. The Office will require that all relevant documents and records are made available and that working space is provided for the examiners' team.

2. Findings from Previous Examinations

Recently we performed examinations of seven pension plans. As administrators of pension plans, you may be interested to know some of the major findings that have been brought to our attention as a result of these examinations.

Notwithstanding the signed undertaking that a plan will be administered in compliance with the new Act, we discovered that some plans were not in compliance with respect to vesting, interest paid on employee contributions, sex discrimination, timely remittance of contributions, etc. Some of the plans were merely being administered according to the old legislation.

We also found that, more frequently than we expected, mistakes were being made in benefit calculations. This happened at retirement as well as at termination of employment.

3. Examinations Benefit Everybody

In addition to benefiting the formal supervisory functions, we are convinced that these examinations will benefit all of us in several ways, particularly by enhancing communication and understanding between plan sponsors and our Office.

We know we can count on you to give your co-operation and support to our examiners in carrying out this new policy.