



February 1989

PBSA Update

Issue No. 2

This is the second issue of *PBSA Update*. The purpose of *Update* is to improve communications between the Office of the Superintendent of Financial Institutions and pension plan sponsors whose plans are filed with the Office pursuant to the *Pension Benefits Standards Act, 1985* (PBSA).

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1. Report of the Superintendent on the Administration of the PBSA, 1985 for the Year Ended March 31, 1988

We are pleased to attach this report for your information. It includes the results of last year's survey of plan sponsors undertaken to establish the extent of inflation adjustments or other adjustments to pension benefits and application of gains from pension plans for the two-year period ending December 31, 1987. The PBSA requires that we report this information.

2. Filing of Annual Financial Statements and Auditor's Reports

In a January 1988 memorandum, the former Director of the Pension Benefits Division, Michael Cohen, reminded pension plan sponsors of the new requirement under the PBSA for filing annual financial statements and an auditor's report on these statements. He said that the Office appreciated that these requirements may present some difficulties for some plan sponsors and, consequently, for 1987 and 1988 we would be prepared to accept a

certified financial statement alone for certain plans. This special transitional arrangement is extended to the end of 1989.

3. Eligibility Criteria

Pension plans that may file certified financial statements in lieu of financial statements and an auditor's report are those whose funds are deposited as follows:

- (1) where all funds are held and managed by an insurance company – any type of account;
- (2) where all funds are held in the *pooled* funds of, and managed by, a trust company;
- (3) where all funds are managed by a trust company but are held outside the pooled funds in some other funding arrangement. In this case, both the following conditions must be met:
 - (i) the plan has fewer than 100 members; and
 - (ii) less than \$1,000,000 in total assets (market value).

For all other plans, we will require a financial statement and an auditor's report on the statements regardless of where funds are deposited. These plans include:

- (a) all plans administered by individual trustees;
- (b) all plans funded through Pension Fund Societies;
- (c) all plans that do not meet the criteria of (3) above.

We attached to Mr. Cohen's memo a list setting out what we consider to be the minimum requirements for a certified financial statement. If you cannot locate your copy of the memorandum for that information, please write to *PBSA Update*.

4. Fees to Cover the Cost of Administering the PBSA

The Office is proposing to amend the Pension Benefits Standards Regulations, 1985 to increase the fees required to be filed with an application for registration under the Act and with the filing of the annual information return. The purpose of the proposed increase is to meet our objective of recovering fully the Office's administrative costs from the industries it supervises.

Currently the fees are \$5 per plan member; there is a minimum of \$100 and a maximum of \$5,000.

Under the new schedule, both the per member rate and the minimum rate per plan will remain unchanged for plans with 1,000 or fewer members. For plans with more than 1,000 members, the fee per member will be \$5 for the first 1,000 members, and \$2.50 per member in excess of 1,000. The maximum fee will be \$50,000.

By far the majority of pension plans filed with the Office will not be affected by the fee change. Only about 55 of the 900+ plans filed under the PBSA have more than 1,000 members. The Office spends more time supervising and dealing with enquiries relating to the larger plans – consequently the costs are higher.

Under the new schedule, a plan with 1,500 members will be required to file a fee of \$6,250 compared with \$5,000 under the current schedule. Membership would have to be 19,000 or more for the full \$50,000 maximum fee to apply.

The new fee schedule is proposed to become effective July 1, 1989. That is, the new rates would apply to plans being filed for registration or filing annual information returns with the Office on or after July 1, 1989.

Comments?

As we mentioned in the first issue of *Update*, we would like to hear your comments and suggestions that you think would improve communications between our Office and the supervised plans. Your comments on the matters covered in this edition are welcomed. Write to us at:

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