Alberta
Finance

Policy Bulletin #38 Issued December 2006

Cost Certificates and Actuarial Valuation Reports

This Bulletin has been prepared to outline the legislative requirements and related guidelines for the filing of cost certificates under the *Employment Pension Plans Act* (the Act) and the *Employment Pension Plans Regulation* (the Regulation). It has no legal authority. The Act and Regulation should be used to determine specific legislative requirements.

Section 14(3)(b)(ii) of the Act requires plan sponsors to file actuarial valuation reports and cost certificates that are satisfactory to the Superintendent and in the form required by the Superintendent. Please see CC Form - Cost Certificate.

Furthermore, Sections 9(7) and 27(2) of the Regulation require that where an amendment to the plan (or the provision of discretionary benefits) affects the cost of benefits provided by the plan, creates an unfunded liability or otherwise affects the solvency or funding of the plan, the administrator must have the plan reviewed (Option 1) or have the latest review revised (Option 2), as of the date the amendment or the date discretionary benefits are provided, as the case may be.

Option 1 - Where this option is chosen, the administrator informs the Superintendent that the plan is to be reviewed. A full actuarial valuation report and cost certificate is prepared as at the effective date of amendment (or provision of discretionary benefits) and it must be filed with the Superintendent within 180 days of the amendment being made. The next full valuation will be due as at the plan's review date, within a period not exceeding three years from the date of this valuation report. However, an annual valuation filing may be required as outlined in Policy Bulletin #27 – Guidelines for Filing Annual Actuarial Valuations.

Option 2 - Where the administrator chooses to have the latest review revised, only an *interim* cost certificate is completed as at the effective date (i.e. no valuation report is filed). An *interim* cost certificate meets the following criteria:

- It utilizes the data from the latest full actuarial review and projects or "rolls forwards" the results to the effective date in question. This includes current service costs for the period since the last full review and normally assumes that no members have joined or left the plan in the interim. It also takes into account the actual market value of assets at the effective date;
- Accrued going concern liabilities are projected forward to the effective date using the going concern assumptions;

- Similarly, the solvency liabilities are projected forward to the effective date using the solvency assumptions. However, a recalculation of the solvency liabilities may be required given that the solvency calculations must reflect the interest rates in effect as at the effective date;
- It must reflect the change in costs resulting from the amendment, provision of discretionary benefits or additional special payments made by the employer;
- It covers the period from the effective date to the end of the triennial period originally established by the previous full actuarial review. For example, if the latest actuarial review was performed as at December 31, 2005, the next triennial should be performed as at December 31, 2008. If an amendment is made January 1, 2007, the accompanying *interim* cost certificate covers the period from January 1, 2007 to December 31, 2008.

As always, where an *interim* cost certificate is required by the Superintendent, the plan sponsor may instead choose to file a full actuarial review and cost certificate as outlined in Option 1 above.

Annual Valuations

If a full actuarial review is in progress and the preliminary results confirm that either the funded or solvency ratio is below 0.8500, it is acceptable for the employer to make an additional contribution sufficient to bring the ratios at or above 0.8500, and to include those assets in the valuation results, provided the following occurs:

- The valuation report filed must show the initial deficit and the amount needed to bring both ratios at or above 0.8500;
- The valuation report must confirm that amount has been deposited within the period that would permit it to be considered a contribution for the previous year under the *Income Tax Act* (Canada).
- The Cost Certificate will reflect the valuation results including the additional contribution.

For further information please contact:

Superintendent of Pensions
Alberta Finance
Room 402, 9515 - 107 Street
Edmonton, AB T5K 2C3

Telephone: (780) 427-8322
Fax: (780) 422-4283
Internet: **www.finance.gov.ab.ca**

For toll-free dialling, contact your local Alberta Government R.I.T.E. line by calling 310-0000.