

Newsletter

express

Information bulletin for supplemental pension plans

28 May 1999

An annual information return must be filed

If your pension plan's fiscal year end was 31 December 1998, you must submit an annual information return no later than 30 June 1999. After that date, you will have to pay additional fees for each complete month of delay that are equal to 10% of the fees initially due.

You must also be sure your annual information return is complete; otherwise, the Régie will send it back to you. The return must be duly signed in section 12 and appendixes 3A and 4 must be filled out. If your plan has less than 50 members and the market value of its net assets is less than 1 million \$, you must complete lines 380 and 381 of appendix 3A. If your plan has to be audited by an accountant, section 5 of appendix 3A must be filled out and signed by the auditor. The auditor's report must be enclosed with the annual information return.

Actuarial valuation on the solvency basis

To carry out an actuarial valuation of a pension plan on the solvency basis, the liabilities must be determined by assuming that the plan is totally terminated. When a plan is liquidated, the pensions in payment must be guaranteed by an insurer. The liabilities related to those pensions must correspond to the premium charged by the insurer. For the members — even the non-retired members — in some provinces, the liabilities must correspond to at least that premium. Obviously, during a regular actuarial valuation, where, in fact, no annuities are purchased, the actuary can only estimate the premium that would be charged.

For several years, we have observed that the premium charged by insurers to guarantee an immediate annuity is quite different from the value of the annuity as determined according to the recommendations of the Canadian Institute of Actuaries (CIA) for the computation of the transfer values from registered pension plans.

According to the CIA's March 1999 bulletin, a survey made by the CIA Pension Plan Financial Reporting Committee shows that it would be appropriate, in many cases, for the valuations for December 1998 or January 1999, to use an interest rate of around 5,50% for the entire payment period of a non-indexed immediate annuity.

The Régie therefore expects that the actuarial valuations submitted to it, as well as termination reports, will take into account the market conditions for group annuities and the CIA survey. If the assumptions used result in liabilities lower than those that would be obtained using the assumptions mentioned in the CIA survey, the actuary will have to justify his or her choice in the actuarial report.

For the purposes of another calculation, that of amortization payments in an insolvent plan, the Régie will allow the related interest rate to correspond either to the highest rate used in the valuation or the average of the rate used for retired members and the rate used for other members, weighted with respect to the liabilities.

Warning concerning locked-in retirement accounts (LIRAs) and life income funds (LIFs)

The Régie has recently been informed that some financial institutions are offering LIRAs and LIFs even though no standard contracts have been registered with the Régie. We wish to remind all pension plan administrators that before transferring sums from a supplemental pension plan, they must be sure that the financial institution receiving the sums has registered a standard contract with the Régie des rentes du Québec. The list of financial institutions registered with the Régie to offer LIRAs and LIFs is available on our Internet site. You can also obtain the list by contacting the Régie.

Obligation to file an annual information return for a new pension plan created by a division carried out before obtaining the Régie's approval

The Régie wishes to remind administrators that a pension fund must be established for a pension plan as soon as the plan is in effect.

Employer and member contributions made after the effective date of a new plan created by a division must be paid into the pension fund of the new plan, even if the transfer of assets from the old plan has not been approved by the Régie and the new plan has not been registered.

A duly completed annual information return for the new plan must be filed with the Régie. The return must include the amount of the contributions paid into the new plan's pension fund for current service, the investment income generated by those contributions, etc. Where a financial audit is required, financial statements for the new plan must be produced.

Any sums to be transferred to the new plan following division must not be shown in the annual information return of the new plan until the Régie has approved the division.

For more information on how to complete the annual information return for a non-approved division, see pages 9, 12, 13, 15 and 16 of the annual information return guide.

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