Financial Institutions Commission

Guide to the Pension Plan Financial Information Return

Introduction

A Pension Plan Financial Information Return (FIR) is required to be filed with the Annual Information Return for some pension plans. The FIR is *not* required to be filed if:

- the plan is a defined contribution plan, and the total value of plan assets is less than $10 million, or
- the plan is not a defined contribution plan, and assets are valued at less than $2.5 million and there are fewer than 50 members in the plan.

If the pension plan does not meet either set of conditions above, then the administrator must complete and file a FIR. This Guide will assist administrators in completing the FIR for filing with the Pensions Department of the Financial Institutions Commission.

When completing the FIR, please keep in mind:

- the financial information must be based on an ongoing plan that is deemed to be an entity separate and distinct from the employer(s) and members of the plan;
- the financial information must be determined according to the accrual basis of accounting, which requires that outstanding receivables and payables at plan year end be included in the calculation of the increase or decrease in assets, without consideration for the date on which payments will be received or made;
- investments must be shown at their fair value as at plan year end;
- transactions concerning investment purchases or sales must be recorded as at the earlier of the actual date the transaction is made or at the date of the settlement of the contract; and
- where the pension fund is invested in a Master Trust, or when the pension plan is made up of more than one division or unit, each of which provides pension benefits on a distinct basis, only the portion of the assets belonging to the reporting pension plan or division are to be entered on the FIR. The assets are to be determined on a *pro rata* basis.

Definitions

The terms and phrases listed below will have the following meanings when used in this Guide and on the Pension Plan Financial Information Return.

Financial Information Return – contains a statement of the fund's net assets and a statement of the changes in the fund's net assets available for benefits for the plan year under review.

Derivative instruments – include interest rate, equity, commodity, foreign exchange and other derivative contracts such as forwards, futures, swaps and options.

Fair value – in respect of an asset, means the price that would be obtained from the sale of the asset in an open market under conditions of a fair transaction between parties who are at arm's length and acting prudently, knowledgeably and willingly.

Insured plan – is a pension plan for which all benefits are paid by means of an annuity or insurance contract issued by a person authorized to carry on a life insurance business in Canada and under which the person is obligated to pay all the benefits set out in the plan.

Master Trust – comprises two or more pension funds, often for plans of one employer, for investment purposes. Each plan holds an undivided portion of the trust assets that corresponds to a percentage of participation or to units of participation.

Mutual Fund/Pooled Fund – is a fund that includes several securities or categories of securities (shares, bonds, mortgages, etc.) established by a corporation that is duly authorized to operate a fund in which moneys from two or more depositors are accepted for investment and where units allocated to each depositor serve to establish the proportionate interest at any time of each depositor in the assets of the fund.

Schedule III - is the Schedule III to the Pension Benefits Standards Regulations, 1985.

Segregated Fund – is a fund established by a life insurance company authorized to carry on business in Canada, in which contributions to a pension plan are deposited and the assets of which are held exclusively for the purposes of that plan alone or that plan and one or more other pension plans.

Special payment – is a payment or one of a series of payments established for the purpose of liquidating an unfunded liability or solvency deficiency.

INSTRUCTIONS FOR COMPLETING THE FINANCIAL INFORMATION RETURN

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Name of the Pension Plan should be as defined in the plan documents. The plan name must be distinguishable from any other plan sponsored by the employer.

Registration Number is the number assigned under the PBSA and should not be confused with the Canada Revenue Agency's registration number.

Type of Pension Plan means the type of pension plan, including defined benefit, defined contribution (money purchase) or a "hybrid" plan. For purposes of these instructions, a hybrid plan is one with defined benefit and defined contribution components.

Plan Year End is the year end as stated in the plan documents. The first financial statements after a change in a plan year end will cover a period of less than 12 months. Such financial statements should reflect the activity for the period covered and an explanatory note given in the *Notes to the Financial Information Return*.

Note: A plan year end may be changed by amendment or resolution, which must be filed with the Pension Department.

PART 1 - STATEMENT OF CHANGES IN NET ASSETS

Note: Assets must be rounded to the nearest thousand and reported in $000s throughout.

INCREASE IN ASSETS

1. Increase Due to Investments

(a) *Investment income* is interest, dividends, rents and sums earned on investments other than by an increase in their value, whether or not the income has been realized. For example, the yield realized when treasury bonds are cashed and income generated by securities loans should be reported on this line.

(b) *Realized* gains or (losses) on investments, which are to be shown on this line, are amounts gained (or lost) following an investment transaction. They are to be measured from the fair value at the most recent financial statement date. These amounts are also referred to as realized fair value.

(c) *Unrealized* gains (or losses) on investments, which are to be reported on this line, are amounts gained (or lost) following a change in the fair value of investments or an adjustment following a change in the way they were valued. Unrealized gains (or losses) are to be measured from the fair value at the most recent financial statement date. These amounts are also called unrealized fair value.

(d) *Total Increase Due to Investments* is the sum of 1 (a+b+c).

2. Contributions

(a) *Members Required Contributions*, as defined in the plan documents, are to be reported on this line.

(b) *Member Additional Voluntary Contributions*, including member contributions for the purchase of flexible benefits, are to be reported on this line.

(c) *Employer Contributions* are:
For defined contribution plans, the employer's required contributions, as defined in the plan documents, net of amounts taken from unvested forfeitures, are to be reported on this line.

For defined benefit plans, employer's required current service contributions as recommended in the latest *Valuation Report* net of amounts taken from surplus, plus any special payments, are to be reported on this line.

For the purpose of this line, special payments, in addition to those established for the purpose of liquidating an unfunded liability or solvency deficiency, include amounts for amendments that were made during the year under review and amounts to cover the full pension benefit credits of terminated members where the plan is not fully solvent.

(d) *Total Contributions* is the sum of 2 (a+b+c).

Note: In accordance with the accrual basis of accounting, employee and employer contributions receivable should be reported on 6(a) or 6(b) respectively of the *Statement of Net Assets.*

3. Transfers to the Pension Fund

Transfers from another pension plan, an RRSP or a LIF, will be reported on this line. Transfers receivable at plan year end must be reported, including amounts receivable resulting from a merger during the period. If OSFI has not yet authorized the transfer of assets as a result of a merger, this should be disclosed in Part 4 - *Notes to the Financial Information Return.*

4. Other Sources of Increase

For the purposes of the PBSA, this line includes:

- dividends, refunds or other advantages granted during the fiscal year by an insurer, enterprise or person doing business with the plan;
- interest charged on contributions, transfers or other sources of increase in assets because of late payments;
- interest due on outstanding amounts at plan year end;
- accounting adjustments made to correct bookkeeping errors.

Note: Realized and unrealized gains on interest rate, equity, commodity, foreign exchange and other derivative contracts, including forward, futures, swaps and options contracts, should be included on lines 1(b) or 1(c) as appropriate.

5. TOTAL INCREASE IN ASSETS is the sum of (1(d)+2(d)+3+4).

DECREASE IN FUND ASSETS

6. Plan expenses

(a) *Investment Manager and Custodial Fees* that were paid from the fund are to be included on this line. Examples are:

- brokerage or transaction fees, if they were not added to the cost base of the investment or deducted from the proceeds of disposition;
- securities broker’s or financial manager’s fees;
- custodial fees;
- other expenses related to managing investments.

Notes: 1. If such expenses were deducted from investment income, they should not be listed on this line.
2. If the expenses for managing investments are determined according to a percentage set in advance by an investment contract, these expenses must be determined in accordance with the provisions of the contract.
3. Investment management fees paid by the employer are not to be reported unless they were reimbursed by the pension fund.

(b) *Professional Fees* for accountants, lawyers, fund and plan consultants, and actuaries that were paid from the fund will be shown on this line. Professional fees paid by the employer are not to be reported unless they were reimbursed by the pension fund.

(c) *Board of Trustee Expenses* for pension plans administered by a Board of Trustees.

(d) *Other Expenses*, including Plan administration costs, other than those reported on line 6(a), (b), and (c) that were paid by the fund will be reported on this line. Administrative costs paid by the employer are not to be reported unless they were reimbursed by the pension fund.

(e) *Total Plan Expenses* is the sum of 6 (a) through (d).

7. Benefits and Transfers

(a) *Benefits paid directly by the Plan* include monthly or other periodic retirement pensions, disability pensions and death benefits paid by the pension fund are to be reported on this line. Only defined benefit and hybrid plans will have an entry on this line, unless a defined contribution plan provides for making LIF type payments pursuant to section 30.1 of the Regulation. Transfers from defined contribution plans will be entered on 7(b) or 7(c).

Transfers From the Pension Fund to:

(b) *Other Registered Pension Plans*: Payments from the pension fund to other registered pension funds are to be reported on this line.

(c) *Other Transfers*: Transfers to an RRSP or a LIF, amounts used to purchase an immediate or deferred annuity with an insurer, and refunds to members are to be reported on this line.

(d) *Lump Sum Cash Payments*: This figure represents cash payment of entitlements, when individuals elect to receive cash, or are required to take cash under the *Income Tax Act (Canada)*. These cash payments would include a return of member contributions upon a non-vested termination, return of additional voluntary contributions, payment of a pre-1993 commuted value where the money is not locked-in, or unlocking of a small amount.

(e) *Total Benefits and Transfers* is the sum of 7 (a) through (d).

8. Other Sources Of Decrease

Other sources of decrease include uncollectible items such as contributions, investment income, transfers owing, and accounting adjustments.

9. TOTAL DECREASE IN NET ASSETS

The total decrease in net assets is the sum of (6(e)+7(e)+8).

10. CHANGE IN NET ASSETS

The change in net assts is the difference between item 5 and item 9.

11. NET ASSETS AT BEGINNING OF PLAN YEAR

The net assets at the beginning of the year should equal the Plan Assets as reported under item 5(a). of the Annual Information Return (AIR).

12. NET ASSETS AT PLAN YEAR END

The net assets at the plan year end is the sum of (10+11). The net assets shown on this line should be the same as the net assets at plan year end that are shown under item 9 of the *Statement of Net Assets* and item 6(b) of the AIR.

PART 2 - STATEMENT OF NET ASSETS

ASSETS

A plan's assets include all the assets belonging to or owed to the pension fund. Any deposit or investment made from the pension plan's assets must be made on behalf of the plan or credited to its account. Any deposit or investment in foreign funds must be translated into Canadian dollars at the year-end rate of exchange.

1. Cash on Hand

For the purposes of this line, the pension fund's cash on hand includes:

- demand deposits in a bank or trust company's current, savings or operating accounts;
- cash held by investment managers on behalf of the pension fund;
- coins and bank notes;
- cheques, bank drafts and postal money orders.

Generally, cash on hand includes all securities that can be cashed within 30 days following the end of the plan year, except negotiable securities such as shares, corporate bonds, treasury bonds, etc.

2. Debt Securities (Canadian and Foreign)

Amounts are to include both Canadian and Foreign Securities.

(a) *Short-term notes, securities and other term deposits* include:

- Short-term notes and securities that mature in less than six months. They include loans made by means of financial instruments that are easily liquidated. They are also known as money market securities and short-term capital securities and include treasury bonds, municipal bonds, corporate promissory notes (also known as short-term notes), commercial paper, bearer securities, treasury bills (T-bills), bankers' acceptances (also known as bank paper), certificates of deposit, term deposits, savings certificates and guaranteed investment certificates issued by a financial institution.
- Other term deposits that mature in more than six months, including certificates of deposit, savings certificates, and guaranteed investment certificates issued by a financial institution.

(b) *Bonds and Other Debt Securities Guaranteed by a Government* includes government bonds and debentures. This line includes all bonds issued by the Government of Canada, a province, a municipality or a school board. The fair value for this category of securities must be determined using the year-end quoted market prices.

(c) *Corporate Bonds and Other Corporate Debt Securities* include bonds and debentures issued by a corporation and not shown on 2(b). They must mature later than six months following their issuance and, if they are traded on an open market, their fair value must be determined using the year-end market prices. Otherwise, the value may be obtained using methods such as independent asset appraisals, comparison to published prices of comparable securities, use of recent trade prices, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer.

(d) *Mutual/Pooled Funds - Bonds, Cash Equivalent, and Mortgage* is the fair value of units held in a Bond, Cash Equivalent or Mortgage Mutual/Pooled Funds and must be determined using the year-end quoted market prices and reported on this line. Cash Equivalent Mutual/Pooled Funds include T-Bill funds and money market funds.

(e) *Mortgage Loans* is the fair value of mortgage loans secured by real estate or chattels and should be determined according to current market yields. Otherwise, the value may be obtained using a variety of methods such as independent asset appraisals, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer.

(f) *Amounts Deposited in the General Fund of an Insurer* is the portion of the pension fund invested in the general funds of an insurance company, often referred to as deposit administration accounts. Investments should be listed at their fair value as determined by the insurer at plan year end. Interest accrued on these assets should be reported on 6(c).

(g) *Total Debt Securities* is the sum of 2 (a) though (f).

3. Equity (Canadian and Foreign)

Amounts included under Equity are to include both Canadian and Foreign Equity.

(a) *Shares in Investment, Real Estate or Resource Corporations,* as defined in Schedule III are to be reported on this line at their fair value.

(b) *Common and Preferred Shares* are other shares traded on an open market and are to be reported on this line. If possible, fair value is to be determined using market prices at plan year end. Otherwise, share value is to be determined using a variety of methods, such as comparison to published prices of comparable securities, use of recent trade prices, independent asset appraisals, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer. Shares include common and preferred shares of publicly traded corporations in Canadian and foreign markets.

(c) *Stock Mutual/Pooled Funds* to be reported on this line include the fair value of units held, determined using the year-end quoted market prices and reported on this line. Where a pension fund invests in a Stock Mutual/Pooled Fund made up of shares of both Canadian corporations and foreign corporations, the fair value of both must be shown.

(d) *Real Estate Mutual/Pooled Fund* may be made up of real estate or of shares of real estate. The fair value of the units is to be determined on the basis of market quotations published at plan year end and reported on this line.

(e) *Real Estate* includes only the amounts held by the pension fund in Real Estate investments, including real estate vehicles such as joint ventures and co-tenancies. The fair value of real estate must be determined by an expert, such as a licensed appraiser or assessor. Real estate valuations are generally made by an independent appraiser in accordance with generally accepted appraisal practices and procedures at least once every three years and are supplemented by an annual review of improvements to buildings and equipment.

(f) *Total Equity* is the sum of 3 (a) though (e).

4. Diversified and Other Investments (Canadian and Foreign)

Amounts are to include both Canadian and foreign investments.

(a) *Balanced Mutual/Pooled Funds* are also known as diversified Mutual or Pooled Funds. They comprise various securities such as shares, bonds, mortgages, real estate, etc. The fair value of a fund's units must be determined using the year-end quoted market prices.

Note: If the plan holds units of a Master Trust, the value of the units **is not** to be entered on this line because a Master Trust is not considered a balanced Mutual or Pooled Fund. In the case of a Master Trust, the Proportionate Consolidation Method should be used and the value of the units distributed among the investment categories and sub-categories in items 2, 3, and 4 of the Statement of Net Assets.

(b) *Segregated Funds* are to be reported on this line.

(c) *Miscellaneous investments* are those that do not fall into the categories in items 2 or 3 or under 4(a) or 4(b) of this Part. They may include amounts relating to derivative instruments, including unrealized gains (losses are to be offset against gains only as permitted by Section 3860 of the Canadian Institute of Chartered Accountants' *Handbook*), deferred losses on hedging instruments, margin requirements and the unamortized balances of premiums paid.

(d) *Total Other Investment* is the sum of 4 (a+b+c)

5. Total Investments at Fair Value

Total Investment at Fair Value is the sum of (2g+3f+4d).

6. Accounts Receivable

Receivables are any amounts owing to the pension fund at plan year end.

(a) *Member and Additional Voluntary Contributions* are contributions made by the member and not received by the plan year end.

(b) *Employer Contributions* are contributions made by the employer/plan sponsor and not received by the plan year end.

(c) *Investment Income and Earnings Receivable* as at plan year end include interest, dividends and rents as well as amounts earned on investments but not yet cashed. Investment income and earnings receivable are to be shown on this line and not included in the fair value of the investments listed under items 2, 3 and 4 of this Part. For example, income accrued or receivable on assets invested in the general fund of an insurer will be shown on line 6(c) and not on line 2(f). The same is true for income accrued or receivable on assets invested in a Mutual or Pooled Fund or a Master Trust.

(d) *Other Amounts Receivable* at plan year end include transfers not yet received, interest accrued on unpaid contributions, dividends, refunds or other advantages, amounts receivable from an indemnification agency such as the Canadian Health and Life Insurance Compensation Corporation (CompCorp) or the Canada Deposit Insurance Corporation (CDIC).

(e) *Total Accounts Receivable* is the sum of 6 (a+b+c+d).

7. TOTAL ASSETS

Total assets is the sum of (1+2(d)+5+6(e)).

8. LIABILITIES

Liabilities are accounting liabilities made up of debts or amounts that the plan owes at plan year end. They are **not** the actuarial liabilities resulting from plan obligations.

(a) *Mortgage Borrowings* at plan year end should be reported on this line. A mortgage borrowing is a debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.

(b) *Pension Benefits, Refunds and Transfers Payable* are amounts that are owed but have not been paid at plan year end.

(c) *Expenses Payable* are plan administrative and management costs that owed at plan year end.

(d) *Other Amounts Payable* include payments owing at plan year end for mortgage borrowings, non-mortgage borrowings, overdrawn accounts or credit margins used to acquire securities, investments and amounts relating to derivative instruments, including unrealized losses (gains are to be offset against losses only as permitted by Section 3860 of the Canadian Institute of Chartered Accountants' *Handbook*), deferred unrealized gains relating to reserves for credit and market risks, deferred gains on hedging instruments and the unamortized balances of premiums received.

(e) *TOTAL LIABILITIES* is the sum of 8 (a) through (d).

9. NET ASSETS AT PLAN YEAR END

Net assets at the plan year end is the difference between item 7 and item 8(e). The net assets shown on this line should be the same as the net assets at the end of the plan year that are shown under item 12 of the *Statement of Changes in Net Assets* and item 5(b) of the Annual Information Return.

10. FOREIGN INVESTMENTS

Allocate the assets in the table accordingly.

PART 3 - COMMENTS

This Part is to be used to disclose additional information on the pension fund. Information must be provided concerning any Miscellaneous Investments reported in Part 2, line 4(c). Identification of all derivatives by type and by underlying asset must be disclosed in this section. Please detail whether these are used for hedging and/or investment purposes.

PART 4 - CERTIFICATION

Executive officers are required to certify the financial statements, whether or not an Auditor's Report is required.

For further information, please visit our website at
http://www.fic.gov.bc.ca/responsibilities/pension/overview.htm
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