Government of Newfoundland and Labrador
Department of Government Services
Consumer and Corporate Affairs
Financial Services Regulation Division

DIRECTIVE NO. 2

Issued Under the Pension Benefits Act, 1997, effective January 1, 1997

DATED at St. John's, this 1st. Day of January, 1997

WINSTON MORRIS
Superintendent of Pensions

Requirements of a Going Concern Valuation

Defined Benefit Plans

1. An actuarial valuation report shall include

   (a) the normal actuarial cost, showing separately the employer contributions and the member contributions relating to the normal actuarial cost;

   (b) the rules for computing the normal actuarial cost and for allocating that cost between the employer and the members in respect of employment in the period covered by the report or certificate;

   (c) the date of establishment and the unamortized balance of any going concern unfunded liability, the special payments to be made to amortize that liability and the date at which that liability will be amortized;

   (d) either

      (i) a statement that, in the opinion of the actuary, there is no solvency deficiency, or

(ii) the date of establishment and the unamortized balance of any solvency deficiency, the special payments to be made to amortize that deficiency, and the value of the assets and liabilities used to determine that solvency deficiency, together with the assumptions and valuation methods used to calculate that deficiency and the date at which that deficiency will be amortized;

(e) either

(i) a statement that, in the opinion of the actuary, the solvency ratio is not less than 1:1, or

(ii) if the solvency ratio is less than 1:1, the solvency ratio, the value of the assets and liabilities used to determine the solvency ratio, and the assumptions and valuation methods used to calculate the liabilities;

(f) if the plan provides for escalating adjustments, a statement whether and to what extent

(i) liability of the future cost of the adjustment has been included in the determination of the going concern unfunded liability, or

(ii) that the cost for the adjustment is included in the normal actuarial cost;

(g) the surplus assets of the plan, and, if known to the actuary, a description of how they will be utilized;

(h) the market value of the assets of the plan, the value of the going concern assets of the plan and a description of the valuation method used to determine the going concern assets;

(i) the value of the going concern liabilities with respect to each of the following groups:

(i) members,

(ii) as a single group

(A) former members who have not commenced to receive pension benefits under the plan, and

(B) other persons who have a future entitlement to receive pension benefits from the plan, and

(iii) as a single group

(A) former members who are receiving pension benefits, and

(B) other persons who are receiving payments from the plan, and a description of the assumptions and valuation methods used to determine those values;

(j) in the case of a review occurring after the effective date of the plan, a reconciliation of the results of the review and identification of the gains and losses due to plan experience since the last review date; and

(k) a cost certificate which indicates the following:

(i) the estimated costs of benefits under the plan and the contributions to the plan, showing separately employer and plan member contributions during the plan year in respect of which the cost certificate is prepared, and

(ii) the formula for computing the cost of benefits, showing the formula for allocating the cost between the employer and the plan members for subsequent plan years.

2. Where an insured pension plan is funded by level premiums extending not beyond the retirement age for each individual member, the cost certificate referred in subparagraph 1(k) may certify the adequacy of the premiums to provide for the payment of all pension benefits under the plan instead of the matters required to be certified under paragraph 1.

Multi-Employer Defined Benefit Plans

3. In the case of a defined multi-employer pension plan where employer contributions are based on a fixed rate of dollars and portions of dollars per hour of employment, the report required by subsection 5(2) of the Regulations shall include in addition to the requirements of section 6 of the Regulations and any directive of the Superintendent,

(a) the respective average rate per hour per member that is required to be contributed by the employer in order to provide the pension benefits under the plan;

(b) a breakdown of the rate specified under paragraph (a) stating the rate per hour attributable to the plan’s normal actuarial cost and the amortization of a going concern unfunded liability or solvency deficiency and the rate per hour that is to be applied as part of a contingency reserve;

c) the average number of hours of employment per member per fiscal year that has been assumed for the purpose of the review; and

(d) solvency liabilities determined on the basis of the pension benefit structure set out in the plan at the date of the valuation, without taking into consideration any provision of the plan or in Section 20(2) of the Act which may require the reduction of the benefits structure.

(e) any other information that the Superintendent requires to determine whether the plan will meet the solvency tests.