Saskatchewan Financial Services Commission
Pensions Division

CONSULTATION PAPER
NEW FUNDING REGIME FOR PUBLIC SECTOR PLANS

1. PURPOSE OF CONSULTATION PAPER

The government is interested in establishing new funding rules for all public sector and publicly funded plans ("public sector plans"), which are registered under *The Pension Benefits Act, 1992* ("the Act").

Prior to making recommendations to government regarding the details of the public sector rules, and the conditions imposed once a plan falls under those rules, Saskatchewan Financial Services Commission (SFSC) is interested in hearing from you.

2. DEFINITION OF PUBLIC SECTOR PLANS

Public sector plans include plans registered pursuant to the Act that are established for employees of provincial government agencies, school boards, health care providers, universities and municipalities. The list of public sector plans that meet the definition is attached in Appendix A.

> QUESTION 1
>
> *Do you agree with the list of plans which will be subject to the new rules?*

3. RATIONALE FOR THE CHANGE

The solvency funding requirements can cause considerable volatility in the level of funding that plan sponsors are required to put into pension plans. SFSC is interested in providing assistance to public sector plans in dealing with this volatility. Solvency funding is the key source of volatility in pension plan funding, as the factors used in measuring a plan's solvency position reflect current market conditions rather than long-term actuarial assumptions. This volatility creates a unique challenge for sponsors of public sector plans, where it is difficult to react

quickly to changing funding requirements due to the nature of budgeting in the public sector. These plans are also typically subject to collective bargaining agreements, so contributions cannot be changed quickly in response to the requirements of pension law.

Relaxing the solvency funding rules does increase risk to plan members' pension entitlements, as plan sponsors will be allowed to put less money into pension plans than they otherwise would have to for the next few years. However, on balance, SFSC feels that the proposed new rules will result in adequately funded plans.

Adequate funding supports the security of pensions paid from a plan, and also promotes fairness between plan members. To compensate for the additional risk inherent in relaxing solvency funding rules, the proposed rules introduce conservatism in other ways. For example, if solvency funding is eliminated, going concern funding should be strengthened. Several years ago, some other jurisdictions eliminated solvency funding for public sector plans without introducing other changes to funding rules to compensate for the additional risk. The result is that the affected public sector plans in those other jurisdictions, overall, are not as well funded as Saskatchewan's public sector plans.

4. PRINCIPLES FOLLOWED IN DEVELOPING THE NEW RULES

The following three principles were followed in developing the proposed public sector funding rules:

1. The rules must provide a means of managing volatility.

2. The rules must not introduce undue risk to the accrued benefits of plan beneficiaries, and must result in an adequate level of funding over the long term.

3. The rules must be simple to understand and apply. They should not measurably increase the administrative burden for the plan administrator, or the level of complexity in the preparation, presentation, and review of an actuarial valuation report.

QUESTION 2

Do you agree with the principles on which the new funding rules are based?

5. TWO PROPOSED OPTIONS

SFSC has developed two options for the purposes of this consultation. However, it is envisioned that the final rules would consist of one common set of rules which would apply to all public sector plans. SFSC is interested in hearing which option you feel would be best aligned with the principles, and would be more suitable for your plan in particular and public sector plans in general. Each of the two options will be explained in detail in this paper.

The first option, "Extended Solvency Amortization", involves lengthening the period of time for amortizing a solvency deficiency from five years to ten years, with no change to going concern funding.

The second option, "Enhanced Going Concern", involves eliminating solvency deficiency funding, but strengthening going concern funding by decreasing the period of time for amortizing going concern unfunded liabilities from fifteen years to ten years.

Although this paper sets out two possible options, SFSC is open to hearing comments you may have regarding alternative funding rules which are aligned with the principles established in heading 4 on page 2.

This paper is written on the assumption the reader is familiar with the current funding rules. For further information on the current funding rules, please refer to our publication entitled Funding Defined Benefit Pension Plans. It can be found on our website:
http://sfsc.gov.sk.ca/Funding-Defined-Benefit-Pension-Plans.

6. EXTENDED SOLVENCY AMORTIZATION

6.1 INTRODUCTION

The main component of Extended Solvency Amortization is a change to the amortization period for funding a solvency deficiency from the current five years, to ten years. All unfunded liabilities would continue to be amortized over fifteen years.

6.2 CALCULATION AND AMORTIZATION OF DEFICIENCIES

6.2.1 TRANSITION VALUATION

A solvency deficiency established in the first valuation filed after the effective date of the new rules ("the transition valuation") would be calculated as a fresh start. In other words, no

payments would be required to be made on previously established solvency deficiencies. As these payments would not be required, solvency assets in the transition valuation would not be increased in consideration of any future special payments towards an existing solvency deficiency. However, solvency assets would include the present value of ten years of unfunded liability payments. A solvency deficiency identified in the transition valuation would be amortized over not more than ten years from the effective date of the valuation.

If the plan administrator had elected the three year temporary solvency deficiency payment relief under section 36.2 of *The Pension Benefits Regulations, 1993* ("the Regulations"), and the effective date of the transition valuation is before the expiration of the three year period, then the present value of the notional payments remaining in the three year period could be deducted from the solvency deficiency established in the transition valuation.

6.2.2 SUBSEQUENT VALUATIONS

A solvency deficiency established in a valuation filed after the transition valuation ("a subsequent valuation") would not be calculated as a fresh start. Rather, each solvency deficiency would be funded separately, and not combined with any other solvency deficiency. Solvency assets in a subsequent valuation would include the present value of the remaining solvency deficiency payment schedule (up to nine years) established in the transition valuation. In addition, the solvency assets would include the present value of ten years of unfunded liability payments. A new solvency deficiency identified in the subsequent valuation would be amortized over not more than ten years from the effective date of the valuation.

Appendix B provides an example to illustrate the calculation of the solvency deficiency and unfunded liability.

QUESTION 3

Under Extended Solvency Amortization, is a ten year period for amortizing solvency deficiencies the appropriate length of time?

QUESTION 4

Under Extended Solvency Amortization, should the going concern valuation be strengthened by requiring more conservatism in the assumptions?

7 ENHANCED GOING CONCERN

7.1 INTRODUCTION

The main components of Enhanced Going Concern are: (1) elimination of solvency deficiency funding, while maintaining the requirement for a solvency valuation; and (2) decreasing the period of time for amortizing newly established going concern unfunded liabilities from fifteen years to ten years.

7.2 CALCULATION AND AMORTIZATION OF SOLVENCY DEFICIENCIES

A solvency deficiency established in a valuation filed before the transition valuation, in the transition valuation, or in a valuation effective after the transition valuation need not be funded. This is the case even if the three year moratorium for funding a solvency deficiency was not elected in respect of the solvency deficiency.

The solvency position of the plan would, however, continue to be measured and reported in each actuarial valuation. Also, the schedule of payments required to amortize the deficiency over a five year period, notwithstanding there is no requirement to make solvency deficiency payments, would have to be reported. The solvency deficiency would be calculated as a fresh start. As no solvency deficiency payments are required, solvency assets would not be increased in consideration of any future special payments towards a solvency deficiency. However, solvency assets would include the present value of five years of unfunded liability payments, as is currently the case. If the plan administrator had elected the three year temporary solvency deficiency payment relief under section 36.2 of *The Pension Benefits Regulations, 1993* (“the Regulations”), and the effective date of the transition valuation is before the expiration of the three year period, then the present value of the notional payments remaining in the three year period could be deducted from the solvency deficiency established in the transition valuation.

The solvency position of the plan would be used for management purposes, and for establishing the solvency ratio. The solvency ratio would be used in determining the transfer deficiency, and in determining whether a benefit improvement would be allowed.

7.3 CALCULATION AND AMORTIZATION OF UNFUNDED LIABILITIES

Any unfunded liability that was established prior to the transition valuation would continue to be funded in accordance with the funding recommendation in the valuation filed prior to the transition valuation. An unfunded liability established in the transition valuation or subsequent valuation would have to be amortized over not more than ten years. In other words, each unfunded liability must be funded separately.

Appendix C provides an example to illustrate the calculation of the solvency deficiency and unfunded liability.

> QUESTION 5
>
> *Under Enhanced Going Concern, is a ten year period for amortizing unfunded liabilities the appropriate length of time?*

8 APPLICATION

The new rules would automatically apply to all public sector plans listed in Appendix A. There would not be an application or election process.

9 EFFECTIVE DATE OF THE NEW RULES

It is anticipated that the new rules would be applicable to valuations with an effective date of December 31, 2012 and beyond. The new rules would only be triggered when a new valuation with an effective date of December 31, 2012 or later is filed.

10 BEST ESTIMATE DISCOUNT RATE AND MARGIN

SFSC, in cooperation with other pension regulatory authorities and the Canadian Institute of Actuaries, is examining issues in respect of setting margins for adverse deviations in going concern valuations. We expect to provide direction on this matter to all defined benefit plans in 2012.

However, SFSC is interested in hearing from you regarding the level of margins you feel would be appropriate for public sector plans in general, taking into account the principles set out in heading 4 on page 2.

> QUESTION 6
>
> *Do you have any comments at this time on appropriate best estimate assumptions and appropriate margins for public sector plans?*

11 BENEFIT IMPROVEMENTS

We feel that plan sponsors should remain diligent in making decisions about the cost of their plan. The proposed new rules strive to assist sponsors in dealing with contribution volatility by tempering the extraordinary fluctuations resulting from the current solvency funding rules. The new rules also strive to ensure that plans are adequately funded over the long term. We feel that introducing a benefit improvement while a plan is insolvent is counter to the objective of ensuring adequate funding over the long term. Once benefit improvements are made to a plan, it would be unusual that they would be removed. It follows that until a plan is on a more solid financial footing, a plan sponsor should not make a plan more expensive.

Therefore, a benefit improvement would not be allowed if the solvency ratio is less than 0.90, or if the benefit improvement would cause the solvency ratio to fall below 0.90. However, a benefit improvement would be allowed if it is immediately funded by an amount which will result in the plan's solvency ratio being no less than 0.90.

The restriction on benefit improvements would not apply to benefit improvements which were established by collective bargaining agreement or other contract before the coming into force of the amended regulations.

SFSC will also consider restricting benefit improvements for all defined benefit plans registered under the Act.

QUESTION 7

Do you agree that benefit improvements should be restricted in an insolvent plan, and if so:

- *Is a threshold solvency ratio of 0.90 appropriate?*
- *Should the restriction apply under both Extended Solvency Amortization and Enhanced Going Concern?*

12 USE OF SURPLUS ASSETS

Surplus assets identified in the going concern valuation could not be used for employer contributions towards the plan's normal actuarial cost. Surplus assets would occur as a result of experience gains, changes to plan provisions or changes to actuarial assumptions and methods.

As the surplus is in respect of benefits which have accrued to plan members, the surplus should not be applied to contributions in respect of current benefits. The surplus would first be used to reduce the outstanding balance of any unfunded liability, and then to reduce the solvency deficiency payments (under Extended Solvency Amortization).

Cost shared plans are an exception to this prohibition. In a cost shared plan, employees are obligated to share in funding the actuarial cost of the plan and the employee contribution rate is contractually tied to the employer contribution rate (usually equivalent). In a public sector cost shared plan, surplus on a going concern basis could be used to offset employer contributions towards the plan's normal actuarial cost. The list of plans in Appendix A indicates which plans are cost shared.

13 BENEFIT EXCLUSIONS IN SOLVENCY VALUATION

Some public sector plans contain provisions that reduce certain benefits on plan termination in an effort to lessen the impact of the current solvency funding requirements. We believe the proposed changes to the funding rules for public sector plans makes this practice unnecessary. It is important for pension plan members to be able to determine how their benefits will be calculated. For that reason, we no longer will accept plan amendments that provide benefits on plan termination which differ from those provided on a going concern basis. However, we will not require provisions that reduce benefits on plan termination, which were submitted to our office before release of this paper, to be removed.

> QUESTION 8
>
> *Do you agree that plan amendments that provide different benefits on plan termination than on a going concern basis should no longer be accepted by SFSC?*

14 IMPLEMENTATION OF CONTRIBUTION INCREASES

Currently, the Regulations require that contribution increases attributable to current service cost be implemented upon the filing of a valuation, and increases attributable to special payments be implemented retroactive to the effective date of the valuation. We have exercised the discretion provided by the Act to delay contribution increases, in cost shared plans, which are attributable to current service cost and special payments for up to one year from the effective date of the

valuation to allow collective bargaining to occur. We propose to add a clear provision in the Regulations which will allow a one year delay.

Under Extended Solvency Amortization, where contribution increases are delayed, a solvency deficiency must be amortized over a period of not more than ten years from the effective date of the valuation. An unfunded liability must be amortized over a period of not more than fifteen years from the effective date of the valuation.

Under Enhanced Going Concern, where contribution increases are delayed, an unfunded liability must be amortized over a period of not more than ten years from the effective date of the valuation.

For example, the contributions recommended by a valuation as at December 31, 2014 could be implemented effective no later than December 31, 2015. Under Extended Solvency Amortization, if the valuation established a solvency deficiency, it would have to be amortized by December 31, 2024, which is 9 years from the implementation of the recommended contribution rates. Interest must be taken into account in determining the amortization payments when a contribution increase is delayed.

15 TRANSFER DEFICIENCY

The purpose of the transfer deficiency rules found in section 28 of the Regulations is to keep former members who transfer the value of their benefits from the plan in a similar position to members who continue in the plan in terms of the risk to benefits associated with under-funding. Generally speaking, the period of time a transfer deficiency is held back should be equal to the period of time over which a solvency deficiency is amortized. At the end of the period, both the plan and the transfer should be fully funded. Applied in the context of Extended Solvency Amortization, a transfer deficiency would be held back for up to ten years. We do not think this is practical for plan administrators.

Therefore, we are not recommending any change from the current transfer deficiency rules. Any amount held back due to a transfer deficiency must be transferred within five years. For more information regarding the rules related to transfer deficiencies, refer to our publication entitled Transfer Deficiencies. It can be found on our website:
http://sfsc.gov.sk.ca/Transfer-Deficiencies.

QUESTION 9

Do you agree that amounts held back due to a transfer deficiency should be transferred within five years?

16 FREQUENCY OF FILING VALUATIONS

There would be no change at this time to the rules regarding the frequency of preparing and filing valuations. Valuations would continue to be required every 3 years; however, the Superintendent of Pensions currently has, and will continue to have, the authority to require a plan to be reviewed more frequently.

At a later date, we will consider whether to recommend amending the Regulations to require annual valuations for all defined benefit plans where the solvency ratio of the plan drops below a prescribed number. Annual valuations would provide a more accurate picture of the financial health of plans. This would be useful in several ways:

- It would quickly measure the impact of financial events such as the 2008 market crisis;
- It would assist SFSC in policy development;
- It would assist plan sponsors in making decisions around plan structure, and in acting upon their funding policy;
- It would establish a new funding pattern which is aligned with the current state of the plan. This is especially true under Extended Solvency Amortization; and
- It would establish the appropriate transfer deficiency holdback.

> QUESTION 10
>
> *At a later date, should SFSC consider requiring annual valuations for all defined benefit plans, if the solvency ratio falls below a prescribed amount?*

17 ASSET SMOOTHING

As it currently the case, asset smoothing would be allowed in calculating going concern and solvency assets.

18 DISCLOSURE

The Regulations set out the disclosure requirements when a plan is not fully solvent. In addition to these requirements, it may be prudent to provide additional information to plan beneficiaries regarding the new funding rules.

19 OTHER CONSIDERATIONS

Plan sponsors may have to amend the plan text to ensure that there is no conflict with the revised funding rules.

The plan sponsor may make larger special payments than required, if permitted under the *Income Tax Regulations*.

20 COMMENTS

We are interested in hearing your comments. In addition to the questions appearing throughout the paper, we are interested in hearing about which option, Extended Solvency Amortization or Enhanced Going Concern, best meets the principles.

> QUESTION 11
>
> *Which option do you feel best meets the principles, Extended Solvency Amortization or Enhanced Going concern? Are there any flaws in either option?*

There were questions appearing throughout this paper. For your ease in commenting, a list of these questions can be found in Appendix D. In addition to commenting on the questions we have asked, we would be pleased to hear any other comments you may have on the options set out in this paper.

Your comments may be disclosed to others who have provided feedback, or any other interested parties, during and after the consultation process. Your personal information will not be disclosed without your express written consent; however, the identity of an organization may be made public in connection with its submission or comments. *The Freedom of Information and Protection of Privacy Act* of Saskatchewan will apply to any submission received by our office.

Comments should be submitted by April 30, 2012.

You can email your comments to Leah Fichter, Director, Pensions Division, Saskatchewan Financial Services Commission at leah.fichter@gov.sk.ca.

Alternatively, comments can be mailed or faxed to:

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Appendix A
List of Public Sector Plans

Plan Name	Cost Shared
General Superannuation Plan for City of Saskatoon Employees Not Covered by the Police and Fire Departments' Superannuation Plan	✓
Municipal Employees' Pension Plan	✓
Pension Plan for Academic and Administrative Employees of the University of Regina	✓
Pension Plan For Employees of the Saskatchewan Workers' Compensation Board	
Pension Plan for the Non-teaching Employees of the Saskatoon Board of Education	
Regina Civic Employees' Superannuation & Benefit Plan	✓
Retirement Plan for Employees of City of Weyburn	
Saskatchewan Healthcare Employees' Pension Plan	✓
Saskatchewan Research Council Employees' Pension Plan	
Saskatchewan Teachers' Retirement Plan	
Saskatchewan Telecommunications Pension Plan	
The City of Saskatoon Fire and Protective Services Department Superannuation Plan	✓
The Contributory Superannuation Plan for the Employees of Saskatchewan Government Insurance	
The Pension Plan for the Academic Employees of the University of Saskatchewan, 1974	
The Regina Police Pension Plan	✓
The Retirement Plan for Employees of Saskatoon Board of Police Commissioners	✓
The University of Regina Non-Academic Pension Plan	✓
University of Saskatchewan 1999 Academic Pension Plan	✓
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	✓

Appendix B
Extended Solvency Amortization - Illustration of Special Payments

Valuation 1: Review date - December 31, 2010

Calculation of New Deficiency	Present Value of Remaining Deficiencies	Amortization Period	Monthly Amortization Payments
Solvency Deficiency			
Solvency Assets $800,000 +PV of future UL payments 23,000 -Solvency Liabilities 900,000 Deficiency $77,000	Nil (2007) $77,000 (2010)	n/a (2007) 5 years (2010)	n/a (2007) $1,400* (2010) *Assume temporary relief elected
Unfunded Liability			
Going Concern Assets $800,000 -Going Concern Liabilities 850,000 Unfunded Liability $50,000	Nil (2007) $50,000 (2010)	n/a (2007) 15 years (2010)	n/a (2007) $450 (2010)
Combined Monthly Amortization Payments			
Solvency deficiency payments $ 0 +Unfunded liability payments 450 Total $450			

Appendix B - continued
Extended Solvency Amortization - Illustration of Special Payments

Valuation 2 (Transition Valuation): Review date - December 31, 2012

Calculation of New Deficiency		Present Value of Remaining Deficiencies	Amortization Period	Monthly Amortization Payments
Solvency Deficiency				
Solvency Assets	$920,000	Nil (2007)	n/a (2007)	n/a (2007)
+PV of future SD payments	NA	Nil (2010)	n/a (2010)	n/a (2010)
+PV of future UL payments	155,000	$109,000(2012)	10 years (2012)	$1,100 (2012)
-Solvency Liabilities	1,200,000			
Deficiency	$125,000			
-PV of remaining temp relief:	16,000			
Adjusted Deficiency	$109,000			
Unfunded Liability				
Going Concern Assets	$920,000	Nil (2007)	n/a (2007)	n/a (2007)
- Going Concern Liabilities 1,100,000		$45,000 (2010)	13 years (2010)	$450 (2010)
		$135,000(2012)	15 years (2012)	$1,150 (2012)
Unfunded Liability	$180,000			
Combined Monthly Amortization Payments				
Solvency deficiency payments	$1,100			
+Unfunded liability payments	1,600			
Total	$2,700			

Appendix B - continued
Extended Solvency Amortization - Illustration of Special Payments

Valuation 3: Review date - December 31, 2015

Calculation of New Deficiency		Present Value of Remaining Deficiencies		Amortization Period		Monthly Amortization Payments	
Solvency Deficiency							
Solvency Assets	$940,000	Nil	(2007)	n/a	(2007)	n/a	(2007)
+PV of future SD payments	81,000	Nil	(2010)	n/a	(2010)	n/a	(2010)
+PV of future UL payments	160,000	$81,000	(2012)	7 years	(2012)	$1,100	(2012)
-Solvency Liabilities	1,200,000	$20,000	(2015)	10 years	(2015)	$200	(2015)
Deficiency	$20,000						
Unfunded Liability							
Going Concern Assets	$940,000	Nil	(2007)	n/a	(2007)	n/a	(2007)
- Going Concern Liabilities 1,100,000		$38,000	(2010)	10 years	(2010)	$450	(2010)
		$116,000	(2012)	12 years	(2012)	$1,150	(2012)
Unfunded Liability:	$160,000	$6,000	(2015)	15 years	(2015)	$50	(2015)
Combined Monthly Amortization Payments							
Solvency deficiency payments	$1,300						
+Unfunded liability payments	1,650						
Total	$2,950						

Appendix C
Enhanced Going Concern - Illustration of Special Payments

Valuation 1: Review date - December 31, 2010

Calculation of New Deficiency	Present Value of Remaining Deficiencies	Amortization Period	Monthly Amortization Payments
Solvency Deficiency			
Solvency Assets $800,000 +PV of future UL payments 23,000 -Solvency Liabilities 900,000 Deficiency $77,000	Nil (2007) $77,000 (2010)	n/a (2007) 5 years (2010)	n/a (2007) $1,400* (2010) *Assume temporary relief elected
Unfunded Liability			
Going Concern Assets $800,000 -Going Concern Liabilities 850,000 Unfunded Liability $50,000	Nil (2007) $50,000 (2010)	n/a (2007) 15 years (2010)	n/a (2007) $450 (2010)
Combined Monthly Amortization Payments			
Solvency deficiency payments $ 0 +Unfunded liability payments 450 Total $450			

Appendix C - continued
Enhanced Going Concern - Illustration of Special Payments

Valuation 2 (Transition Valuation): Review date - December 31, 2012

Calculation of New Deficiency	Present Value of Remaining Deficiencies	Amortization Period	Monthly Amortization Payments
Solvency Deficiency			
Solvency Assets $920,000 +PV of future SD payments NA +PV of future UL payments 105,000 -Solvency Liabilities 1,200,000 Deficiency $175,000 -PV of remaining temp relief 16,000 Adjusted Deficiency $159,000	Nil (2007) Nil (2010) $159,000(2012)	n/a (2007) n/a (2010) 5 years (2012)	n/a (2007) n/a (2010) $3,000* (2012) *payments not required
Unfunded Liability			
Going Concern Assets $920,000 - Going Concern Liabilities 1,100,000 Unfunded Liability: $180,000	Nil (2007) $ 45,000 (2010) $135,000 (2012)	n/a (2007) 13 years (2010) 10 years (2012)	n/a (2007) $450 (2010) $1,550 (2012)
Combined Monthly Amortization Payments			
Solvency deficiency payments: $ 0 +Unfunded liability payments: 2,000 Total $2,000			

Appendix C - continued
Enhanced Going Concern - Illustration of Special Payments

Valuation 3: Review date - December 31, 2015

Calculation of New Deficiency		Present Value of Remaining Deficiencies	Amortization Period	Monthly Amortization Payments
Solvency Deficiency				
Solvency Assets	$940,000	Nil (2007)	n/a (2007)	n/a (2007)
+PV of future SD payments	Nil	Nil (2010)	n/a (2010)	n/a (2010)
+PV of future UL payments	117,000	Nil (2012)	n/a (2012)	n/a (2012)
-Solvency Liabilities	1,200,000	$143,000(2015)	5 years (2015)	$2,700* (2015)
Deficiency	$143,000			* payments not required
Unfunded Liability				
Going Concern Assets	$940,000	Nil (2007)	n/a (2007)	n/a (2007)
- Going Concern Liabilities	1,100,000	$ 38,000 (2010)	10 years (2010)	$ 450 (2010)
Unfunded Liability	$160,000	$102,000(2012)	7 years (2012)	$1,550 (2012)
		$ 20,000(2015)	10 years (2015)	$ 200 (2015)
Combined Monthly Amortization Payments				
Solvency deficiency payments:	$ 0			
+Unfunded liability payments:	2,200			
Total	$2,200			

Appendix D – Questions

QUESTION 1
Do you agree with the list of plans which will be subject to the new rules?

QUESTION 2
Do you agree with the principles on which the new funding rules are based?

QUESTION 3
Under Extended Solvency Amortization, is a ten year period for amortizing solvency deficiencies the appropriate length of time?

QUESTION 4
Under Extended Solvency Amortization, should the going concern valuation be strengthened by requiring more conservatism in the assumptions?

QUESTION 5
Under Enhanced Going Concern, is a ten year amortization period for amortizing unfunded liabilities the appropriate length of time?

QUESTION 6
Do you have any comments at this time on appropriate best estimate assumptions and appropriate margins for public sector plans?

QUESTION 7
Do you agree that benefit improvements should be restricted in an insolvent plan, and if so:
- *Is a threshold solvency ratio of 0.90 appropriate?*
- *Should the restriction apply under both Extended Solvency Amortization and Enhanced Going Concern?*

QUESTION 8
Do you agree that plan amendments that provide different benefits on plan termination than on a going concern basis should no longer be accepted by SFSC?

QUESTION 9
Do you agree that amounts held back due to a transfer deficiency should be transferred within five years?

QUESTION 10
At a later date, should SFSC consider requiring annual valuations for all defined benefit plans, if the solvency ratio falls below a prescribed amount?

QUESTION 11
Which option do you feel best meets the principles, Extended Solvency Amortization or Enhanced Going concern? Are there any flaws in either option?