

# Advisory

## Guideline for PfAD for Pension Plans with a Target Benefit Provision

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<b>Date:</b>	December 21, 2022
<b>Distribution:</b>	Administrators and Service Providers of Pension Plans that include Target Benefit Provisions
<b>Advisory Number:</b>	22-049

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### PURPOSE

The purpose of this Advisory is to inform stakeholders that a guideline for developing and documenting the [provision for adverse deviation for pension plans with target benefit provisions](#) (“Guideline”) is now available on BCFSa’s website.

### BACKGROUND INFORMATION

[Order in Council No. 505](#) has made amendments to the *Pension Benefits Standards Regulation* to reform the definition of provision for adverse deviation (“PfAD”) applicable to plans with a target benefit provision registered in British Columbia.

As part of the reform, a new funding policy requirement was added. Under Section 52(b.1) of the *Pension Benefits Standards Regulation*, administrators must ensure that the funding policy established for the plan sets out the intended method for identifying a PfAD that is expected to:

- i. Achieve the funding objectives set out in the funding policy, and
- ii. Manage the material risks identified in the funding policy.

For more information, please refer to BCFSa’s [Advisory #22-040](#) published on October 3, 2022.

### THE GUIDELINE

The Guideline sets out the Superintendent of Pensions’ (“Superintendent”) expectations with respect to the development and documentation of the new PfAD for plans with target benefit provision. The Superintendent expects that the development of the PfAD should be considered in the context of the plan’s risk management framework.

Regulated entities are expected to follow the Guideline, which works in conjunction with the changes in the Order in Council. The Superintendent expects that the plan’s funding policy, as well as all actuarial valuation reports filed with a review date on or after December 31, 2022, will reflect the new PfAD definition.

The PfAD must also be satisfactory to the Superintendent as one of the components of the actuarial valuation report in accordance with Section 38(1) of the *Pension Benefits Standards Act*.

### ADDITIONAL INFORMATION

Read the [Guideline for PfAD for Pension Plans with a Target Benefit Provision](#).

If you have any questions, please contact us at [pensions@bcfsa.ca](mailto:pensions@bcfsa.ca).

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