

Regulatory statement

Defined Benefit Plan Terminal Funding Obligations

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Legislation:	Pension Benefits Standards Act Pension Benefits Standards Regulation
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Distribution:	Pension plan administrators and service providers

PURPOSE

This regulatory statement sets out the Superintendent of Pensions' (Superintendent) interpretation of the legislative requirements in the Pension Benefits Standards Act (PBSA) and the Pension Benefits Standards Regulation (PBSR), and outlines the Superintendent's related expectations, pertaining to a participating employer's funding obligations and a plan administrator's reporting requirements in respect of a defined benefit provision that terminates with a solvency deficiency.

BACKGROUND

This regulatory statement does not address any non-funding related aspects of the legislative framework for plan termination such as notice to the Superintendent, requirements for the termination report, annual information return filings, and member communication. For more information on the plan termination process and requirements, refer to the [Regulatory Statement No. PENS 20-006 \(Plan Termination Requirements and Checklist\)](#) and [Information Bulletin No. PENS 16-007 \(Filing of Notice of Termination of Plans\)](#).

This regulatory statement is not a comprehensive summary and the PBSA and PBSR remain the authoritative sources for legislative requirements.

REQUIREMENTS

The participating employer of a terminated pension plan is required under section 101 of the PBSA to eliminate a solvency deficiency in relation to a defined benefit provision by ensuring the plan is sufficiently funded to settle all the benefits upon plan termination. This requirement is not applicable to a negotiated cost or jointly sponsored plan. For solvent employers, this obligation is not limited to the five years of scheduled amortization payments.

[Order in Council \(OIC\) No. 153 \(BC Reg 62/2026\)](#) amends the PBSR to clarify the participating employer's terminal funding obligations and introduce related process changes. The employer is required to make one or more payments to the plan to ensure that all defined benefits are fully funded and the solvency deficiency is eliminated within prescribed timelines after plan termination (Full Payment).

The OIC also clarifies the requirement to make a final payment to the plan, where necessary under 132(3)(b) of the PBSR.

The requirements under sections 132(1), 132(2), and 132(3)(b) of the PBSR differ depending on whether the employer is insolvent and the timing of the insolvency.

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Insolvent employers (PBSR sections 132(1) and (2))

If a participating employer is insolvent on the plan's termination date, the employer must make Full Payment as a single payment into the plan as soon as possible.

If a participating employer's insolvency occurs after the termination date of the plan, the employer must make Full Payment as a single payment into the plan as soon as possible. In addition, the plan administrator must file an updated termination report prepared as at the date of insolvency within 120 days after the insolvency.

Solvent employers (PBSR sections 132(3) to (7))

A participating employer that is solvent on the plan's termination date must make Full Payment that may consist of different payment components.

If a solvency deficiency exists, the participating employer must comply with section 132(3)(a) of the PBSR by making monthly amortization payments

- as set out in the termination report filed under section 102 of the PBSA, for the first two years following the termination date, and
- as set out in the actuarial reports that are required to be filed under section 132(4) of the PBSR (Annual Actuarial Reports), after the second anniversary and before the fifth anniversary following the termination date.

The participating employer must make a final payment, if necessary, to make Full Payment for all benefits, satisfying its payment obligations under section 132(3)(b) of the PBSR, no later than the fifth anniversary of the termination date.

Annual actuarial reporting requirements (PBSR sections 132(4) and (5))

An Annual Actuarial Report is an actuarial report prepared under section 132 of the PBSR and is not an actuarial valuation report as defined in section 1 of the PBSR. Under section 132(4) of the PBSR, an Annual Actuarial Report must:

- be prepared as at each anniversary of the termination date, commencing on the second anniversary
- be filed within 120 days after the applicable anniversary date
- include the following information for the defined benefit provision as at the applicable anniversary date:
 - solvency assets
 - solvency liabilities
 - solvency deficiency
 - updated monthly payments required to amortize the solvency deficiency over the remainder of the five-year amortization period

If a participating employer has fully eliminated the solvency deficiency, satisfying its payment obligations under section 132(3) of the PBSR (Solvency Deficiency Elimination), the requirement to file an Annual Actuarial Report ceases in accordance with section 132(5).

The date on which a participating employer has fully eliminated the solvency deficiency, satisfying its payment obligations under section 132(3) of the PBSR (Solvency Deficiency Elimination), determines when

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the requirement to file an Annual Actuarial Report in accordance with section 132(5) ceases. If Solvency Deficiency Elimination occurs on or before the filing deadline for the Annual Actuarial Report, the filing requirement ceases to apply.

Final actuarial report upon solvency deficiency elimination (PBSR sections 132(6))

Under section 132(6) of the PBSR, a final actuarial report (Final Actuarial Report) must be filed within 120 days after Solvency Deficiency Elimination to demonstrate that the plan no longer has a solvency deficiency. Solvency Deficiency Elimination may occur earlier than the fifth anniversary of the termination date but not later.

If Solvency Deficiency Elimination occurs within 120 days after an anniversary date (for anniversaries on or after the second), the Superintendent expects the plan administrator to submit the following information in writing within 120 days of that anniversary (Interim Notice):

- confirmation that Solvency Deficiency Elimination has been achieved
- the date of Solvency Deficiency Elimination
- confirmation that the Final Actuarial Report will be filed under section 132(6) of the PBSR

Example 1

A pension plan terminates on January 1, 2026. Over the following years, the participating employer makes monthly amortization payments as set out in the termination report and subsequent Annual Actuarial Reports. The employer then makes a final payment to fully fund the purchase of annuities for all remaining members' defined benefits, achieving Solvency Deficiency Elimination on February 28, 2030.

The date of Solvency Deficiency Elimination occurs on or before the 120-day filing deadline for the Annual Actuarial Report that was to be prepared as at January 1, 2030.

Accordingly, the Annual Actuarial Report as at January 1, 2030 is no longer required. The plan administrator must file the Final Actuarial Report by June 28, 2030 and is expected to provide the Interim Notice by May 1, 2030.

Over-contributions (PBSR section 132(7))

Once all defined benefits have been fully funded and settled, any remaining assets attributable to payments made under section 132(3) do not constitute a surplus. Rather, those assets are considered an over-contribution and may be returned to the employer in accordance with section 59 of the PBSA, which requires application to and consent from the Superintendent.

Example 2

A pension plan terminates. The participating employer, which is solvent, makes at least the required minimum monthly payments under section 132(3) of the PBSR over the following years. \$400,000 in payments were made.

The plan settles all benefits and files a Final Actuarial Report.

Due to favourable market conditions, \$500,000 in plan assets remain after settlement.

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The \$400,000 constitutes an over-contribution and may be returned to the employer with the Superintendent's consent.

The remaining \$100,000 constitutes a surplus and is subject to the applicable provisions governing the treatment of surplus in the plan documents, the PBSA and PBSR.

Timing of payments and settlement (PBSR sections 64, 132 and 135)

Monthly payments made under the termination report or an Annual Actuarial Report must be made within 30 days after the end of the applicable month, in accordance with section 64(1)(c) of the PBSR. The final payment must be made on or before the fifth anniversary of the termination date.

The Superintendent expects that any required contributions under the termination report or Annual Actuarial Report that exceed the amount previously remitted should be paid within 30 days of the report's filing. Interest does not apply to these contributions.

Example 3

A pension plan terminates as at January 1, 2026. The plan administrator files the termination report on May 1, 2026. The termination report provides for a monthly payment of \$10,000 to amortize the solvency deficiency over five years. Assuming the employer made no contributions before the termination report was filed, the Superintendent expects the four monthly payments with respect to January to April 2026, totalling \$40,000 without interest, to be paid into the plan by May 31, 2026.

On May 1, 2028, the plan administrator files the Annual Actuarial Report prepared as at January 1, 2028. The Annual Actuarial Report provides for a monthly payment of \$12,000 to amortize the solvency deficiency over the remaining three years. The Superintendent expects the difference (\$12,000 - \$10,000) for the four months with respect to January to April 2028, totalling \$8,000 without interest, to be paid into the plan by May 31, 2028.

Under sections 135(6) and (7) of the PBSR, defined benefits must be settled promptly after the solvency deficiency has been eliminated.

Reports (PBSR sections 132(2), (4) and (6))

Updated termination reports, Annual Actuarial Reports and the Final Actuarial Report referred to in section 132 of the PBSR must be prepared by a Fellow of the Canadian Institute of Actuaries.

ADDITIONAL INFORMATION

For questions, please email pensions@bcfsa.ca or phone 604-660-3555.

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