

# User Guide: Form 11 - Letter of Credit Certificate

## General Information

**The Letter of Credit Certificate is to be completed by the authorized representative of the administrator or their agent. The information provided in this User Guide is in summary form only and should not be substituted for a complete review of the applicable provisions of the Ontario Pension Benefits Act (PBA) and Ontario Regulation 909 (Regulation) made thereunder. It is the responsibility of the Plan Administrator to ensure compliance with the statute and Regulation.**

The Letter of Credit Certificate is a form approved by the Superintendent of Financial Services (Superintendent) pursuant to his authority under section 113.2 of the Pension Benefits Act, R.S.O. 1990 ch P.8 (Act) and is required in accordance with section 55.2(7) of the PBA.

The Letter of Credit Certificate is to be completed and filed with the Superintendent. Completion and submission of the Letter of Credit Certificate with attachments satisfies the notice and information requirements of subsection 55.2(7) of the PBA. Section 5.4(6) of the Regulation requires that the notice be filed with the Superintendent within 5 days after the administrator receives:

- the letter of credit,
- the amended letter of credit,
- the replacement letter of credit,
- the notice of the renewal of the letter of credit, or
- the automatic renewal of the letter of credit.

If there are multiple letters of credit, a Letter of Credit Certificate must be completed for each one.

Send the completed Letter of Credit Certificate and the required documents to:

Financial Services Commission of Ontario  
Pension Plans Branch  
5160 Yonge Street  
Box 85  
Toronto ON M2N 6L9

For further assistance on completing the Letter of Credit Certificate, contact the Pension Plans Branch staff member assigned to the plan, or email [pensioninquiries@fsco.gov.on.ca](mailto:pensioninquiries@fsco.gov.on.ca). To locate the name of the Financial Services Commission of Ontario (FSCO) staff member assigned to the plan go to the FSCO Pension Plan Information Access web page.

## Part A - Information Concerning the Pension Plan

Enter information about the pension plan, the pension plan administrator and the pension fund trustee.

## Part B - Current Actuarial Valuation Report Information

Use the most recently filed actuarial valuation report filed under s. 3, 4, 13 or 14 of the Regulation to complete this part.

- 1. Valuation Date of the Report:** Enter the effective date of the actuarial valuation report.
- 2. End Date of the Period Covered by the Report:** Enter the end date of the period covered by the actuarial valuation report.
- 3. Solvency Liabilities:** Enter the solvency liabilities, as defined under section 5.3.1 of the Regulation, meaning the liabilities of a plan determined on the basis of a solvency valuation as disclosed in the valuation report but excluding the liabilities described in clauses (a) to (h) of the definition of “solvency liabilities” in subsection 1(2) of the Regulation. Any solvency liability adjustment should be excluded.
- 4. 15% of Solvency Liabilities:** Calculate this amount by multiplying 15% by the solvency liabilities as described above.
- 5. Percentage of Solvency Liabilities covered by all Letters of Credit:** Determine the sum of all letters of credit held by the plan. This sum should include any letters of credit for which Letter of Credit Certificates have already been submitted to FSCO. Calculate this amount by totaling all letters of credit and dividing by solvency liabilities as described above.

## Part C - Letter of Credit Information

Enter information about the financial institution issuing the letter of credit, as well as information about the letter of credit itself.

### **Date of the first installment secured by the Letter of Credit**

Enter the date of the first installment secured by the letter of credit. Section 5.4(1) of the Regulation provides that a letter of credit can be used to cover special payments only if it has been provided to the trustee at least 15 days before the due date of the special payments that are to be secured by the letter of credit.

For example, if the first installment secured by the letter of credit would otherwise have been due to be paid by the employer by June 30, 2013, the letter of credit must have been provided to the trustee on or before June 15, 2013. If the letter of credit was provided to the trustees after June 15, 2013, the letter of credit cannot be applied and the employer must remit to the pension fund the payment due by June 30, 2013.

### **Letter of credit in addition to other letters of credit**

Indicate whether this letter of credit is in addition to other existing letters of credit. Indicate the number of letters of credit for the plan, and the total face amount of other letters of credit.

## Part D - Letter of Credit Trust Agreement

Enter information about the trust agreement.

If you are filing a new trust agreement, or a trust amending agreement, it must be accompanied by a [Form 1.1](#).

## Part E - Attachments Checklist

Ensure that the required documents are filed with the Letter of Credit Certificate.

## Part F- Solvency Special Payments and Letter of Credit Summary

Refer to the [Actuarial Guidance Note #3 'Determination of Interest Payments Where Solvency Special Payments Are Covered by Letters of Credit'](#) for details on the determination of accrued interest on solvency special payments covered by letters of credit.

Lines 2 (a) and (b) should be completed only for solvency special payments that are due after the effective date of the letter of credit. If the letter of credit covers unpaid solvency special payments covered by the previous letter of credit, lines 3 (a), (b) and (c) must also be completed.

- 1. Applicable Valuation Dates and corresponding Interest Rate(s):** Enter the annual interest rate used to determine the applicable interest to be paid on the solvency special payments covered by the letter of credit and the date of the valuation report in respect of the interest rate. If there are multiple interest rates applied, enter each interest rate and the associated date of the valuation report. Under Box 6 "Solvency Special Payments covered by the Letter of Credit for the month", enter separate columns in the same order as the corresponding interest rates (see item 6. below). Attach additional pages if more space is required.
- 2. With respect to solvency special payments due after the effective date of the letter of credit:** Enter the interest amount in the period covered by the letter of credit for (a) and/or (b) below, as applicable, in relation **only** to solvency special payments that are due.
  - a) Interest included in the letter of credit amount accrued to the expiry date of the letter of credit:** If applicable, enter the total amount of interest included in the letter of credit accrued to the expiry date of the letter of credit. If necessary, provide further details in the Notes section of Part F.
  - b) Interest to be remitted by the expiry of the letter of credit:** If applicable, enter the total amount of interest to be remitted by the expiry date of the letter of credit, to the extent interest is not included in (a) above. If necessary, provide further details in the Notes section of Part F.

- 3. With respect to solvency special payments covered by the previous letter of credit:** Complete this section if the letter of credit covers unpaid solvency special payments that were covered by the previous letter of credit.

  - a) Solvency special payments covered by the letter of credit:** If the letter of credit covers unpaid solvency special payments that were covered by the previous letter of credit, enter the total amount of solvency special payments that were due in the prior periods (without interest) that are covered by this letter of credit.
  - b) Interest included in the letter of credit amount accrued to the expiry of the letter of credit:** If applicable, enter the total amount of interest included in the letter of credit accrued to the expiry date of the letter of credit in relation to unpaid solvency special payments that were covered by the previous letter of credit. If necessary, provide further details in the Notes section of Part F.
  - c) Interest to be remitted by the expiry of the letter of credit:** If applicable, enter the total amount of interest to be remitted by the expiry of the letter of credit, to the extent interest is not included in (b) above in relation to the unpaid solvency special payments that were covered by the previous letter of credit. If necessary, provide further details in the Notes section of Part F.
- 4. For month/year:** For the period after the effective date of the letter of credit, enter the month and the year to which the letter of credit amounts and solvency special payments relate.
- 5. Letter of Credit Amount:** Enter the amount of the letter of credit provided each month to cover solvency special payments that are due, and any interest.
- 6. Solvency Special Payments covered by the Letter of Credit for the month:** Enter solvency special payments covered by the letter of credit that are due after the effective date of the letter of credit. Do not include unpaid solvency special payments that were covered by the previous letter of credit and which are now covered by this letter of credit in this section. If the solvency special payments covered by the letter of credit are as a result of solvency deficiencies determined in separate valuation reports, and therefore valued at differing interest rates, enter each stream of solvency special payments based on different interest rates in a separate column. See the Examples section of the User Guide. The corresponding interest rate applied should be entered in the same order as under section 1 of this Part F. Attach additional worksheets as necessary.
- 7. Solvency Special Payments to be remitted to the Pension Fund:** Enter the solvency special payments not covered by the letter of credit to be remitted to the pension fund. Do not include the interest payment in this column.

## Part G - Administrator's Certification

The authorized representative of the administrator of the pension plan (as defined under section 8(1) of the PBA) ('administrator'), or the agent of the Administrator (see section 22(5) of the PBA), is required to certify the Letter of Credit Certificate after completion.

By completing the certification, the administrator or the agent is certifying the information contained in the Letter of Credit Certificate and the attached documents.  
The administrator or the agent must sign and date the form.

## Part H - Information about the Plan Administrator's authorized agent (if applicable)

If an agent has certified the Letter of Credit Certificate they must include their contact information.

### EXAMPLES

#### 1. The letter of credit held is a level amount which covers solvency special payments for the first six months of the year

Valuation report date:	January 1, 2012
Next valuation report required as at:	January 1, 2015
Solvency Interest Rate (per annum):	4.00%
Letter of Credit expiry date:	December 31, 2013

#### Required Solvency Special Payments for 2013

Effective Date	Last Payment	Monthly Payment
Jan 1, 2011	Dec 31, 2015	70,000
Jan 1, 2012	Dec 31, 2016	30,000
Total		100,000

**1. Applicable Valuation Dates and corresponding Interest Rate(s) (per annum):** Jan. 1, 2012 Report 4.00%

**2. With respect to solvency special payments due after the effective date of the Letter of Credit:**

- (a) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ 0
- (b) Interest to be remitted by the expiry of the Letter of Credit: \$ 16,912

**3. With respect to solvency special payments covered by the previous Letter of Credit:**

- (a) Solvency special payments covered by the Letter of Credit: \$ N/A
- (b) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ N/A
- (c) Interest to be remitted by the expiry of the Letter of Credit: \$ N/A

<b>4. For month/year</b>	<b>5. Letter of Credit Amount (\$)</b>	<b>6. Solvency Special Payments covered by the Letter of Credit for the month (\$)</b>	<b>7. Solvency Special Payments to be remitted to the Pension Fund (\$)</b>
Jan-13	600,000	100,000	0
Feb-13	600,000	100,000	0
Mar-13	600,000	100,000	0
Apr-13	600,000	100,000	0
May-13	600,000	100,000	0
June-13	600,000	100,000	0
July-13	0	0	100,000
Aug-13	0	0	100,000
Sept-13	0	0	100,000
Oct-13	0	0	100,000
Nov-13	0	0	100,000
Dec-13	0	0	100,000

**2. a) The letter of credit held for the year increases monthly to cover solvency special payments and interest for the whole year**

Valuation report date:	January 1, 2012
Next valuation report required as at:	January 1, 2015
Solvency Interest Rate (per annum):	4.00%
Letter of Credit expiry date:	December 31, 2013

**Required Solvency Special Payments for 2013**

Effective Date	Last Payment	Monthly Payment
Jan 1, 2011	Dec 31, 2015	70,000
Jan 1, 2012	Dec 31, 2016	30,000
Total		100,000

**1. Applicable Valuation Dates and corresponding Interest Rate(s) (per annum):** Jan. 1, 2012 Report 4.00%

**2. With respect to solvency special payments due after the effective date of the Letter of Credit:**

(a) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ 21,844

(b) Interest to be remitted by the expiry of the Letter of Credit: \$ 0

**3. With respect to solvency special payments covered by the previous Letter of Credit:**

(a) Solvency special payments covered by the Letter of Credit: \$ N/A

(b) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ N/A

(c) Interest to be remitted by the expiry of the Letter of Credit: \$ N/A

<b>4. For month/year</b>	<b>5. Letter of Credit Amount (\$)</b>	<b>6. Solvency Special Payments covered by the Letter of Credit for the month (\$)</b>	<b>7. Solvency Special Payments to be remitted to the Pension Fund (\$)</b>
Jan-13	100,000	100,000	0
Feb-13	200,327	100,000	0
Mar-13	300,983	100,000	0
Apr-13	401,969	100,000	0
May-13	503,284	100,000	0
June-13	604,932	100,000	0
July-13	706,912	100,000	0
Aug-13	809,227	100,000	0
Sept-13	911,876	100,000	0
Oct-13	1,014,861	100,000	0
Nov-13	1,118,184	100,000	0
Dec-13	1,221,844	100,000	0

**2. b) The letter of credit provided in 2. a) is replaced effective January 1, 2014 with a letter of credit at a level amount**

- A cost certificate was filed in 2013 to reflect a benefit improvement effective July 1, 2013.
- The plan remitted special payments due in 2013 associated with the benefit improvement to the pension fund.
- The letter of credit covers solvency special payments for whole year, solvency special payments covered by the previous letter of credit and the corresponding interest.

Valuation report date:	July 1, 2013
Solvency Interest Rate (per annum):	4.00% (January 1, 2012 report); 3.00% (July 1, 2013 report)
Letter of Credit expiry date:	December 31, 2014

**Required Solvency Special Payments for 2014**

Effective Date	Last Payment	Monthly Payment
Jan 1, 2011	Dec 31, 2015	70,000
Jan 1, 2012	Dec 31, 2016	30,000
Total		100,000
July 1, 2013	June 30, 2018	20,000

- 1. Applicable Valuation Dates and corresponding Interest Rate(s) (per annum):**

Jan 1, 2012 Report 4.00%  
July 1, 2013 Report 3.00%
- 2. With respect to solvency special payments due after the effective date of the Letter of Credit:**
  - (a) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ 25,127
  - (b) Interest to be remitted by the expiry of the Letter of Credit: \$ 0
- 3. With respect to solvency special payments covered by the previous Letter of Credit:**
  - (a) Solvency special payments covered by the Letter of Credit: \$ 1,20,000
  - (b) Interest included in the Letter of Credit amount accrued to the expiry of the Letter of Credit: \$ 70,718
  - (c) Interest to be remitted by the expiry of the Letter of Credit: \$ N/A



<b>4. For month/year</b>	<b>5. Letter of Credit Amount (\$)</b>	<b>6. Solvency Special Payments covered by the Letter of Credit for the month (\$)</b>		<b>7. Solvency Special Payments to be remitted to the Pension Fund (\$)</b>
Jan-14	2,735,845	100,000	20, 000	0
Feb-14	2,735,845	100,000	20, 000	0
Mar-14	2,735,845	100,000	20, 000	0
Apr-14	2,735,845	100,000	20, 000	0
May-14	2,735,845	100,000	20, 000	0
June-14	2,735,845	100,000	20, 000	0
July-14	2,735,845	100,000	20, 000	0
Aug-14	2,735,845	100,000	20, 000	0
Sept-14	2,735,845	100,000	20, 000	0
Oct-14	2,735,845	100,000	20, 000	0
Nov-14	2,735,845	100,000	20, 000	0
Dec-14	2,735,845	100,000	20, 000	0