SECTION: Wind Up
INDEX NO.: W100-107
TITLE: Treatment of Prior Year Credit Balance
- Regulation 909 ss. 4(3), 5(13), (16), (16.1) and (16.2)
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This policy replaces W100-106 (Treatment of Prior Year Credit Balance) as of the effective date of this policy.


Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO’s website at www.fsco.gov.on.ca. All pension policies can be accessed from the Pensions section of the website through the Pension Policies link.

This policy provides guidance on the application of the prior year credit balance (PYCB) under the PBA, in the context of a full or partial wind up of a pension plan. The policy does not apply to pension plans that provide defined benefits that do not use a benefit allocation method to set contribution rates. In addition, this policy does not address the treatment of any PYCB in a jointly-sponsored pension plan. In this policy and unless specifically noted otherwise, the term “assets” refers to all the assets of a pension plan, including the PYCB.

The PBA was amended July 1, 2012 to eliminate any partial wind up where the effective date of the partial wind up is on or after July 1, 2012. A plan may still be wound up in part if the effective date of the partial wind up is prior to July 1, 2012. The effective date of the partial wind up may be determined after July 1, 2012.

Where a plan is wound up in part, certain sections of the PBA and Regulation, as they relate to a full wind up of the plan, apply, with modifications, to the partial wind up of a plan.

Treatment of PYCB in an On-going Pension Plan

A prior year credit balance (PYCB) disclosed in a valuation report represents contributions made that are in excess of the minimum required contributions set out in prior valuation reports. The amount of the PYCB is determined in accordance with sections 5(13) to (16.2) of the Regulation.
Section 4(3) provides that a PYCB may be applied to reduce certain employer contributions or payments otherwise payable. Where a valuation report filed under section 3, 4 or 14 of the Regulation discloses a PYCB, the employer may apply part or all of the PYCB against future contribution requirements for normal cost or special payments in accordance with section 4(3) of the Regulation.

Application of PYCB on Full Wind Up of a Pension Plan

On full wind up of a pension plan, the application of the PYCB will vary depending on the funded status of the pension plan. Where:

- Assets are less than the liabilities, the plan is in a deficit position.
- Assets exceed the liabilities, the plan is in a surplus position.

Pension Plan in Deficit Position on Wind Up

Where the pension plan is in a deficit position on the wind up date, the employer may choose to apply all or a portion of the PYCB against any normal cost or special payments that are due and not paid at the wind up date, in accordance with section 4(3) of the Regulation. In addition, the PYCB may be reduced in accordance with section 5(16.1) of the Regulation. The balance of the PYCB, if any, following such application will remain in the pension plan for application against the annual special payments required in respect of the pension plan deficit on wind up, as set out under section 75 of the PBA and section 31 of the Regulation. In such a case, the assets used for the calculation of the deficit as of the wind up date or any subsequent date must not include the PYCB that remains in the pension plan.

If all liabilities under section 75 of the PBA have been fully funded and all benefits settled, any remaining assets must be distributed in accordance with the PBA and Regulation.

Pension Plan in Surplus Position on Wind Up

Where the pension plan is in a surplus position on the wind up date, there are no future funding requirements against which the PYCB can be applied. After all benefits have been settled, any remaining assets must be distributed in accordance with the PBA and Regulation.

Application of PYCB on Partial Wind up of a Pension Plan

On partial wind up of a pension plan, any normal cost or special payments that are due and not paid at the wind up date must be met by applying all or a portion of the PYCB, or by employer contributions. Once any such outstanding normal cost or special payments have been met, the assets of the pension plan must be split between the on-going portion and the wound up portion of the pension plan. The order of and methodology for the split of the assets as of the wind up date, are set out below.

1. The employer may choose to reduce the amount of the PYCB in accordance with section 5(16.1) of the Regulation. Any reduction of the PYCB increases the assets available for the notional split of assets in 2 below.

2. Following any reduction under section 5(16.1) of the Regulation, the assets of the pension plan, excluding any PYCB remaining after step 1 above, are notionally split between the on-going portion and the wound up portion of the pension plan in accordance with the requirements of the PBA and the Regulation. See Policy W100-102 (Filing Requirements and Procedure on Full or Partial Wind Up of a Pension Plan).

3. Any PYCB remaining after step 1 above must then be allocated between the on-going and wound up
portions of the pension plan, as determined by the employer. Any PYCB allocation to the wound up portion of the pension plan would be limited to the amount required to fully fund the liabilities under the wound up portion of the pension plan.

Once the assets in the pension plan are notionally split between the on-going and wound up portions of the pension plan, each portion of the plan is treated separately.

On-going Portion of the Pension Plan

The on-going portion remains an active pension plan. As such, the options for the future application of any PYCB in the on-going portion of the pension plan are as set out above under the heading Treatment of PYCB in an On-going Pension Plan.

Wound Up Portion of the Pension Plan

The wound up portion is effectively a fully wound up pension plan. As such, the options for the application of any PYCB in the wound up portion of the pension plan are as set out above under the heading Application of PYCB on Full Wind Up of a Pension Plan.