



SECTION: Transfer Values
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Note: Readers should refer to "Regulations" for O. Reg. 787/93 which amends Regulation 909 and which replaces the 1988 CIA Recommendations for computing transfer values with the 1993 CIA Recommendations.

The Canadian Institute of Actuaries (the "CIA") recently adopted updated Recommendations for the Computation of Transfer Values from Registered Pension Plans. The new Recommendations were effective on September 1, 1993. The 1993 CIA Recommendations replace the previous Recommendations which were effective on November 14, 1988. The CIA has also provided actuaries with guidance on acceptable transitional practices with respect to commuted values based on unisex actuarial tables.

The amendment to the Regulation takes effect on January 1, 1994. *In the interim, the CIA Recommendations (effective on September 1, 1993 - and binding on actuaries) - are inconsistent with the requirements of the PBA.* This article explains how commuted values are to be computed for the period between September 1, 1993 and December 31, 1993.

Commuted Values that do not Vary by Sex

Section 52 of the PBA does not allow the sex of the member to be taken into account in determining the amount or the commuted value of certain benefits. The commuted value of such benefits must be determined on a "unisex" basis. Commuted values of benefits in respect of employment after December 31, 1986 cannot vary by the sex of the member. In certain circumstances the commuted values of benefits in respect of service prior to January 1, 1987 likewise cannot vary by the sex of the member.

The 1993 CIA Recommendations specify the required treatment of benefits which can and cannot vary by the sex of the member. According to the CIA, where unisex commuted values are required, blended mortality rates must be used in determining commuted values. The blended mortality approach should be adopted only when unisex commuted values are required by either:

- c the applicable legislation; or
- c the provisions of the plan; or

c the plan administrator, if the administrator is so empowered by the provisions of the plan.

Until the adoption of the 1993 Recommendations, it was a common practice to determine the commuted value of benefits for all years of service on a unisex basis. Such a practice was acceptable to the PCO. Now this practice may be restricted in many circumstances.

Application of the new CIA Recommendations

The application of the new CIA Recommendations will have a different effect depending on whether the commuted value is calculated for the termination of membership of an individual or for a full or partial plan wind up.

Commuted Values on Individual Termination of Membership

On the termination of an individual member, the administrator of the plan must comply with the Regulation. Accordingly, the administrator must determine commuted values using the 1988 CIA Recommendations for terminations that occur before January 1, 1994 even if the calculation is done after January 1, 1994. The commuted value may be based on unisex mortality tables for all benefits.

However, actuaries are required to comply both with the Regulation and the 1993 CIA Recommendations. Consequently, if an actuary calculates the commuted value, or recommends the basis to be used for calculating the commuted value, the actuary must use the greater of the 1988 or 1993 CIA Recommendations in order to comply with both the Regulation and the CIA requirements for terminations occurring between September 1 and December 31, 1993.

The requirement to use the greater of the 1988 or 1993 CIA Recommendations would also apply if the plan document requires that commuted values be calculated by an actuary or on a basis recommended by an actuary.

It is acceptable to determine the commuted value of benefits in respect of all years of service on a unisex basis if the CIA transition requirements are satisfied. That is, in certain circumstances the actuary can use or recommend a unisex basis for all benefits if the actuary has written direction from the plan administrator or sponsor that the plan will be retroactively amended to provide such unisex commuted values.

If a member is terminating on or after January 1, 1994 and the commuted value calculation was done before January 1, 1994, the 1993 CIA transfer values as prescribed in the Regulation must be used.

Commuted Values on Full or Partial Plan Termination

In the case of a full or partial plan wind up, the commuted values must be calculated by an actuary since section 16 of the Regulation requires that the wind up report be prepared by an actuary. Consequently, for wind ups between September 1, 1993 and December 31, 1993 inclusive, commuted values must be determined on the greater of the 1988 or 1993 CIA Recommendations.

In a wind up on or after September 1, 1993 and, in order to provide unisex commuted values for all benefits, the plan must be amended rather than relying on the CIA transitional rules.

PCO staff cannot accept wind up reports with a valuation date on or after September 1, 1993 with unisex commuted values for benefits in respect of all service unless:

- i) the report includes an indication that the plan document has a provision allowing the actuary to calculate such unisex commuted values; or
- ii) the report includes an indication that the plan document has a provision allowing the administrator to require the actuary to calculate such unisex commuted values and that such direction by the administrator

has been provided.