

Interpretive Guideline#07 Solvency Reserve Account

Issued: March 2015

This guideline is designed to explain the rules regarding the establishment and maintenance of a solvency reserve account as required by the provisions of the [Employment Pension Plans Act](#) (the Act) and the [Employment Pension Plans Regulation](#) (the Regulation). This guideline summarizes the legislative requirements which apply to the subject matter, and includes (as applicable) additional details to outline the Superintendent of Pensions (the Superintendent) expectations and requirements where such authority has been provided by the Act and Regulation. Finally, the guideline outlines best practices and policies that the Superintendent expects from provincially regulated pension plans.

The Act and Regulation should be used to determine specific legislative requirements. Any legal authority of this Guideline rests in the areas in which the legislation delegates authority to the Superintendent to accept a proposal or action.

What is a Solvency Reserve Account

As provided by section 54 of the Act, a solvency reserve account (SRA) is a separate account within a pension plan fund that is established to hold solvency deficiency payments made under a defined benefit component of a pension plan.

How to Establish a Solvency Reserve Account

Solvency reserve accounts may only be established with respect to a defined benefit provision of a pension plan.

While not required by the Act, the SRA can be established under a separate trust agreement to minimize any potential issues that could arise if the account was under the same trust as the balance of the pension plan fund.

Once the trust is established a copy of the trust agreement must be filed with the Superintendent (Act section 13(a)(iii)).

A divisional multi-employer plan is either a non-collectively bargained multi-employer plan as defined in section 1(1)(II) of the Act, or a collectively-bargained multi-employer plan which recognizes some or all of the participating employer's shares of the assets and liabilities separately as they relate to that employer's employees. In the case of a divisional multi-employer plan, a solvency reserve account may be established for any of all of the participating employers. Where this occurs, the rules for maintaining, withdrawing funds, or closing the account apply in the same manner to that participating employer as it would if the plan were a single employer plan.

Eligible Contributions to a Solvency Reserve Account

In accordance with section 54(3) of the Act, the only funds that may be deposited to a solvency reserve account are payments made in respect of a solvency deficiency.

Top up contributions made pursuant to section 90(3)(a)(ii) of the Regulation would be considered eligible for deposit to the solvency reserve account as they relate to the solvency deficiency.

In addition to the above, it should be noted that plan assets cannot be transferred from another account of the pension plan fund to the solvency reserve account (section 54(4) of the Act). This means that solvency deficiency payments which were made prior to the establishment of the solvency reserve account may not be moved to the solvency reserve account once it is established.

Withdrawal of funds from a Solvency Reserve (Ongoing plan)

A withdrawal of funds from a solvency reserve account is permitted under section 54(5) of the Act and 65 of the Regulation when the solvency asset value exceeds 105 per cent of the solvency liability value, as determined in the most recent actuarial valuation report filed with the Superintendent.

As some pension plans have wording that limits employer access to actuarial excess assets or surplus, section 54(5) of the Act identifies that withdrawal from an SRA is permitted despite any wording in a plan text document.

Superintendent consent is required before the assets may be withdrawn, and only 20 per cent of the accessible assets may be withdrawn in any given year. The Superintendent may withdraw consent to further fund withdrawals if he is of the opinion that this is in the best interest of securing plan benefits.

When excess assets are withdrawn, the administrator must notify members and provide the information outlined in sections 65 (4) and (5) of the Regulation.

Closure of a Solvency Reserve Account

Ongoing Plan

An administrator may at any time decide that they no longer wish to maintain a solvency reserve account. Where the plan has a solvency deficiency, the assets in the solvency reserve account must be transferred into another account of the pension plan fund and subsequent solvency deficiency payments must be made to that account.

If there are accessible excess solvency assets, the administrator may request a withdrawal before transferring the funds to the other plan account.

Plan Termination

If the plan is terminating, or in the case of a divisional multi-employer plan a participating employer is terminating its membership, then the participating employer may withdraw funds in the solvency reserve account once all benefits related to that employer have been paid out of the pension fund. This cannot be done, however, unless the administrator has first received written consent from the Superintendent to do so.

To receive consent, the administrator must make written application to the Superintendent, and with that application include

- confirmation that all plan benefits have been paid,
- a statement of the amount of the money remaining in the solvency reserve account, and
- any other information or records required by the Superintendent.

Once the Superintendent's written consent has been received by the administrator, the administrator must withdraw the funds.

Confirmation of the withdrawal must be given to the Superintendent to enable the cancellation of registration of the plan.

For further information please contact:	
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