

Eckler Ltd.'s latest Analysis examines implications for plan sponsors

TORONTO, Sept. 20, 2013 /CNW/ - Just as the outlook begins to brighten for defined benefit (DB) pension plans, the Canadian Institute of Actuaries (CIA) has released [new guidance](#) that could increase the solvency liabilities of indexed DB plans by up to 15%, according to Eckler Ltd.'s latest Analysis. Non-indexed plans will also feel the impact of the new guidance, although it will be much less significant.

Eckler's latest Analysis: [Updated annuity purchase solvency and hypothetical wind-up discount rate guidance: What does it mean for pension plan sponsors?](#) provides an overview of the new CIA guidance and looks at the implications for pension plan sponsors, including how the new rules apply to both indexed and non-indexed plans, and strategies plan sponsors can employ to mitigate the cost impact.

The new guidance is based on the results of an extensive review of group annuity purchase pricing conducted by a CIA committee, and affects the calculation of a DB plan's solvency and wind-up liabilities for funding valuation purposes.

The ultimate impact of the new guidance on a plan's funding will depend on a wide range of factors, including the terms of the pension plan, the make-up of its membership, the jurisdiction in which it is registered and whether it is exempt from solvency funding.

"Hardest hit by the new guidance are plans that provide automatic, full inflation-indexation protection and are required to fund the cost of this inflation protection on a solvency basis," says Ian Edelist, Principal and Toronto pension practice leader at Eckler. "In fact, these plans would be required to use a negative interest rate if they had to do a valuation at June 30, 2013.

We have estimated the increase in solvency liabilities to the average fully indexed plan is up to 15%, while the increase seen by non-indexed plans is expected to be up to 3%."

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