an example illustrating the scope of OSFI's adopted measure

Let us assume that we have a defined benefit pension plan with only two members and with a value of benefits of **$100,000** for each member as at **January 1, 2020**.

Let us assume further that the plan was fully solvent prior to the **COVID-19** crisis and that during the first quarter of the year, the pension fund assets fell by **15%** due to the drop in stock markets and liabilities rose by **10%** due to lower interest rates, resulting in a decrease in the solvency ratio from **100%** to **77%**.

The table below illustrates the potential impact of transfer value payments on the solvency ratio of the pension plan, under the scenario where one of the two members loses their job on **April 1** and decides to transfer the value of their entitlements at that date (**$110,000**), according to the rules applicable prior to the newly proposed suspension.

Financial situation	January 1, 2020	April 1, 2020	
		PRE-TRANSFER	POST-TRANSFER
	$200,000	$170,000	$60,000
	$200,000	$220,000	$110,000
	$0	($50,000)	($50,000)
SOLVENCY RATIO	100%	77%	55%

This results in a significant reduction in the solvency ratio to **55%**.
This simple example illustrates how OSFI is acting with the aim to protect members whose entitlements remain in the plan.

For more information

Email us at ***general@normandin-beaudry.ca*** and a member of our team will be happy to help.