Guide

Title	Guide to Intervention for Federally Regulated Private Pension Plans
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Plans	Defined benefit plans Defined contribution plans
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OSFI's new Supervisory Framework became effective on April 1, 2024. We intend to update the Guides to Intervention to remove outdated references. Please refer to our new Overall Risk Rating to Intervention Stages.

Overview of the Guide and Intervention Process

The objective of the Guide to Intervention for Federally Regulated Private Pension Plans (the Guide) is to promote awareness and enhance transparency of the intervention process used by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated private pension plans. The Guide outlines the types of involvement that a federally regulated plan administrator and employer can expect from OSFI and summarizes the circumstances under which certain intervention measures may be taken.

The *Pension Benefits Standards Act, 1985* (PDF) (PBSA) provides a wide range of discretionary intervention powers to address situations that give OSFI cause for concern. The objective is to intervene as early as possible so as to minimize problems before they escalate, and to reduce the risk of loss to pension plan members, former members, and other beneficiaries.

Interpreting the Guide to Intervention

The Guide provides a general indication of when an action/intervention would typically occur for a given level of risk. The intervention process does not address every situation with a predetermined set of actions, as circumstances may vary significantly from case to case. The Guide does not limit the scope of action that may be taken by the Superintendent in dealing with specific problems or plans. Interventions may take place at any time at the discretion of the Superintendent, depending on a plan's circumstances.

The Guide complements OSFI's Risk Assessment Framework for Federally Regulated Pension Plans (the Framework). The Framework is risk-focused, meaning that the degree of supervisory activity or intervention will generally be commensurate with the assessed level of risk in a plan. The Framework outlines the process for assigning a Composite Risk Rating (CRR) to represent OSFI's overall risk assessment of the plan. The direction of risk is also determined to indicate whether a situation is improving or deteriorating.

Stage Ratings identify the applicable interventions that may be initiated by OSFI depending on the particular circumstances of the plan, the CRR, and the direction of risk. Stage ratings and corresponding activities described in the Guide are linked to the level of CRR for ease of reference. The table below gives a broad indication of the expected Stage Rating for each CRR.

Stage	Composite Risk Rating				
	Low	Moderate	Above Average	High	Permanent Insolvency
0	x	x			
1			x		
2				x	
3					
4					x

Stage 0 – No significant problems/Ongoing monitoring

If OSFI determines that a plan's financial position is sound and that the plan's practices, controls, oversight and specific circumstances do not present significant problems or deficiencies, then such a plan would typically be subject to normal ongoing monitoring. The activities performed in the ongoing monitoring process are done for all plans supervised by OSFI and include information gathering and risk analysis. Additional interventions would tend to be ad-hoc in response to a specific issue and OSFI's concerns would be within the administrator's ability to address in a routine manner. Stage 0 plans would generally have a CRR of **Low** or **Moderate** and would not likely appear on OSFI's watchlist. Normal ongoing monitoring generally includes:

- Reviewing required filings;
- Conducting in-depth risk assessments;
- Corresponding with plan administrators and custodians;
- Conducting periodic examinations;
- For defined benefit plans only:
    - Reviewing actuarial reports; and
    - Proactively calculating the estimated solvency ratio and contributions.

Stage 1 – Early warning

OSFI may have identified deficiencies in the plan's financial position, policies or procedures that could potentially evolve into more serious issues. These potential issues may include non-compliance with the PBSA, the plan documents, best practices or established guidelines. The deficiencies are within the administrator's abilities to address. Stage 1 plans would generally have a CRR of **Moderate** or **Above-Average**, and would appear on OSFI's watchlist.

At this Stage, OSFI increases its monitoring of the plan and obtains more information about the plan and sponsor. Specifically, in addition to the normal ongoing monitoring listed in Stage 0, the following regulatory actions may be pursued:

- Recommend filing a revised actuarial report;
- Recommend the early filing of an actuarial report;
- Recommend the plan administrator to provide appropriate disclosure to plan members;
- Recommend scenario/stress testing be conducted;
- Confirm statutory requirements are being followed, OSFI best practices and guidelines are respected, and ensure variations are explained;
- Confirm with the custodian that required contributions have been remitted to the pension fund;
- Confirm contribution holidays are in accordance with the terms of the plan and the actuarial report;

- Obtain and review the plan’s Statement of Investment Policies and Procedures;
- Obtain and review the plan’s financial information (e.g. list of pension assets, fund’s market returns);
- Obtain and review the employer’s financial statements;
- Inform the plan administrator/advisors in writing of concerns; and
- Obtain an action plan from the plan administrator to address issues.

Stage 2 – Risk to members’ benefits or rights

OSFI has identified problems that pose a threat to the security of members’ benefits, which could deteriorate into a serious situation if not addressed promptly. Problems may include non-compliance with the PBSA or the plan documents, the employer is demonstrating signs of financial distress (such as when the employer has obtained protection from their creditors under the *Companies’ Creditors Arrangement Act*), as well as not meeting minimum funding requirements. At this Stage, OSFI would intensify its supervisory interventions and may require the plan administrator to take certain actions. Stage 2 plans would generally have a CRR of **Above-Average** or **High**, and would be on OSFI’s watchlist.

In addition to the interventions listed in the preceding stages, the following regulatory actions may be pursued:

- Require filing a revised actuarial report;
- Require the early filing of an actuarial report;
- Require the plan administrator to provide appropriate disclosure to plan members;
- Require the plan administrator to hold a meeting with plan members or other relevant parties;
- Require freezing/restricting portability for transfer of benefits from the plan or annuity purchases that would impair the solvency of the plan; and
- Issue a notice of intent to issue a Direction of Compliance.

Stage 3 – Future members’ benefits or rights in serious doubt

OSFI has identified material and immediate threats to members’ benefits. Previous supervisory actions have been unable to address these threats and OSFI would escalate its interventions. OSFI would be working with or directing the plan administrator to prevent loss or further loss to members’ benefits and to protect member’s rights. Plan termination is a strong possibility. Stage 3 plans would generally have a CRR of **Above-Average** or **High**, and would be on OSFI's watchlist.

In addition to the interventions listed in the preceding stages, the following regulatory actions may be pursued:

- Issue a temporary Direction of Compliance;
- Issue a Direction of Compliance;
- Revoke the registration of the plan where a Direction of Compliance has not been complied with;
- Remove the plan administrator and appoint a replacement administrator;
- Designate an actuary to prepare an actuarial report for funding purposes;
- Terminate the plan;
- Apply to the Federal Court for an order requiring the administrator to cease contravention of the PBSA; and
- Bring action against the administrator, employer or any other person as per s. 33.2 of the PBSA.

Stage 4 – Permanent insolvency

At this stage, there is no possibility of the employer(s) fully funding the plan and the plan is in the process of wind-up or has been wound up with a loss to members' benefits. In order to facilitate the wind-up of the plan, OSFI may pursue the interventions listed in the previous stages.