Guide to Completing the OSFI 60 - Certified Financial Statements and Filing Auditor's Reports

Section I

Instructions

1. General Information

The purpose of this Guide is to assist administrators of pension plans subject to the *Pension Benefits Standards Act, 1985* (PBSA) in completing the OSFI 60 – Certified Financial Statements (CFS) and filing the Auditor's Report.

This Guide does not supersede the PBSA, the *Pension Benefits Standards Regulations 1985* (PBSR), the *Directives of the Superintendent pursuant to the PBSA* (the Directives), or any Guidelines that the Office of the Superintendent of Financial Institutions (OSFI) has issued or may issue regarding the administration of pension plans subject to the PBSA.

A glossary of terms used in this Guide is provided in Section III.

2. Filing Requirements

In accordance with the PBSA, the PBSR and the Directives and these Instructions, pension plans must prepare the OSFI 60 and, subject to the criteria outlined on page 2, an Auditor's Report of the pension fund as of the end of each plan year. These documents must be filed with OSFI within six months after the plan year end. OSFI requires an administrator to file an OSFI 60 and, where applicable, an Auditor's Report, annually, while there are any assets remaining in the pension fund. Please refer to section 2.3 of this Guide for information on requirements related to electronically filing the OSFI 60.

<u>OSFI 60</u>
The OSFI 60 contains information relating to the pension fund and includes a *Statement of Changes in Net Assets*, *Statement of Net Assets*, *Notes to the Financial Statements*, and *General Interrogatories*. The OSFI 60 statements are special purpose financial statements because they exclude information regarding the pension obligations. The information contained in the OSFI 60 will incorporate only certain elements of Generally Accepted Accounting Principles (GAAP).

Auditor’s Report
The following types of Auditor’s Reports may be filed with OSFI:

- An Auditor’s Report filed on the pension fund - OSFI will accept a statement in the Auditor’s Report indicating that the financial statements have been prepared for filing with the regulator and are not appropriate for any other purpose, or
- An Auditor’s Report filed on the financial statements of the pension plan – OSFI will accept an Auditor’s Report on the financial statements of the pension plan that is prepared in accordance with Section 4600 of the Canadian Institute of Chartered Accountants Handbook (the Handbook). Section 4600 of the Handbook is the primary standard for pension plans.

An Auditor’s Report is not required to be filed with the OSFI 60 if the plan is an insured plan or if the pension fund is deposited as follows:

a) all funds are held by one insurance company in any type of account, or

b) all funds are held in the pooled funds of one trust company, or

c) all funds are held outside the pooled funds of one trust company and:
   i. there is less than $5,000,000 in total assets in the pension fund (fair value).

All other plans, including plans funded through a Pension Fund Society, are required to file an Auditor’s Report with the OSFI 60.

3. Requirements Related to Electronic Filing

a) All values reported in these statements must be reported in dollars (not thousands of dollars). Plans may, however, round values to the nearest thousand.

b) OSFI will only accept an OSFI 60 submitted in the proper file format (.xml). Files in other formats (e.g. .pdf, .xls) will not be considered received and will be returned to plan administrators to be re-filed. Similarly, blank files will also be returned.

c) Please enter all required financial information, including any notes to the financial statements, directly into the proper section of the OSFI 60. Attached lists or files are not acceptable.

d) “n/a (not applicable)” is not an acceptable value through electronic filing. Please leave such fields blank.

e) Plan administrators are expected to keep a signed copy of the OSFI-60 (or a reasonable facsimile) in their records. This copy is to be signed by the administrator and will certify that, to the best of the administrator’s knowledge, the financial statements are a complete and accurate representation, in all material respects, of the financial position and changes in the net assets of the pension fund, and that the assets of the pension fund have been invested in accordance with the PBSA, the PBSR, and the Plan’s written Statement of Investment Policies and Procedures.

Please visit our [Web site]() for more information on electronic filing.

Section II

Financial Statements (OSFI 60)

1. Basic Plan Information Cover Page (page 30.005)

Line 001: Name of the Pension Plan – as defined in the plan documents. The name indicated on the OSFI 60 must be distinguishable from any other plan sponsored by the same employer.

Line 002: PBSA Registration Number **–** is the number assigned by OSFI (five digit number beginning 55, 56 or 57). The Canada Revenue Agency registration number is the number assigned by CRA upon its registration of the plan.

Indicate the type of pension plan: defined benefit, defined contribution (money purchase) or a combination plan. A combination plan is one with defined benefit and defined contribution components.

Line 003: Plan Year Ending – is the plan year end as stated in the plan documents. The first OSFI 60 filed after a change in a plan year end will cover a period of less than 12 months. Such financial statements should reflect the activity for the period covered and an explanatory note given in the *Notes to the Financial Statements*.

Note: A plan year end may be changed by amendment or resolution, which must be filed with OSFI.

2. Statement of Changes in Net Assets (page 30.010)

Increase in Assets

Line 010: Investment income is defined as interest, dividends, rents and sums earned on investments other than by an increase in their value, whether or not the income has been realized. For example, the yield realized when treasury bonds are cashed in and income generated by securities loans should be reported on this line.

Line 015: Realized gains or (losses) on investments, which are to be shown on this line, are amounts gained (or lost) following an investment transaction. They are to be measured from the fair value at the most recent financial statement date. These amounts are also referred to as realized fair value.

Line 016: Unrealized gains (or losses) on investments, which are to be reported on this line, are amounts gained (or lost) following a change in the fair value of investments or an adjustment following a change in the way they were valued. Unrealized gains (or losses) are to be measured from the fair value at the most recent financial statement date. These amounts are also called unrealized fair value.

Line 020: Members' required contributions, remitted to the fund by the plan year end, are to be reported on this line. Member's required contributions are defined in the plan documents.

Line 021: Members' voluntary contributions, remitted to the fund by the plan year end, are to be reported on this line. This includes any member contributions for the purchase of flexible benefits.

Line 025: Employer Contributions:

For *defined contribution* plans, employer's required contributions remitted to the fund by the plan year end are to be reported on this line. Employer contributions are defined in the plan documents and the contributions reported must be net of amounts taken from nonvested forfeitures. Effective July 1, 2011, all benefits are immediately vested so future forfeitures will not accumulate.

For *defined benefit* plans, employer's required current service contributions and any special payments remitted to the fund by the plan year end are to be reported on this line. Current service contributions and special payments are as recommended in the latest Actuarial Report and the contributions reported must be net of any amount taken from surplus.

For the purpose of this line, special payments, in addition to those established for the purpose of liquidating an unfunded liability or solvency deficiency, include any amounts remitted to the fund for amendments that were made during the year under review and any amounts remitted to the fund to cover transfer deficiencies if the full pension benefit credits of terminated members were paid out from a plan whose solvency ratio was below one.

Where an employer obtains a letter of credit (LOC) for the benefit of the plan to meet the funding obligations, the amount of LOC should be disclosed in the *Notes to the Financial Statements* (page 30.030).

Note: In accordance with the accrual basis of accounting, employee and employer contributions receivable as at the plan year end should be reported on line 070 or line 071 respectively of the *Statement of Net Assets.*

Line 039: Transfers received by the pension fund from other pension funds or other sources such as RRSPs or LIFs are to be reported on this line.

Note: In accordance with the accrual basis of accounting, transfers receivable at plan year end should be reported on line 078 of the *Statement of Net Assets*.

Line 049: For the purposes of this line include:

- dividends, refunds or other advantages granted to the fund during the fiscal year by an insurer, enterprise or person doing business with the plan;
- interest received on contributions, transfers or other sources of increase in assets because of late payments;
- interest due on outstanding amounts at plan year end;

- accounting adjustments made to correct bookkeeping errors.

Note: Realized and unrealized gains on interest rate, equity, commodity, foreign exchange and other derivative contracts, including forward, futures, swaps and options contracts, should be included on line 015 or line 016 as appropriate.

Decrease in Fund Assets

Line 060: Expenses related to managing investments that were paid by the fund are to be included on this line. Examples are:

- brokerage or transaction fees, if they were not added to the cost base of the investment or deducted from the proceeds of disposition;
- securities broker's or financial manager's fees;
- other expenses related to managing investments.

If such expenses were deducted from investment income, they should not be listed on this line.

If the expenses for managing investments are determined according to a percentage set in advance by an investment contract, these expenses must be determined in accordance with the provisions of the contract.

Investment management fees paid by the employer are not to be reported unless they were reimbursed by the pension fund.

Line 070: Professional fees for accountants, lawyers and actuaries that were paid by the fund will be shown on this line. Professional fees paid by the employer are not to be reported unless they were reimbursed by the pension fund.

Line 075: Plan administration costs, other than those reported on line 060 and line 070, that were paid by the fund will be reported on this line. Administrative costs paid by the employer are not to be reported unless they were reimbursed by the pension fund.

Line 080: Monthly or other periodic retirement pensions, as well as disability pensions and death benefits paid by the pension fund, are to be reported on this line. Only defined benefit and combination plans will have an entry on this line. Transfers from defined contribution plans will be entered on line 085 or line 087.

Line 085: Transfers to other registered pension plans from the pension fund are to be reported on this line.

Line 087: Transfers to other registered vehicles such as locked-in RRSPs or LIFs, amounts used to purchase an immediate or deferred annuity with an insurer, and refunds of contributions directly to members are to be reported on this line.

Line 109: Other sources of decreases in assets include uncollectible items such as contributions, investment income, transfers owing, and accounting adjustments.

Line 199: The net assets shown on this line should be the same as the net assets at plan year end shown on line 199 of the *Statement of Net Assets*.

3. Statement of Net Assets (page 30.020)

Assets

A plan's assets include all the assets belonging to or owed to the pension fund. Any deposit to or investment made from the pension plan's assets must be made on behalf of the plan or credited to its account. Any deposit or investment in foreign funds must be translated into Canadian dollars at the year-end rate of exchange.

Where the pension fund is invested in a Master Trust, only the portion of the assets belonging to the reporting pension plan is to be entered on the financial statements. The assets are to be determined using the proportionate consolidation method.

Cash on Hand

Line 009: For the purposes of this line, the pension fund's cash on hand includes:

- demand deposits in a bank or trust company's current, savings or operating accounts;
- cash held by investment managers on behalf of the pension fund;
- coins and bank notes;
- cheques, bank drafts and postal money orders.

Generally, cash on hand includes all securities that can be cashed within 30 days following the end of the plan year, except negotiable securities such as shares, corporate bonds, treasury bonds, etc.

Debt Securities (Canadian and Foreign)

Amounts on lines 010 to 024 are to include both Canadian and Foreign Securities.

Line 010: Short-term notes and securities that mature in less than six months are to be recorded on this line. They include loans made by means of financial instruments that are easily liquidated. They are also known as money market securities and short-term capital securities and include treasury bonds, municipal bonds, corporate promissory notes (also known as short-term notes), commercial paper, bearer securities, treasury bills (T-bills), bankers' acceptances (also known as bank paper), certificates of deposit, term deposits, savings certificates and guaranteed investment certificates issued by a financial institution. Other term deposits that mature in more than six months that are to be included on this line are certificates of deposit, savings certificates, and guaranteed investment certificates issued by a financial institution.

Line 011: Government bonds and debentures must be shown on this line. This line includes all bonds issued by the Government of Canada, a province, a municipality or a school board. The fair value for this category of securities must be determined using the year-end quoted market prices.

Line 012: Bonds and debentures issued by a corporation and not shown on line 011 are to be shown on line 012. They must mature later than six months following their issuance and, if they are traded on an open market, their fair value must be determined using the year-end market prices. Otherwise, the value may be obtained using methods such as independent asset appraisals, comparison to published prices of comparable securities, use of recent trade prices, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer.

Line 017: The fair value of units held in a Bond, Cash Equivalent or Mortgage Mutual or Pooled Funds must be determined using the year-end quoted market prices and reported on this line. Cash Equivalent Mutual or Pooled Funds include T-Bill funds and money market funds.

Line 019: The fair value of mortgage loans secured by real estate or chattels should be determined according to current market yields. Otherwise, the value may be obtained using a variety of methods such as independent asset appraisals, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer.

Line 024: Only the portion of the pension fund invested in the general funds of an insurance company, often referred to as deposit administration accounts, should be recorded on this line. Investments should be listed at their fair value as determined by the insurer at plan year end. Interest accrued on these assets should be reported on line 073.

Equity (Canadian and Foreign)

Amounts on lines 030 to 037 are to include both Canadian and foreign equity.

Line 030: Shares in Investment, Real Estate or Resource Corporations, as defined in Schedule III to the PBSR are to be reported on this line at their fair value.

Line 033: Other shares traded on an open market will be reported on this line. If possible, fair value is to be determined using market prices at plan year end. Otherwise, share value is to be determined using a variety of methods, such as comparison to published prices of comparable securities, use of recent trade prices, independent asset appraisals, discounted cash flows based on current market yields, and estimation based on the underlying financial statements of the issuer. Shares include common and preferred shares of publicly traded corporations in Canadian and foreign markets.

Line 034: The fair value of units held in Stock Mutual or Pooled Funds must be determined using the year-end quoted market prices and reported on this line. Where a pension fund invests in a Stock Mutual or Pooled Fund made up of shares of both Canadian corporations and foreign corporations, the fair value of both must be shown.

Line 036: Investment in a Real Estate Mutual or Pooled Fund may be made up of real estate or of shares of real estate. The fair value of the units is to be determined on the basis of market quotations published at plan year end and reported on this line.

Line 037: Only the amounts held by the pension fund in Real Estate investments, including real estate vehicles such as joint ventures and co-tenancies, should be reported on this line. The fair value of real estate must be determined by an expert, such as a licensed appraiser or assessor. Real estate valuations are generally made by an independent appraiser in accordance with generally accepted appraisal practices and procedures at least once every three years and are supplemented by an annual review of improvements to buildings and equipment.

Diversified and Other Investments (Canadian and Foreign)

Amounts on lines 040 to 048 are to include both Canadian and foreign investments.

Line 040: Balanced Mutual or Pooled Funds are also known as diversified Mutual or Pooled Funds. They comprise various securities such as shares, bonds, mortgages, real estate, etc. The fair value of a fund's units must be determined using the year-end quoted market prices.
Note: If the plan holds units of a Master Trust, the value of the units is not to be entered on line 040 because a Master Trust is not considered a balanced Mutual or Pooled Fund. In the case of a Master Trust, the proportionate consolidation method should be used and the value of the units distributed among the investment categories and sub-categories on lines 009 to 048.

Line 042: All types of Segregated Funds are to be reported on this line.

Line 043: Hedge Funds -- The fair value of units held in a hedge fund are to be reported on this line. Generally hedge funds are pooled investment funds, structured as private partnerships that charge performance related fees. While the investment strategies of hedge funds vary widely, hedge funds have a great deal of investment flexibility, often engaging in short-selling and leveraging techniques. Hedge funds also tend to focus on 'absolute returns' as opposed to outperforming a benchmark index.

Line 044: Private Equity -- The fair value of amounts invested in non-public companies that are made through direct investment, limited partnerships, or through a private equity fund-of-funds are to be reported on this line.

Line 046: Infrastructure – The fair value of amounts held by the pension fund in infrastructure investments, which includes investments in bridges, toll roads, airports, pipelines, utility towers, and educational and healthcare facilities, through direct or indirect investments or through limited partnerships are to be reported on this line.

Line 048: Other Investments not listed above are those that do not fall into the categories on lines 009 to 046. They may include amounts relating to derivative instruments, including unrealized gains, margin requirements and the unamortized balances of premiums paid.

Accounts Receivable

Receivables are any amounts owing to the pension fund at plan year end.

Lines 070 and 071: Member and employer contributions not received by plan year end are to be reported on these lines.

Line 073: Investment income and earnings receivable as at plan year end include interest, dividends and rents as well as amounts earned on investments but not yet cashed. Investment income and earnings receivable are to be shown on this line and not included in the fair value of the investments listed on lines 010 to 048. For example, income accrued or receivable on assets invested in the general fund of an insurer will be shown on line 073 and not on line 024. The same is true for income accrued or receivable on assets invested in a Mutual or Pooled Fund or a Master Trust.

Line 078: Other amounts receivable at plan year end include transfers not yet received, interest accrued on unpaid contributions, dividends, refunds or other advantages, amounts receivable from an indemnification agency such as the Canadian Health and Life Insurance Compensation Corporation (CompCorp) or the Canada Deposit Insurance Corporation (CDIC). If the amount receivable is from a transfer of assets that OSFI has not yet authorized, this should also be disclosed in the *Notes to the Financial Statements.*

Liabilities: Liabilities are accounting liabilities made up of debts or amounts that the plan owes at plan year end. They are **not** the actuarial liabilities resulting from plan obligations.

Line 125: The amount of mortgage borrowings at plan year end should be reported on this line. A mortgage borrowing is a debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on property as security for the repayment of a loan.

Line 135: Refunds, transfers and benefits that are owed but have not been paid at plan year end should be shown on this line.

Line 140: Plan administrative and management costs that were owing at plan year end are to be shown on this line.

Line 148: Other amounts payable include payments owing at plan year end for mortgage borrowings, non-mortgage borrowings, overdrawn accounts or credit margins used to acquire securities, investments and amounts relating to derivative instruments, including unrealized losses, deferred unrealized gains relating to reserves for credit and market risks, deferred gains on hedging instruments and the unamortized balances of premiums received.

Line 199: The net assets shown on this line should be the same as the net assets at the end of the plan year that are shown on Line 199 of the *Statement of Changes in Net Assets*.

4. Notes to the Financial Statements (page 30.030)

This section is to be used to disclose additional information on the pension fund in accordance with GAAP.

5. General Interrogatories (page 30.035)

This section requests information with respect to the Statement of Investment Policies and Procedures (SIP&Ps) and the pension fund investments. An Auditor is not expected to give an opinion on items included in the interrogatories.

Where foreign investments are reported in this section at a value other than fair market value, the basis used for reporting (e.g. book value) must be indicated in the *Notes to the Financial Statements* on page 30.030 of OSFI 60.

Section III

Glossary

Auditor's Report – also known as the auditor's opinion, is the opinion of the auditor with respect to the financial statements that have been prepared by the plan administrator.

Accrual basis of accounting – requires that amounts receivable and payable at plan year end be included in the calculation of the increase or decrease in assets, without consideration for the date on which payments will be received or made.

Derivative instruments – include interest rate, equity, commodity, foreign exchange and other derivative contracts such as forwards, futures, swaps and options.

Fair value – in respect of an asset, is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Insured plan – is a pension plan for which all benefits are paid by means of an annuity or insurance contract issued by a person authorized to carry on a life insurance business in Canada and under which the person is obligated to pay all the benefits set out in the plan.

Master Trust – comprises the grouping of two or more pension funds, often for plans of one employer, for investment purposes. Each plan holds an undivided portion of the trust assets that corresponds to a percentage of participation or to units of participation.

Mutual Fund – is a fund that includes several securities or categories of securities (shares, bonds, mortgages, etc.) established by a corporation that is duly authorized to operate a fund in which moneys from two or more depositors are accepted for investment and where units allocated to each depositor serve to establish the proportionate interest at any time of each depositor in the assets of the fund.

Pension Fund – in relation to a pension plan, means a fund maintained to provide benefits under or related to the pension plan.

Pooled Fund – see **Mutual Fund**

Proportionate Consolidation Method – consists of reporting the assets, income and expenses in the *Statement of Changes in Net Assets* and the *Statement of Net Assets* on the basis of a pro rata share for each investment held by the pension fund.

Segregated Fund – in relation to a pension plan, means a fund established by a life insurance company authorized to carry on business in Canada, in which contributions to a pension plan are deposited and the assets of which are held exclusively for the purposes of that plan alone or that plan and one or more other pension plans.

Special payment – is a payment or one of a series of payments established by an actuary through an actuarial report for the purpose of liquidating an unfunded liability or solvency deficiency.

For further information, please visit our website at www.osfi-bsif.gc.ca or contact us at:

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