

# Advisory

## Release of BCFSA's 2021 Survey on Defined Contribution Pension Plans

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### PURPOSE

BC Financial Services Authority ("BCFSA") is conducting a survey on Defined Contribution ("DC") pension plans. The survey is distributed via email to all DC pension plan administrators that BCFSA regulates. We encourage DC pension plan administrators to take the survey

The survey results will form a baseline for BCFSA to review the potential risks faced by DC plans and to assist with the development of a supervisory framework for DC pension plans. The survey results are expected to be made available to all DC pension plan administrators and pension stakeholders.

Below are definitions of terms used in the survey to assist DC pension plan administrators when responding to certain questions:

### ADDITIONAL INFORMATION

- **Plan or DC Plan:** The survey focuses on the DC component of pension plans only. Plan administrators should not include any information related to defined benefit or target benefit component that may form part of their plan.
- **Administrator:** Mentions of the plan administrator throughout the survey refer to the Executive Officer, a Corporate Administrator, or Board of Trustees, as applicable, who oversee the DC pension plan in accordance with [section 35](#) of the *Pension Benefits Standards Act* ("PBSA") and [section 27](#) of the *Pension Benefits Standards Regulation* ("PBSR"). For clarity, this does not include any external third-party administrative service providers used by the plan.

We understand the plan administrator may wish to request assistance from administrative staff or service providers who are more familiar with a particular issue. However, the primary responsibility for completing the survey and ensuring the accuracy of the responses lies with the plan administrator.

- **Age-based Fund:** This refers to a portfolio of investments that takes into account the member's age and proximity to retirement as well as adjusts the holdings to lower the risk as a member nears retirement. They are also referred to as "lifecycle", "retirement-date", and "target-date" funds.
- **Balanced Fund:** This fund combines holdings diversified over two or more asset classes. The amounts the fund invests into each asset class must usually remain within a set minimum and maximum value. Another name for a balanced fund is an asset allocation fund. Balanced funds also differ from actively managed funds, which may evolve as a result of the investor's changing risk appetite or overall investment market conditions.

- **Bidding Process:** An annuity bidding process is where quotes/bids are collected from various insurance companies, and the annuity purchaser chooses which annuity they want to buy, if any, among those bids. In the case of individual annuity purchases, the annuity purchaser is the member.
- **Contributions or Contribution Rate:** For questions referencing the DC plan's contributions or contribution rates, please refer to the plan's most up-to-date information regarding the contributions made by or on behalf of the member, excluding any additional voluntary or optional ancillary contributions. Contribution rates and their calculation may vary from one plan to the other, depending on the plan terms (i.e., percentage of pay or flat dollar amount(s) per hours worked).
- **Default Option/Action:** In the context of a member's termination, retirement, or death, the default option/action means what the DC plan does with a member's account balance, on their behalf, if the member or beneficiary does not provide their election within the required deadline after receiving their statement of benefits and option election form.
- **Number of Investment Options:** Plan administrators are required to consider the following when determining the number of investment options the plan offers. For each age-based investment option (also referred to as "lifecycle", "retirement-date", and "target-date" funds) offered by the plan, please do not count each risk profile/age category as a distinct investment option. Instead, count the aggregate collection of related age-based investments/funds as one option. If the plan offers different types of age-based investment options (each containing their own risk profile/age categories), then count each type of age-based fund as a distinct investment option.
- **Income Replacement Ratio:** An income replacement ratio is one measure of a DC plan's outcomes or the value it is producing for members. This ratio is often viewed as an indicator of whether a member might expect to maintain their standard of living in retirement. This ratio – also referred to as the replacement rate – can be expressed as the percentage of a worker's pre-retirement income that may be replaced by the possible future retirement income they might get using their DC account balance.
- **Life Income Type Benefits ("LITB") Account Option:** This account is a retirement option that mirrors the requirements of a Life Income Fund, with the same minimum and maximum payment requirements. This account option is provided directly through the pension plan, as opposed to requiring the member to transfer the fund out of the plan to a financial institution. LITB accounts must be administered in accordance with [section 75](#) of the PBSA and the PBSR.
- **Registered Retirement Account:** A registered retirement account can be a Registered Retirement Savings Plan ("RRSP"), a Locked-in Retirement Account ("LIRA"), Life Income Fund ("LIF"), or Retirement Income Fund ("RIF").  
  
RRSPs and RRIFs are each within the meaning of the Income Tax Act (Canada). LIRAs and LIFs are respectively locked-in forms of RRSPs and RRIFs. Locked-in means that the money is held to provide the member with a pension when they retire and may not be withdrawn before retirement. Additionally, the money is not accessible all at once as cash, except in exceptional circumstances.
- **Written Governance Policy:** This policy should meet the criteria outlined in [section 50](#) of the PBSR for the structure and processes that relate to overseeing, managing, and administering the plan.

If you have any questions or wish to provide comments to supplement the responses you provided to the survey questions, please feel free to email us at [pensions@bcfsa.ca](mailto:pensions@bcfsa.ca).