BRIEFING NOTE:

PROPOSED REGULATION FOR LETTERS OF CREDIT IN ASSET TRANSFERS

- The current asset transfer regulations under the *Pension Benefits Act* (Ontario) require the amount of assets to be transferred to include the face amount of any letters of credit (LCs), in addition to the amount of the invested assets of the pension fund.
- Letters of credit are used to reduce solvency funding obligations.
- The proposed regulation will permit asset transfers of the invested assets only (and not the amount of the LCs) where two conditions are met:

  (a) all of the assets of the original plan are transferred to the successor plan; and

  (b) the successor plan holds LCs equal to the value of the LCs in the original plan.
- This proposal is not ideal since it would require AMD to hold LCs in both plans for a period of time, effectively doubling the financial commitment required.

PROPOSED REGULATION UNDER O. REG 310/13 (ASSET TRANSFERS UNDER SECTION 80 AND 81 OF THE *PENSION BENEFITS ACT* (ONTARIO))

Add the following subsection (5) to Section 9:

"(5) In the formula in subsection (2), if the total amount of all letters of credit held in trust under section 55.2 of the Act for the original pension plan is equal to the total amount of all letters of credit held in trust under section 55.2 of the Act for the successor pension plan as of the effective date of the transfer, and all of the assets of the original pension plan are to be transferred to the successor pension plan, "A" is the sum of the total amount of the solvency assets of the original pension plan."

Subsection 9(2) may need to be amended to permit the above exception.