DONALDSON VINCENT
ASSOCIATES LIMITED

Pension and Employee Benefit | Consultants and Actuaries

Services for Employers

38 LESMILL ROAD, TORONTO, ONTARIO M3B 2T5 T: (416) 447-7900 F: (416) 445-4504

WWW.DVASSOCIATES.COM

Donaldson Vincent Associates was formed in 1997 through a combination of the employee benefit and investment consulting practice of Donaldson Associates and the pension, actuarial and benefits consulting practice of B. J. Vincent Company Limited.

Donaldson Vincent Associates' mission is to always be current and coherent for both the plan sponsor and the investor, as well as, the plan member and other stakeholders.

DVA'S BREADTH AND RESOURCES

DV Associates has experience in employee benefits, pensions and investment analysis dating back more than 25 years. But DVA's current breadth of knowledge and access to unique resources gives our clients a new perspective.

The principals of DV Associates have a variety of experience and qualifications. In addition the technical staff, including software and website developers of Vincent Associates, an affiliated data management company, are available for specialized work for the clients of DVA. Further DVA has direct access to the vast database of investment statistics and other information gathered daily by Fundata Canada Inc.

Our primary source of investment information consists of mutual fund data from the Fund Profiler, owned by Fundata Canada and the B. J. Vincent Company Pooled Pension Fund Survey. This data and the resources and specialized personnel of Fundata Canada and Vincent Associates gives DVA the ability to create innovative solutions for our clients

Actuarial Valuations

DV Associates has in excess of 25 years experience performing actuarial valuations of all types for both union and non-union, large and small pension plans. Although some defined benefit pension plans can involved relatively complex valuation techniques our valuations software allows us to build efficient and cost effective solutions to all types of benefits for both ongoing and solvency valuations. In addition our software developers have experience with a number of programming languages, database management systems, internet applications and others.

+ Ongoing actuarial valuations
+ Solvency valuations
+ Plan Wind-ups
+ Conversions from Defined Benefit to Defined Contribution
+ Valuations for accounting purposes
+ Valuations for supplemental plans and IPPs
+ RCAs, Secular Trusts, Letters of Credit

Life, Health & Disability Plans

The prime theme taken by DV Associates with respect to our clients' life, health and disability plans is the minimization of the use of insurance products or coverage. Particularly with health plans self-insurance through an administrative services only (ASO) approach and combined with properly applied stop loss insurance is often very effective. Dental plans are also often best handled through carefully designed ASO arrangements.

Our experience and actuarial expertise also allows us to analyze thoroughly the reserving techniques and other costs of insurance company Long Term Disability plans and survivor income plans.

Life coverage can take on different degrees of insurance protection Insurance companies give different levels of recognition to the experience of a group's life claims. DV Associates' actuarial background and experience allows us to analyze thoroughly an insurance company's rating for our clients' insurance coverage.

Pension Plans

For 15 years and more the traditional defined benefit pension plan has declined in popularity. However, large government plans and the hundreds of corporate plans covering both union and non-union employees continue to play an important role in the overall retirement income system.

DV Associates' strength in defined benefit pension plan services is founded upon the period of exceptional development of these plans in the 1970s and is extended through the transition in the late 1980s and early 1990s. We continue to provide our clients with informed and cost effective service in such areas as:

+ Actuarial valuations
+ Costings of plan changes
+ Plan document drafting
+ Statement of Investment Policies and Procedures drafting
+ Member communications material
+ Plan registration and ongoing legislation assessment
+ Creation of administration solutions
+ Assistance with union negotiations

DB/DC Plans

DEFINED BENEFIT (DB) PLAN

The DB Plan or defined benefit plan, which defines the pension benefit to be paid the plan member at retirement, was the most popular pension plan established by employers in Canada in the 1970s and 1980s. Broadly speaking the DB Plan defines the retirement benefit to be paid the member as a monthly amount calculated either as:

1) a percentage of member's earnings (often the average of the member's earnings in the last 3 or 5 years prior to retirement) times the number of years and months the member has served with the employer, or

2) a flat dollar amount times the number of years and months of service.

There are numerous variations of the above defined benefit formulas, for example, integration of Canada Pension Plan benefits into the formula. Early retirement subsidies might also be included where retirement occurs earlier than expected.

The DB Plan began to lose its appeal in the late 1980s as government regulation and other legal and accounting requirements increased the complications and costs of administering and financing the plans. Smaller companies or employers, in particular, found the DB Plan too complicated and costly.

DEFINED CONTRIBUTION (DC) PLAN

The DC Plan has existed as long as the DB Plan, but fell out of favour in the late 1960s mainly because of poor administration and inadequate investment programs used by the principal suppliers of such plans - the life insurance companies. Interestingly enough the DC Plan was more complicated than the DB Plan back at that time (1960s and 1970s), when pension legislation and other requirements of DB Plans were relatively benign. This has now changed with the many new requirements of DB plans.

As the name suggests DC Plans define the amount of contributions to be made to the plan on behalf of each plan participant.

WIND-UPS AND CONVERSIONS

Because of the complexities of DB plans, many of the smaller DB plans have been wound-up or converted to DC plans. Often on wind-up the plan sponsor has substituted a Group RRSP or perhaps a combination Group RRSP and Deferred Profit Sharing Plan (DPSP) for on-going retirement savings. Over the last 15 years DV Associates has developed considerable experience with windups, and conversions, including the establishment of substitute savings plans such as Group RRSPs.

GROUP RRSPs/CAPs

As the 1980s drew to a close Group RRSPs increased in popularity as an alternative for the traditional defined benefit pension plan. For small companies, in particular, the defined benefit pension plan was too complicated and expensive to use as a retirement program for employees. The Group RRSP is a simple savings program that requires little involvement of the employer or plan sponsor in day to day operation of the program, other than payroll deduction.

However, it is important that the plan sponsor and other fiduciaries of the plan maintain an active role in the overall management of the Group RRSP, especially with choices or recommendations (whether overt or not) with respect to investments or investment funds.

Since the early 1990s DV Associates has built up expertise with Group RRSPs including:

+ the establishment of an appropriate investment program (mutual funds, segregated funds, pooled pension funds, GICs, etc.) and assistance in the choice of investment managers,
+ plan design and, where appropriate, document drafting,
+ on-going assessment of investment results and managers,
+ member communications material, meetings, asset mix, etc.

CAPITAL ACCUMULATION PLANS (CAP)

Effective December 31, 2005 all Group RRSPs and other employer sponsored DC Plans must follow the Guidelines for Capital Accumulations Plans. These Guidelines deal with a number of issues particularly those associated with member investment choices and information. DV Associates has developed processes to ensure that client sponsored Group RRSPs and DC Plans meet all the Guidelines and, therefore, all fiduciary requirements. At the same time DV Associates provides all necessary investment services and information to plan members.

IPP/Supplemental Plans

INDIVIDUAL PENSION PLANS (IPP)

Typically an Individual Plan or IPP is established as a defined benefit plan for a senior executive or owner of a firm. Properly designed both in terms of plan provisions and with respect to the valuation of such plans, an IPP can provide substantial additional tax sheltering that would otherwise not be the case with regular RRSP.

An IPP can be of significant value to the member or members, but because such plans normally only have one or two members, the costs associated with the actuarial valuations and other administration can be considerable. DV Associates takes particular care in the establishment and ongoing management of IPPs to keep costs at a minimum.

SUPPLEMENTAL PLANS

With the limits imposed on registered pension plans, both defined benefit and defined contribution by the the Income Tax Act, it has become necessary for employers to establish Supplemental Pension Plans. These plans are most often established for senior or executive employees as their salary ranges exclude such employees from fully participating in the benefits of traditional pension plans.

Supplemental plans can take many forms and require careful planning and analysis of the needs of the plan sponsor and the plan members. DV Associates has designed and administered many types of Supplemental plans, involving a variety of funding mechanisms or instruments.

+ Retirement Compensation Arrangements (RCAs)
+ Letters of Credit
+ Secular Trusts
+ Unfunded, book reserves

Accounting

ACCOUNTING PENSION/BENEFIT PLANS

Retirement plans, including unfunded plans, require specific reporting on the books of the plan sponsor or employer. The Canadian Institute of Chartered Accountants has produced various documents dealing with accounting for pension plans and other benefit plans. DV Associates has worked extensively with the requirements of CICA 3461 and the U.S. accounting requirements in FASB Statements 87 and 88 and the more recent FAS 132 and FAS 158.

Beginning January 1, 2010 and fully implemented January 1, 2011 Canadian accounting standards will incorporate the requirements of the International Financial Reporting Standards. This will include pension plan accounting in accordance with IAS19.

DV Associates' experience covers both ongoing accounting requirements and termination of plan accounting requirements as set out in both Canadian and U.S. accounting Rules and, in addition, all new requirements under IAS19.