

Notice of Intent

Quinquennial Review of Part 6000 – Practice-Specific Standards for Post-Employment Benefit Plans

Actuarial Standards Board

June 2021

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MEMORANDUM

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries, and other interested parties

From: Josephine Marks, Chair
Actuarial Standards Board

Jimmy Dang, Chair
Designated Group

Date: June 24, 2021

Subject: **Notice of Intent: Quinquennial Review of Part 6000 – Practice-Specific Standards for Post-Employment Benefit Plans**

Comments deadline: **September 17, 2021**

Introduction

The Actuarial Standards Board (ASB) has established a designated group (DG) to review Part 6000 of the *Standards of Practice* of the Canadian Institute of Actuaries (Post-Employment Benefit Standard or Part 6000).

The current Post-Employment Benefit Standard came into effect on June 30, 2013. Since coming into effect, a subsequent complete review of the Post-Employment Benefit Standard has not been conducted. Minor amendments have been made on four separate occasions (with effective dates of March 31, 2015, October 15, 2017, February 1, 2018, and May 1, 2019) to maintain consistency with the other practice-specific standards.

The current review of the Post-Employment Benefit Standard is being undertaken as part of the ASB's normal process of reviewing and potentially updating every major segment of the *Standards of Practice* on approximately a quinquennial basis.

The mandate of the DG is:

- to conduct a comprehensive review of the current Post-Employment Benefit Standard;
- where appropriate, to update the wording to align more closely to the current post-employment benefit practice environment;
- to determine the level of specificity required within Part 6000;
- to make revisions where necessary to improve the clarity, conciseness and level of specificity provided within Part 6000; and

- to introduce any new elements that may be deemed necessary to adapt to changes that have occurred in the post-employment benefit practice environment since the last review.

This notice of intent (NOI) outlines revisions under consideration during this review, and requests feedback on the revisions as part of the formal due process for amending the actuarial standards of practice.

Background

This mandate includes a complete review of Part 6000 intended to identify revisions that may be appropriate given changes in the post-employment benefit practice environment over the past several years. Also included in this mandate is an attempt to identify any other refinements that are deemed worth considering in order to improve the standard – e.g., for greater clarity or to make application of the standard more appropriate for practitioners and/or the public. In some trivial cases, this review may involve correcting typos. In others, it may reflect the DG’s perspective on the appropriate use of certain terms: for example, “reasonable” or “should” vs “would” vs “may.” Given that the standards are intended to be principles-based, in some situations, the members of the DG felt that clarity with respect to the application of standards might better be addressed by educational notes as developed by the Committee on Post-Employment Benefit Plans, rather than amending the wording of Part 6000.

Changes to Part 6000 that are under consideration:

- Section 6100 which provides details on the scope of work covered by Part 6000. The DG believes this section should be updated to be clearer, more concise, and easier to read for all users. For example, consideration can be given to:
 - moving paragraph 6100.04 to be a point under paragraph 6100.02; or
 - eliminating paragraph 6100.03.
- Section 6300 Full or Partial Wind-up Valuation applies to advice that an actuary provides with respect to the wind-up of a post-employment benefit plan. This section could potentially be referenced in the case of a wind-up of a self-insured funded long-term disability plan. The current structure of this section was intended to mirror Section 3300 of the pension plans standards. However, given the limited amount of work this section would apply to, the DG is of the opinion that this section should be edited to consider either:
 - condensing it, keeping the content that would only apply to funded plans and wind-ups;
 - referencing other sections where there is duplication, for example at the start of the section; or
 - eliminating the section completely and moving any essential information to other sections.

Generally, the DG is of the opinion that there is considerable duplication throughout Part 6000, and in particular in this section. The DG's opinion is that this is one area where consideration can be given to achieve conciseness and specificity within Part 6000.

- The DG is of the opinion that it may be valuable to increase the level of specificity relating to the use of certain actuarial methods and assumptions that are noted throughout Part 6000. As mentioned, Part 6000 has been structured to mirror Part 3000 for Pension Plans. While the DG agrees that it is important to maintain consistency between standards where possible, it is of the opinion that in comparison to the pension practice area, there are unique elements of the post-employment benefit practice area that suggest that a different level of specificity in Part 6000 may be desirable compared to Part 3000.

The DG has observed that there are key assumptions and methods used in the valuation of post-employment benefit plans for which there exists no governing guidance or Canadian-specific published information available. Below are a few examples:

- the use of aging assumptions in the valuation of health care benefits
- considerations on adjusting for unusual claiming patterns
- considerations for assessing the credibility of claims data

This lack of guidance has resulted in inconsistencies in actuarial practice and increases the potential that actuarial valuation results for post-employment benefit plans will vary substantially from one practitioner to another. The DG is of the opinion that consideration should be given to providing more specific guidance in Part 6000, since most post-employment benefit plans are subject to far less regulation compared to pension plans. Where it is determined that this detail is not appropriate within the Post-Employment Benefit Standard itself, the DG intends to recommend that new or updated educational guidance be published.

- A separate designated group is currently reviewing the Practice-Specific Standards for Pension Plans (Part 3000). As part of this review, certain relevant changes that have been made to Part 3000 will also be considered for Part 6000.

Timeline

The ASB aims to publish an exposure draft before the end of spring 2022 with the final standards effective no earlier than December 31, 2022. However, the ultimate timeline for the review will depend on the feedback received and could vary from the targets given above.

Your feedback

The ASB is soliciting feedback on this NOI from members of the CIA and other stakeholders including the CIA Committee on Post-Employment Benefit Plans on the following questions:

1. Are the areas that have been targeted for review (as described above) appropriate?
2. How should Part 6000 clearly distinguish between valuations for funding purposes, wind-up, and those for financial reporting purposes?
3. Are there any specific areas in Part 6000 where changes should be considered to enhance consistency with other practice areas?
4. Is additional content needed in Part 6000 on the setting of specific assumptions (for example, retiree benefit aging tables, adjusting for unusual claim patterns, assessment of credibility, reflection of stop loss pooling arrangements, etc.)
5. Are there any other items that should be added, removed, or clarified in Part 6000?
6. Are there certain items that would be better addressed through new educational guidance rather than amendments to the Post-Employment Benefit Standard?

Comments are invited **by September 17, 2021**. Please send them to Jimmy Dang at jimmy.dang@hubinternational.com, with a copy to Chris Fievoli at chris.fievoli@cia-ica.ca. No other forums for obtaining feedback are contemplated.

Designated group

The group responsible for the development of the revisions to the standards of practice consists of: Jimmy Dang (chair), Michèle Boivin, Karen Dixon, Greg Durant, Donald Luciak, Karen Novak, Kristina Percy, and Kwame Smart.

Due process has been followed in the preparation of this NOI.

JEM, JD