



## Memorandum

**To:** All Pension Actuaries

**From:** Bruce Langstroth, Chair  
Practice Council

Manuel Monteiro, Chair  
Committee on Pension Plan Financial Reporting

A. Kim Young, Chair  
Pension Experience Subcommittee

**Date:** October 30, 2013

**Subject:** **Educational Note Supplement: Canadian Pensioners Mortality**

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### PURPOSE

The purposes of this document are for the Pension Experience Subcommittee to provide further information on the steps it is taking to finalize the Canadian Pensioners Mortality research report, and for the Committee on Pension Plan Financial Reporting (PPFRC) to provide guidance to actuaries regarding the setting of best-estimate mortality assumptions prior to the finalization of the research report.

The educational note supplement provides an update for the educational note [Selection of Mortality Assumptions for Pension Plan Actuarial Valuations](#) published on March 12, 2008.

### DUE PROCESS

The Policy on Due Process for the Approval of Guidance Material Other than Standards of Practice was followed in the development of the educational note supplement.

### CONTACT INFORMATION

Questions should be addressed to A. Kim Young at [kim.young@sunlife.com](mailto:kim.young@sunlife.com) and Manuel Monteiro at [manuel.monteiro@mercero.com](mailto:manuel.monteiro@mercero.com).

BL, MM, KY

The Pension Experience Subcommittee (PES) of the CIA Research Committee is continuing its review of the questions and comments received in response to the draft report on [Canadian Pensioners Mortality](#) issued on July 31, 2013.

For instance, the following steps have been initiated:

- The PES is soliciting additional information from participating contributors in an effort to secure the sign-off of certain excluded data sets and to enable the reclassification of pensioners by industry type, and/or as white- or blue-collar workers; and
- The PES is reviewing available information to reassess the shape and magnitude of its mortality improvement scales, and expects to coordinate this effort with the release of the December 31, 2012, actuarial valuation results of the Canada and Québec pension plans (C/QPP), which are expected to be tabled with the Government in December.

The PES believes the dataset used for the Registered Pension Plan (RPP) Study to be of high quality and credible. It is the largest Canadian RPP dataset that has yet existed, and provides useful information for establishing the best estimate mortality assumption for a Canadian pension plan. While the foregoing initiatives are expected to change the specific rates in the tables and scales provided in the draft report, the PES is of the view that the revisions will not change the overall thrust of the studies' results. In particular:

- Based on the data reviewed in the RPP Study, mortality rates for Canadian pension plan participants are significantly lower on average and exhibit a different pattern by age than the UP94 mortality rates projected forward using Scale AA; and
- Based on the data presented in the C/QPP Study, experienced mortality improvement rates have been substantially higher than those in Scale AA, particularly in the more recent periods under review.

Considering the above, it is the view of PPFRC that:

- The use of the unadjusted UP94 table projected to the valuation date using Scale AA as a best estimate of current mortality rates; and/or
- The use of an unadjusted Scale AA as a best estimate of future mortality improvement rates

would only be appropriate if supported by credible experience, the characteristics of the specific plan under review, or other quantifiable evidence.

In establishing a best estimate mortality assumption, it would always be preferable to reflect actual credible experience of the plan under review, rather than to rely solely on published mortality studies or adjustments. Where credible plan experience is not available, it may be appropriate to consider the experience of similar plans with credible experience, industry experience studies, and/or published studies, including those available from the RPP Study and the C/QPP Study.

Prior to the finalization of the Canadian pensioners mortality report, where credible experience is not available, the PPFRC believes that a reasonable approach would be for the actuary to use, or appropriately modify, published tables and improvement scales, including those available from the RPP Study and the C/QPP Study referred to in the draft report. The actuary would exercise professional judgment when making adjustments to published tables.

In addition, the actuary may refer to the educational note on the [Selection of Mortality Assumptions for Pension Plan Actuarial Valuations](#) issued on March 12, 2008. The general considerations in the educational note are still relevant, although specific references may be outdated.

The guidance provided by the PPFRC would be considered as a supplement to the 2008 educational note. Members should be familiar with educational note supplements. Educational note supplements expound or update the guidance provided in an educational note. They do not constitute standards of practice and are, therefore, not binding. They are, however, in conjunction with the source educational note, intended to illustrate the application (but not necessarily the only application) of the Standards of Practice, so there should be no conflict between them. They are intended to assist actuaries in applying standards of practice in respect of specific matters. Responsibility for the manner of application of standards of practice in specific circumstances remains that of the members.