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Memorandum

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

From: Edward Gibson, Chair
Actuarial Standards Board

Gavin Benjamin, Chair
Designated Group

Date: September 7, 2023

Subject: **Minor Revision – Part 3000 Pension Plans**

Document 223137

Introduction

The Actuarial Standards Board (ASB) has been informed of an error in paragraph 3260.20 (Types of valuations) of the practice-specific standards for pension plans (Part 3000). Given the modest nature of the required changes, the ASB created a two-member designated group (DG) to review and recommend what actions, if any, were required.

The correction proposed by the DG was approved by the chair of the ASB on September 5, 2023, and is effective December 1, 2022.

Background

As part of the quinquennial review of the practice-specific standards for pension plans, paragraph 3260.20, which specifies the types of valuations in respect of which information would be disclosed in an external user report, was revised for improved readability.

However, as was brought to the ASB's attention, the updated wording, which became effective on December 1, 2022, inadvertently results in requiring that information with respect to a hypothetical wind-up valuation be disclosed for non-registered pension plans that do not fall within either of the two exemptions mentioned in paragraph 3260.20.

As a result, this could require that an additional valuation be performed, for example, when performing a going concern valuation for a supplemental executive retirement plan. This was not the intent of the ASB, nor of any of the designated groups that were involved in the quinquennial review.

Review and recommendations

After reviewing the relevant sections of the Standards of Practice and consulting with the Committee on Pension Plan Financial Reporting (PPFRC), the DG concurred that paragraph 3260.20 needed to provide an additional exception from the requirement to disclose the results of a hypothetical wind-up valuation to restore the exemptions that existed prior to the quinquennial review.

Recommendation: The DG recommended that paragraph 3260.20 be changed by inserting the words “if the plan is a registered pension plan” at the beginning of the second bullet. The revised paragraph would read as follows:

The external user report may provide information with respect to multiple valuations, but would, as a minimum, provide information with respect to:

- Any valuation mandated by law or specified by the terms of an appropriate engagement; and
- If the plan is a registered pension plan, a hypothetical wind-up valuation under the scenario regarding the circumstances resulting in the wind-up, subject to paragraph 3240.03, unless:
 - the pension plan and the law do not define the benefits payable upon wind-up, or
 - the pension plan is a “designated plan” which has, as members on the calculation date, only persons “connected” with the employer as those terms are defined in the Income Tax Regulations (Canada).

The DG recommended that the change be effective December 1, 2022, to avoid any situation where an incomplete external user report may have inadvertently been issued, as it is likely that few actuaries were aware that an exemption from disclosing information with respect to a hypothetical wind-up valuation had been removed for non-registered pension plans.

Section E of the ASB’s *Policy on Due Process for the Adoption of Standards of Practice* includes the following provisions dealing with such situations:

Occasionally, after final standards have been published, the ASB discovers that a minor error (typographical or similar) has been made. The due process for minor revisions to standards, as detailed in section H below, is not required to correct the minor error. Instead, the chair of the ASB or another ASB member appointed by the chair, will work with the Head Office to correct the error and communicate the correction to CIA members and other interested parties.

The ASB concluded that the modifications described above are to correct a minor error under ASB’s policy on due process. Therefore, there was no consultation, other than with the PPFRC, involved in arriving at these recommendations.

Members of the DG

Gavin Benjamin (Chair) and Thierry Chamberland are members of the DG.

Due process

The authors of this memorandum confirm that due process has been followed.

Date of adoption

These changes have been approved by the chair of the ASB and, co-incident with the publication of this memorandum, will be reflected in the version of the practice-specific standards for pension plans **effective December 1, 2022**, plus all subsequent versions already published.

Effective date

The changes are effective December 1, 2022. Early implementation is irrelevant.



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