



# 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

Renée Couture, Chair  
Designated Group

**Date:** December 11, 2023

**Subject:** **Final Standards – Part 6000 of the *Standards of Practice – Practice-Specific Standards for Non-Pension Employee Future Benefit Plans***

Document 223178m

## Introduction

The attached final *Standards of Practice – Practice-Specific Standards for Non-Pension Employee Future Benefit Plans* (Part 6000, hereinafter “the SOP”) were approved by the Actuarial Standard Board (ASB) on November 27, 2023.

## Background

In May 2020, the ASB established a designated group (DG) to review the SOP. A [notice of intent](#) was issued on June 24, 2021, with a September 17, 2021, comment deadline.

An [exposure draft](#) (ED) was issued on June 6, 2023, with a September 12, 2023, comment deadline.

## Summary of comments

The DG received five letters of feedback on the ED. The suggestions were divided in two categories: minor changes (such as word changes), listed in Appendix A, and non-editorial in nature changes (such as rules for extrapolation and responses to suggested changes or enhancements), listed in the table below with the DG’s responses.

SOP sections	Comments received after ED issued	Response from DG
6410.13 and 6410.21	Extrapolation should be for four years instead of three.	The maximum extrapolation period for membership data was changed from three years to four years. However, the DG felt that changing the value from three years to four years with no further clarification could imply that a time period of four years between full

		actuarial valuations could be interpreted as normal practice. As a result, the following wording was added to paragraph 6410.13 to improve clarity on this matter: “The time period between the calculation dates of full actuarial valuations would not normally be more than three years”. A similar modification was made to paragraph 6210.25 for consistency.
6210.28 and 6410.17	Broaden “future health/dental claims trend rate.” Consider including “for the development of a mid-term rates.”	Changed “future health/dental claims trend rate” to “future benefit escalation rates”. Specific commentary on the development of a “mid-term rate” was not added. However, a comment was added to paragraph 6410.17 that the actuary would consider “when the short-term escalation rates may need to be revised”. In addition, wording was added to the example related to “general economic conditions” to improve clarity.
6210.32, 6310.15 and 6410.20	Replace “claims experience” with “benefit utilization.”	Changed to “benefit utilization experience.” Removed “related to the adjudication of the claims.” In paragraphs 6310.15 and 6410.20, changed “may” to “would” to be consistent with paragraph 6210.32.
6230.01	Review use of margins/provisions for adverse deviations for consistency.	Added “including the extent of any margin for adverse deviations included with respect to each such assumption” to address both margins and provisions (next to last bullet in paragraph 6230.01 addressing provisions) in paragraph 6230.01. The terms “margins for adverse deviations” and “provisions for adverse deviations” were used in the SOP as per the definitions in Part 1000 (paragraphs 1120.42 and 1120.56).
6230.12	First bullet’s 4th sub-bullet: Consider using “benefit utilization” instead of “claims cost.”	Added “health and dental” in front of the first reference to “claims cost.” The DG feels that “claims cost” in this context is appropriate.
6230.20	Suggest the wording be clarified so that “pension and non-pension actuaries,” though allowed to prepare a	Subsection 1510 addresses this distinction. No changes were made.

	single work produce, are independently signing off on their specialties (also make same change to paragraphs 6320.29 and 6420.06).	
6410.06	Comment as to mentioning the terms of engagement to specify what consists of “virtually definitive” amendments.	No changes made as “virtually definitive” is defined in Part 1000.

## Educational guidance

The comments on the need for additional educational materials can be summarized as follows:

- Education material on valuation methodology for specific non-pension employee future benefits such as accumulating sick leave benefits.
- Education material on assessing benefits utilization data for credibility and adjusting such data due to plan changes or unusual claims patterns.
- Education material on developing aging assumptions and aging tables that can be used in valuations.
- More frequent updates to guidance on reasonable health and dental trend assumptions.

These suggestions will be conveyed to the Actuarial Guidance Council and the Practice Development Council. Note, however, that development of these educational materials requires that the CIA have access to relevant industry data. In the past, the CIA has encountered challenges acquiring the experience data needed to conduct the research for such educational materials.

There was also a suggestion to provide further guidance on the use of the terms: "not normally" in the standards. As this is not solely the case for the SOP, the DG suggests referring this to the DG that has been established to conduct a quinquennial review of Part 1000 of the actuarial standards.

## Timeline

The DG does not anticipate the changes to have any effect on work done per the SOP. These final standards of practice are effective February 1, 2024. Early implementation is permitted.

## Members of the DG

The members of the DG are Renée Couture (Chair), Michèle Boivin, Karen Dixon, Donald Luciak, Karen Novak, Kristina Percy and Kwame Smart.

## Due process

The ASB's *Policy on Due Process for the Adoption of Standards of Practice* was followed in the development of these new standards.

EG, RC



## Appendix A – Minor changes

SOP sections	Comment received from ED	Response from DG
	One comment about the change of name for Part 6000	The DG decided to maintain the change made.
	Review the use of “trends,” “claims,” “claims cost,” “claim costs,” “benefit utilization” and “benefit utilization rate” for consistency.	The term “trend” was removed and replaced by “change” in paragraphs 6210.23 and 6410.11 and otherwise replaced by “escalation rate” in paragraphs 6210.28, 6230.01, 6230.12, 6230.15 and 6410.17.  The term “claim(s)” was changed to “experience” in paragraphs 6210.23 and 6410.11 (in once instance), otherwise to “benefit utilization” for consistency in paragraphs 6210.25, 6210.29, 6210.32, 6230.12, 6310.15, 6410.11, 6410.13, 6410.16, 6410.20 and 6420.01.
6100.03	The term “other than pension benefits” is redundant.	Removed.
6210.25	Change “claims cost” to “benefit utilization”.	Changed and added examples of claims costs and sick leave usage.
6210.27 and 6410.15	Consider adding “integration of benefits with applicable government programs,” changing “claim location” to “claimant location” and adding “and annual” to “lifetime benefit maximums.”	Added “government programs” and changed “claim to claimant.” Added “and annual” to “benefit maximums.”
6210.29 and 6410.16	Reword end of paragraph to: “In developing the applicable assumptions, the actuary may consider other sources such as benefit utilization experience of other similar plans.”	Changed.
6220.06	The items listed seem to indicate that the choice is either/or.	Wording changed to indicate that the two options listed are examples.
6230.02	First bullet has an “an” in front of “active investment” that should be removed.	Removed.
6320.02	Bullet: “if applicable, report the settlement value for each plan member, on a de-identified basis, and when settlement is to be made	Removed.

	by cash payments to the member;" remove the "and."	
6320.15 to 6320.18, 6320.22 to 6320.25	6320.15 to 6320.18: Relate to subsequent events in duplicate to 6320.22 to 6320.25. Remove 6320.15 to 6320.18.	Removed duplicate wording.
6320.25 (now 6320.21)	Clarify what is meant by contributions as a subsequent event.	Changed to: "contributions remitted to the plan."
6400.04	The 2nd bullet is missing.	Added.