

November 30, 2015

Pension Policy Branch
Ministry of Finance
5th Floor, Frost Building South
7 Queen's Park Crescent
Toronto, ON M7A 2Y7

To Whom It May Concern:

The Canadian Institute of Actuaries (CIA) is the national voice of the actuarial profession in Canada. The CIA establishes the Rules of Professional Conduct, guiding principles, and monitoring and discipline processes for qualified actuaries. All members are expected to adhere to the profession's standards of practice and support Guiding Principle One, which holds the duty of the profession to the public above the needs of the profession and its members. The CIA also establishes guidance to support standards developed by the independent Actuarial Standards Board (ASB), which are applicable to actuaries working in Canada.

We are pleased to offer the following comments regarding the proposed amendments to the following regulations of the Pension Benefits Act. These amendments relate to the adoption of the new 2014 Canadian Pensioners' Mortality Table (CPM2014).

The amendments to O. Reg. 287/11 specify that the application of the new mortality table will be based on the date of determination, as opposed to the date of separation. We see a number of issues with that approach:

1. The actuarial assumptions will be inconsistently applied—the discount rate depends on the valuation date (the date of separation) while the mortality assumption depends on the date of determination.
2. There will be pressure (and a rush) from plan members to get their calculations completed before the effective date of the modification in order to avoid an increase in the value (impact of the mortality change could be an increase in value of approximately 10 percent). On the other hand, astute spouses of plan members will resist agreeing to a valuation until after the effective date of the modification.
3. Where both spouses are plan members, there may be inconsistency between the two valuations if the dates of determination are on opposite sides of the effective date of the modification.
4. Since the value will be different (increased) depending on the date of determination, before or after the effective date of the modification, plan administrators may have to defend the speed of their performance in determining the value, depending on who is favoured by the result. There could be opportunity for a lawsuit if the administrator is deemed to be too quick or too slow in determining the value.

We would therefore strongly suggest that, for a given date of separation, there should be one prescribed mortality assumption so that the family law value would not vary based on the date of determination.

The Canadian Institute of Actuaries hopes that its comments provided herein will be of value to you. Please feel free to contact me if you have any questions, or require any clarifications.

Yours truly,

A handwritten signature in black ink, appearing to read "Robert H. Stapleford". The signature is written in a cursive style with a large initial "R" and "S".

Robert H. Stapleford
CIA President