



## Memorandum

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

**From:** Conrad Ferguson, Chair  
Actuarial Standards Board  
Todd Saulnier, Chair  
Designated Group

**Date:** May 22, 2019

**Subject:** **Final Standards: Addition of New Subsection 3270 to the Practice-Specific Standards for Pension Plans – Disclosure for Stochastic Models Used to Comply with Specific Regulatory Pension Plan Funding Requirements**

*Document 219061*

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### Introduction

The attached final standards were approved by the Actuarial Standards Board (ASB) on April 17, 2019. These changes add a new subsection to the practice-specific standards for pension plans (Part 3000).

A [notice of intent](#) (NOI) to provide the background on the review and seek input on specific questions was distributed by the ASB on June 6, 2016. An [exposure draft](#) (ED) containing the proposed changes was distributed by the ASB on June 14, 2018.

### Background

In 2016, the ASB formed a designated group (DG) initially with a mandate to develop a new subsection to the Standards of Practice regarding to the calibration of stochastic funding models (SFMs) used to certify pension plan funding requirements. Following the feedback received after the issuance of the NOI, the ASB decided to limit the scope of the new subsection 3270 to the inclusion of new provisions to enhance the disclosure of model inputs and outputs for pension stochastic models used to comply with specific regulatory pension plan funding requirements. The ASB is also committed to enhancing the consistency of standards across practice areas, where appropriate.

The current members of the DG are Steven Chen, Ken Choi, Brendan George, Jocelyn Gu erin, Neil Lamb, Devin Lui, Mario Marchand (Vice-Chair), Todd Saulnier (Chair), and Daniella Vega.

## **Feedback from Stakeholders**

The DG solicited input from various stakeholder groups in the development of these revised Standards of Practice. These included the Canadian Institute of Actuaries' Committee on Pension Plan Financial Reporting (PPFRC) and the CIA membership (through the distribution of the NOI and the ED).

These final standards reflect feedback received from stakeholders as a result of the distribution of the NOI and the ED. The DG received submissions from five actuarial firms, the Canadian Association of Pension Supervisory Authorities (CAPSA), and one individual.

Most of the changes made following the feedback received after the issuance of the ED concerned the use of more appropriate terminology (e.g., inputs instead of assumptions) and the inclusion of various clarifications on the disclosure items. The most significant change is the addition of disclosure statements for the report on the stochastic modelling or for a funding report referring to a stochastic modelling report. In fact, most of the comments received resulted in adjustments to the final version of subsection 3270. The only significant comment raised by a stakeholder not addressed in this final version is to "Review all sections in standards that reference stochastic models to ensure they are still valid and up to date with evolving practice". Such review is outside the scope of the DG's mandate.

## **Due Process**

The ASB's *Policy on Due Process for the Adoption of Standards of Practice* has been followed in the development of these revisions to the standards.

## **Effective Date and Early Implementation**

These final standards apply to calculation dates on or after July 1, 2019. Early implementation is permitted.

CF, TS