

## MEMORANDUM

**To:** Members in the Pension Area

**From:** Steven W. Easson, Chair  
Actuarial Guidance Council

Jared Mickall, Chair  
Committee on Pension Plan Financial Reporting

**Date:** April 24, 2020

**Subject:** **UPDATE – Preliminary Communication for Assumptions for Hypothetical Wind-Up and Solvency Valuations with Effective Dates on or after March 31, 2020 (but no later than December 30, 2020) – Actuarial Guidance Council Approval**

*Document 220056*

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The most recent guidance from the Committee on Pension Plan Financial Reporting (PPFRC) regarding assumptions for hypothetical wind-up and solvency valuations was provided in the [preliminary communication](#) dated April 16, 2020. **This update confirms Actuarial Guidance Council (AGC) approval of this communication with no revisions.**

The PPFRC has conducted its quarterly review of group annuity pricing conditions as at March 31, 2020, and has determined new guidance regarding assumptions for hypothetical wind-up and solvency valuations for valuations with effective dates on or after March 31, 2020 (but no later than December 30, 2020).

In order to provide timely information to actuaries, the AGC approved revisions to the [educational note](#) that are summarized in this announcement. In accordance with the Institute's Policy on Due Process for the Approval of Guidance Material Other than Standards of Practice and Research Documents, this updated preliminary communication has been prepared by the PPFRC and has received final approval for distribution by the AGC on April 21, 2020.

The revisions to the educational note contained in this preliminary communication may be relied upon by actuaries in their work, pending the publication of any further guidance or other evidence of a change in annuity pricing.

Final guidance, when approved, will be published in the form of an educational note supplement, in accordance with the Policy on Due Process for the Approval of Guidance Material other than Standards of Practice and Research Documents.

## Guidance as at March 31, 2020

The PPFRC has determined that an appropriate discount rate for estimating the cost of purchasing a non-indexed annuity of duration 8.7 or higher, or a fully consumer price index (CPI)-indexed annuity (prior to any adjustment for sub- or super-standard mortality), would be consistent with the guidance contained in the [educational note](#) dated April 24, 2020, with the exception of revisions to applicable durations and/or spreads as outlined in the summary table below (recent guidance is shown for comparison).

Educational Note/ Supplement	Mortality table <sup>1</sup>	Non-indexed immediate and deferred pensions <i>Duration<sup>2</sup>: Spread relative to unadjusted CANSIM V39062</i>			Fully CPI-indexed pensions <i>Spread relative to unadjusted CANSIM V39057</i>
		Low duration	Medium duration	High duration	All durations
Mar 31, 2020	CPM2014Proj	8.7: + 150 bps	11.4: + 160 bps	13.9: + 170 bps	- 70 bps
<a href="#">Dec 31, 2019</a>	CPM2014Proj	8.6: + 110 bps	11.2: + 120 bps	13.7: + 120 bps	- 70 bps
<a href="#">Sep 30, 2019</a>	CPM2014Proj	8.7: + 120 bps	11.3: + 130 bps	13.9: + 130 bps	- 70 bps
<a href="#">Jun 30, 2019</a>	CPM2014Proj	8.7: + 100 bps	11.4: + 110 bps	14.0: + 110 bps	- 70 bps
<a href="#">Mar 31, 2019</a>	CPM2014Proj	8.6: + 100 bps	11.2: + 110 bps	13.8: + 110 bps	- 70 bps

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<sup>1</sup> “CPM2014Proj” refers to the 2014 Canadian Pensioners’ Mortality Table (CPM2014), combined with mortality improvement scale CPM Improvement Scale B (CPM-B) with no adjustments for sub- or super-standard mortality.

<sup>2</sup> Duration is to be determined for the portion of the liabilities assumed to be settled through the purchase of annuities, based on the medium duration discount rate.