

6000 – Post-Employment Benefit Plans

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6100 Scope

.01 The standards in part 6000 apply as follows:

- Section 6200 applies to advice that an actuary provides regarding the funding, funded status, financial position, or the financial condition with respect to a post-employment benefit plan, except where such advice relates to items covered by section 6300 or section 6400;
- Section 6300 applies to advice that an actuary provides regarding the funding, funded status, financial position, or the financial condition with respect to the wind-up, in full or in part, of a post-employment benefit plan; and
- Section 6400 applies to advice that an actuary provides regarding financial reporting of a post-employment benefit plan's costs and obligations in the employer's financial statements, or the post-employment benefit plan's financial statements, or the financial statements of a trust associated with the post-employment benefit plan, where the calculations and advice are provided in accordance with an applicable financial reporting standard.

For the purposes of determining whether section 6300 applies, the wind-up of a post-employment benefit plan would involve the termination of future benefits for some or all plan members, the termination of some or all plan benefits and the distribution of some or all of the plan's assets, if any. Examples of work with respect to wind-ups include the calculation of benefit plan costs or entitlements:

- When a benefit trust is being replaced with an insured arrangement;
- Where assets from a company's liquidation may be provided as cash in lieu of employee benefit plans upon insolvency or upon the wind-up of a post-employment benefit plan trust; and
- Where the plan sponsor offers cash in lieu of future benefits.

The cessation of benefit accruals or termination of a post-employment benefit plan, not involving the termination of plan benefits and distribution of plan or other assets, would not constitute a plan wind-up. For example, the closure of a post-employment benefit plan to future new members would not constitute a wind-up.

- .02 The standards in sections 6200 through 6400 apply to an actuary's advice with respect to a post-employment benefit plan that provides benefits other than pension benefits to the plan's members and their covered spouses and dependants, whether funded or not, whether insured or not, and whether in the private or public sector. Such plans include any arrangement that provides:
- Long-term employee benefits (and compensated absences) including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits, and profit sharing, bonuses, and other deferred compensation such as retiring allowances that are to be paid far enough into the future to be considered to be a post-employment benefit (long-term employee benefits would generally include benefits that commence or continue to be payable more than 12 months after the initial incident that caused the benefit to be paid; for example, long-term disability benefits);
 - Short-term employee benefits (and compensated absences) that accumulate or vest, such as accumulated sick days or vacation days that can be saved in one period and drawn or paid out in another period;
 - Benefits to which plan members become entitled when they are no longer actively at work, such as post-employment life insurance or post-employment health care; and/or
 - Termination benefits payable to an employee as a result of termination of employment, if some or all of the benefits are payable on or after the date of termination of employment.
- .03 The standards in sections 6200 through 6400 do not apply to an actuary's advice with respect to any arrangement that is:
- A plan within the scope of part 3000 Pension Plans, part 5000 Public Personal Injury Compensation Plans, or part 7000 Social Security Programs;
 - A short-term employee benefit plan such as wages, salaries, and social security contributions, paid annual vacation/leave and paid sick leave, profit sharing and bonuses (if payable within 12 months of the end of the period to which they relate) and non-monetary benefits (such as medical care, housing, cars, and free or subsidized goods or services) for current employees that do not accumulate or vest;
 - A post-employment benefit plan whose benefits are all guaranteed by a life insurer; or
 - A social security program such as the Canada Pension Plan and Québec Pension Plan.

- .04 The standards in sections 6200 through 6400 also apply to an actuary's advice to an employer with respect to the self-insured element of a public personal injury compensation plan that covers the employees of that employer; for example, self-insured workers' compensation plans.
- .05 An actuary's advice with respect to a post-employment benefit plan may relate to items such as:
- Required or recommended funding of the plan;
 - Projected cash flows of the plan with or without future new entrants;
 - Determination of the actuarial present value of the projected or accrued benefits of the plan with or without future new entrants;
 - Determination of amounts for financial reporting of a plan's cost; or
 - Determination of the obligations for reporting in the employer's financial statements, or the plan's financial statements, or the financial statements of a trust associated with the plan.

6200 Advice on the Funding, Funded Status, Financial Condition, or Financial Position of a Post-Employment Benefit Plan

- .01 This section 6200 applies to advice that an actuary provides regarding the funding, funded status, financial position, or the financial condition with respect to a post-employment benefit plan, except where such advice is with respect to:
- The wind-up, in full or in part, of a post-employment benefit plan; or
 - The financial reporting of a post-employment benefit plan's costs and obligations in the employer's financial statements, or the post-employment benefit plan's financial statements, or the financial statements of a trust associated with the post-employment benefit plan, where the calculations and advice are provided in accordance with an applicable financial reporting standard.

6210 General

- .01 The actuary's advice with respect to a post-employment benefit plan should take account of the circumstances affecting the work. [Effective February 1, 2018]
- .02 The actuary should select an actuarial cost method that is consistent with the circumstances affecting the work. [Effective February 1, 2018]
- .03 The actuary should select an asset valuation method, where applicable, that is consistent with the circumstances affecting the work. [Effective February 1, 2018]
- .04 The actuary's advice with respect to a post-employment benefit plan should take account of the post-employment benefit plan's benefit provisions at the calculation date, except that the actuary may reflect a pending amendment to the post-employment benefit plan that increases the value of its benefits. [Effective June 30, 2013]
- .05 The actuary's advice with respect to a post-employment benefit plan should take account of all relevant data, including historical claims experience. [Effective June 30, 2013]
- .06 The actuary should select assumptions that are consistent with the circumstances affecting the work. [Effective February 1, 2018]
- .07 The actuary should determine the next calculation date and the actuary's advice should cover at least the period between the calculation date and the next calculation date. [Effective June 30, 2013]

Circumstances affecting the work

- .08 For the purposes of section 6200, the circumstances affecting the work would include:
- The terms of the appropriate engagement under which the work is being performed; and
 - The application of the law to the work.
- .09 The terms of an appropriate engagement would specify whether the actuary's advice relates to:
- The funded status or the funding of the post-employment benefit plan or a combination thereof;
 - The calculation of the actuarial present value of future benefits payable from a post-employment benefit plan;
 - The calculation of the expected future cash flows from a post-employment benefit plan; or
 - Other financial information with respect to the post-employment benefit plan that is actuarial in nature.
- .10 The terms of an appropriate engagement may specify the use of a particular actuarial cost method and/or a particular asset valuation method.
- .11 The terms of an appropriate engagement may specify that the actuary's advice may be related to the entire plan, or to a portion of the plan, or to a selected group of members only.

Actuarial cost methods

- .12 Actuarial cost methods include, among others:
- Cost allocation methods, which allocate the actuarial present value of projected benefits among time periods, including attained age actuarial cost methods, entry age actuarial cost methods, aggregate actuarial cost methods, and individual level premium actuarial cost methods;
 - Benefit allocation methods, which allocate a portion of the actuarial present value of projected benefits to a time period, including the accrued benefit actuarial cost method, the unit credit actuarial cost method, and the projected unit credit actuarial cost method; and
 - Forecast actuarial cost methods, which allocate a portion of the actuarial present value of projected benefits to the forecast period based on:
 - The actuarial present value, at the calculation date, of projected benefits at the end of the forecast period, including, if appropriate, benefits for those who are expected to become members between the calculation date and the end of the forecast period;

minus

- The actuarial present value of projected benefits at the calculation date;

plus

- The actuarial present value, at the calculation date, of benefits expected to be paid during the forecast period.

Asset valuation methods

- .13 If the plan has assets, the use of an asset valuation method that produces an asset value different from market value may be appropriate depending on the circumstances affecting the work. For example, the use of a smoothed asset value may be appropriate to moderate the volatility of contribution rates for purposes of advice on funding.
- .14 The value of assets may be, subject to specific requirements for different types of valuation, any of:
- Their market value;
 - Their market value adjusted to moderate volatility in investment returns;
 - The present value of their cash flows after the calculation date; and
 - Their value assuming a constant rate of return to maturity in the case of illiquid assets with fixed redemption values.

Plan provisions

- .15 The actuary would determine the plan provisions with sufficient accuracy for the purposes of the valuation. Sources of information on plan provisions include:
- Current plan documents;
 - Funding or underwriting arrangements;
 - Collective bargaining agreements;
 - Information regarding past practices;
 - Cost-sharing arrangements between the plan sponsor(s) or plan administrator and plan members; and
 - Communication between the plan sponsors or plan administrator and the plan members.

Prior plan provisions may be needed to analyze claims information from periods prior to the calculation date.

- .16 The actuary would consider all benefits that are to be payable under the post-employment benefit plan and would include provision for all such benefits expected to be paid under the plan.

Anticipated amendment or deferred recognition of a pending amendment

- .17 The actuary's advice on a post-employment benefit plan may, subject to disclosure, reflect an expected amendment to the plan if the amendment is definitive or virtually definitive, and the amendment increases the plan's benefits. For example, the plan sponsor may have a regular pattern of increasing the dental fee guide schedules that the post-employment benefit plan uses for its benefit limit. The actuary's advice would normally reflect continued adoption of such increased limits.
- .18 If, at the calculation date, an amendment to the post-employment benefit plan is definitive or virtually definitive, and:
- If the effective date of the amendment is during the period for which the report gives advice on funding, then the advice on funding up to the effective date may disregard the amendment, but the advice on funding after the effective date would take the amendment into account; or
 - If the effective date of the amendment is after the period for which the report gives advice on funding, then the advice on funding may disregard the amendment.
- .19 The effective date of the amendment is the date at which the amended benefits take effect, as opposed to the date when the amendment becomes either definitive or virtually definitive.
- .20 If an actuary is aware of an expected amendment to the post-employment benefit plan, but does not reflect the amendment in the work, then the actuary would report the event in accordance with the requirements for the disclosure of subsequent events.

Data

- .21 In addition to the current plan membership and asset data, if relevant, the actuary would collect information on historical claims experience, such as nature of absence and benefit levels. Data may come from the plan sponsor or plan administrator or other sources, such as insurance carriers, brokers, or external third-party plan administrators.
- .22 In identifying the data needed, the actuary would bear in mind the pertinent benefits (e.g., those applicable during retirement, disability, or following termination of employment). If applicable, the actuary may obtain claims data split by plan, by age, by location, by status (retiree, inactive, spouse, etc.) and by type of expense (drug, hospital, payment for loss of income, etc.).

- .23 Where appropriate, in analyzing any relevant historical claims data, the data would be adjusted to reflect the trend in the cost of benefits between the reference period and the calculation date. Where appropriate, the actuary would also adjust past experience results to reflect non-recurring influences such as changes in the benefits offered, significant changes in the demographics of the group, changes in government programs, or unusual claims.
- .24 Available data may have limited value or low credibility. Where the benefit cost for former members or current retirees is not fully credible or does not reasonably represent the likely benefit cost for similar future groups, the actuary may rely on the experience of other members or other sources of data that the actuary considers reasonable and relevant. Such other data would be adjusted appropriately for the expected differences between these groups and the group from which the data were drawn.
- .25 The actuary may project data, including membership data and data with respect to claim costs from the effective date of the data to the calculation date, using appropriate extrapolation techniques. The actuary would not normally extrapolate membership data more than three years from the effective date of the membership data. The actuary may also use recent credible claims experience in the extrapolation.

Assumptions

- .26 In establishing the assumptions, the actuary would usually assume the continuation of the current provisions and practices of government programs, but anticipate the effect of legislative changes scheduled to be implemented at a future date. The actuary may also present alternative results reflecting different scenarios of the future. If the purpose of the valuation is such that the effect of anticipated future government changes is to be taken into account, the actuary would make appropriate assumptions in respect thereof.
- .27 In determining claim costs assumptions, where necessary, the actuary would consider available claims experience with regards to items such as:
- Claimant age, member status, coverage category, and benefit type;
 - Credibility; and
 - Relevance to future periods and future benefit provisions.

- .28 The assumption with respect to the future claims trend rate, where necessary, may be divided into short-term and longer-term components. The short-term component would often be based on the level experienced in the recent past by the plan and plan members. The longer-term component would be consistent with the assumption regarding future changes in benefit programs and general economic conditions such as nominal Gross Domestic Product growth. The actuary would determine the period of time required to transition from the short-term trends to the longer-term trends and when the short-term trends may need to be revised.
- .29 In situations where there is not sufficient data with respect to claim costs—for example if the post-employment benefit plan has only a small number of members or does not yet have any members in payment status—the actuary may develop the applicable assumptions based on experience with other similar plans.

Discount rate

- .30 For post-employment benefit plans that are not funded, in selecting the best estimate assumption for the discount rate, the actuary would reflect the yields on fixed income investments, considering the expected future benefit payments of the plan and the circumstances affecting the work.

Expenses

- .31 The actuary's advice on a post-employment benefit plan would take account of expenses, including whether or not they are expected to be paid from the post-employment benefit plan's assets, if any.
- .32 The actuary would consider, as part of the claims experience, the administration costs related to the adjudication of the claims including any related general administration expenses charged by the party adjudicating the claims and all applicable taxes. The actuary would also consider other expenses related to the post-employment benefit plan.

Next calculation date

- .33 The next calculation date is the latest date for which the actuary considers the advice with respect to a post-employment benefit plan to be applicable. The actuary would take into consideration the terms of an appropriate engagement in determining the next calculation date, but the next calculation date would not normally be more than three years after the current calculation date.

6220 Advice on Funding or Funded Status

.01 If the actuary is providing advice with respect to the funding and/or funded status of a post-employment benefit plan that is pre-funded in some manner, the actuary should select either best estimate assumptions or best estimate assumptions modified to incorporate margins for adverse deviations to the extent, if any, required by the terms of an appropriate engagement.
[Effective February 1, 2018]

- .02 Advice on funding or funded status may include:
- Advice regarding the amount of assets to be earmarked, whether or not segregated, to cover post-employment benefit commitments;
 - Advice regarding a systematic method of accumulating funds to provide the post-employment benefit commitments; or
 - Advice on the funding implications of a plan amendment.
- .03 The terms of an appropriate engagement may specify applicable objectives of funding, which may include a formal or informal funding policy.
- .04 Objectives of funding specified by the terms of an appropriate engagement may include considerations such as the security of benefits and related provisions for adverse deviations, the allocation of contributions among time periods, and/or inter-generational equity.
- .05 Depending on the circumstances affecting the work, the actuary's advice on funding may describe a range of contributions.

Discount rate

- .06 If the actuary's advice relates to the funding or funded status of a post-employment benefit plan, in selecting the best estimate assumption for the discount rate, the actuary may either:
- Take into account the expected investment return on the assets, if any, of the post-employment benefit plan at the calculation date and the expected investment policy after that date; or
 - Reflect the yields on fixed income investments, considering the expected future benefit payments of the post-employment benefit plan and the circumstances affecting the work.

- .07 In establishing the discount rate assumption, the actuary would assume that there will be no additional returns achieved, net of investment expenses, from an active investment management strategy compared to a passive investment management strategy except to the extent that the actuary has reason to believe, based on relevant supporting data, that such additional returns will be consistently and reliably earned over the long term.

6230 Reporting: External User Report

- .01 An external user report on work pursuant to section 6200 should:
- Describe any significant terms of the appropriate engagement that are material to the actuary's advice;
 - Include the calculation date, the report date, and the next calculation date, if applicable;
 - Describe the sources of membership data, plan provisions, the post-employment benefit plan's assets, if any, and historical claims data, if any, and the dates at which they were compiled;
 - Describe the membership data and any limitations thereof, and any assumptions made about missing or incomplete membership data;
 - Describe the tests applied to determine the sufficiency and reliability of the membership data and plan asset data for purposes of the work;
 - Describe the assets, if any, including their market value and a summary of the assets by major category;
 - Describe the post-employment benefit plan's provisions, including the identification of any pending definitive or virtually definitive amendment of which the actuary is aware, and the manner in which any such amendments have been reflected in the actuary's advice;
 - Disclose subsequent events of which the actuary is aware, whether or not the events are taken into account in the work, or, if there are no subsequent events of which the actuary is aware, include a statement to that effect;
 - State the type of valuation undertaken under the terms of the appropriate engagement;
 - For any one valuation undertaken, describe and quantify the gains and losses between the prior calculation date and the calculation date;
 - For any one valuation undertaken, report the effect on the key results of the valuation of using a discount rate 1.0% lower than that used for the valuation; and
 - For any one valuation undertaken, where relevant, report the effect on the key results of the valuation of using an assumed future claims trend rate 1.0% higher than that used for the valuation. [Effective February 1, 2018]

- .02 For each valuation undertaken by the actuary, the external user report should:
- If there is no provision for adverse deviations, include a statement to that effect;
 - Describe the claims administration expenses or other plan expenses that are included in the work; and
 - Report the results of the valuation. [Effective March 31, 2015]
- .03 An external user report that provides advice on funding should:
- Describe the rationale for any assumed additional returns, net of investment management expenses, from an active investment management strategy, included in the discount rate assumption;
 - Describe the determination of contributions or a range of contributions between the calculation date and the next calculation date; and
 - If contributions are fixed by the terms of the post-employment benefit plan or other governing documents (e.g., a collective agreement), then either:
 - Report that the contributions are adequate to fund the post-employment benefit plan in accordance with its terms; or
 - Report that the contributions are not adequate to fund the post-employment benefit plan in accordance with its terms; and
 - Describe the contributions required to fund the post-employment benefit plan adequately in accordance with its terms;
 - Describe one or more possible ways in which benefits may be reduced such that the contributions would be adequate to fund the post-employment benefit plan in accordance with its terms; or
 - Describe a combination of increases in contributions and reductions in benefits that would result in the funding being in accordance with its terms. [Effective June 30, 2013]

- .04 An external user report should provide the following four statements of opinion, all in the same section of the report and in the following order:
- A statement regarding membership data, which should usually be, “In my opinion, the membership data on which the valuation is based are sufficient and reliable for the purpose of the valuation.”;
 - A statement as to assumptions, which should usually be, “In my opinion, the assumptions are appropriate for the purpose(s) of the valuation(s).”;
 - A statement as to methods, which should usually be, “In my opinion, the methods employed in the valuation are appropriate for the purpose(s) of the valuation(s).”; and
 - A statement as to conformity, which should be, “This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.” [Effective June 30, 2013]
- .05 An external user report should be sufficiently detailed to enable another actuary to examine the reasonableness of the valuation. [Effective June 30, 2013]

Significant terms of appropriate engagement

- .06 Significant terms of the appropriate engagement may include matters such as:
- The use of a specified actuarial cost method;
 - The use of a specified asset valuation method, where applicable;
 - The exclusion of benefits for purposes of a valuation;
 - The extent of margins for adverse deviations, if any, to be included in selecting assumptions; and
 - The funding policy, which may include pay-as-you-go funding.

Membership data

- .07 The actuary would describe any assumptions and methods used in respect of insufficient or unreliable membership or census/employee data.
- .08 The actuary may describe limitations on the tests conducted in the review of the data which has been determined to be sufficient and reliable for purposes of the valuation(s). For example, the actuary may describe that the data tests will not capture all possible deficiencies in the data and reliance is also placed on the certification of the plan sponsor or plan administrator as to the quality of the data.

Methods

- .09 For each valuation included in the external user report for which there was a prior valuation, the description of the actuarial cost method would include a description of any change to the actuarial cost method used in the prior valuation and the rationale for such change.
- .10 For each valuation included in the external user report for which there was a prior valuation, the description of the method to value the assets, if any, would include a description of any change to the asset valuation method used in the prior valuation and the rationale for such change.

Types of valuations

- .11 An external user report with respect to a post-employment benefit plan would normally include information on only one valuation, which is typically a going concern valuation. To the extent that the external user report provides information with respect to multiple valuations, the actuary would include information with respect to the types of valuations required by the circumstances affecting the work.

Assumptions

- .12 For each valuation included in the external user report for which there was a prior valuation, the description of assumptions would include a description of any changes to the assumptions used in the prior valuation.
- .13 For each valuation included in the external user report, the description of the assumptions would, if appropriate for the circumstances affecting the work, describe:
- The development of the assumed claim costs;
 - The claims experience information used to develop the assumed claim costs; and
 - The extent to which the claims experience information has influenced the selection of the assumed future cost trend rates.

Relevant results of the valuation

- .14 The results of the valuation will depend on the purpose(s) of the valuation and the circumstances affecting the work. The results of the valuation may include such information as:
- The present value of projected benefits;
 - The present value of projected benefits allocated to periods up to the calculation date;
 - The projected cash flows; and/or
 - The service cost for periods following the calculation date.

Reporting gains and losses

- .15 The reported gains and losses for a valuation would include the gain or loss due to a change in the actuarial cost method or a change in the method for valuing the assets, if any, and each significant change in assumptions and plan provisions determined at the calculation date. If an amendment to the post-employment benefit plan prompts the actuary to change the assumptions, the actuary may report the combined effect of the amendment and the resultant change in assumptions.

Sensitivity analysis

- .16 When following the recommendations to illustrate the effect of a change in discount rate, trend rate or other assumption on a valuation, the actuary would maintain all other assumptions and methods as used in the underlying valuation.

Reference to other reports

- .17 The disclosures required in the external user report may be incorporated by reference to another actuarial valuation report prepared in accordance with accepted actuarial practice with the same calculation date.

Statements of opinion

- .18 Where different statements of opinion apply in respect of different purposes of the valuation, the above requirements may be modified but would be followed to the extent practicable.
- .19 While a separate statement regarding assumptions would usually be included in respect of each purpose of the valuation, the statements regarding assumptions may be combined where the statements do not differ among some or all of the valuation's purposes. The report would indicate clearly which statement regarding assumptions applies to each of the valuation's purposes.
- .20 While a separate statement regarding methods would usually be included in respect of each purpose of the valuation, the statements regarding methods may be combined where the statements do not differ between some or all of the valuation's purposes. The report would indicate clearly which statement regarding methods applies to each of the valuation's purposes.

6300 Full or Partial Wind-up Valuation

- .01 This section 6300 applies to advice that an actuary provides with respect to the wind-up (termination of future benefits for some or all members, the termination of some or all plan benefits, and the distribution of some or all of the plan's assets, if any), in full or in part, of a post-employment benefit plan. Examples of work with respect to wind-ups include the calculation of benefit plan costs or entitlements:
- When a benefit trust is being replaced with an insured arrangement;
 - Where assets from a company's liquidation may be provided as cash in lieu of employee benefit plans upon insolvency or upon the wind-up of a post-employment benefit plan trust; and
 - Where the plan sponsor offers cash in lieu of future benefits.
- .02 This section 6300 does not apply in situations where the post-employment benefit plan is no longer available for future members but accrued benefits are not being settled.

6310 General

- .01 The actuary's advice with respect to a post-employment benefit plan that is being wound up, in full or in part, should take account of the circumstances affecting the work, and assume the plan is being wound up at the calculation date. [Effective February 1, 2018]
- .02 The actuary should take account of subsequent events up to the cut-off date. [Effective June 30, 2013]
- .03 The post-employment benefit plan's assets, if any, should be valued at liquidation value. [Effective June 30, 2013]
- .04 The actuary should take account of the post-employment benefit plan's benefit provisions at the calculation date, except that the actuary may reflect a pending amendment to the post-employment benefit plan. [Effective June 30, 2013]
- .05 The actuary's advice with respect to a post-employment benefit plan should take account of all relevant data, including historical claims experience. [Effective June 30, 2013]

- .06 The actuary should select assumptions that:
- Are either best estimate assumptions or are best estimate assumptions modified to incorporate margins for adverse deviations to the extent, if any, required by the terms of an appropriate engagement;
 - Are selected as at the cut-off date; and
 - Reflect the expected method of benefit settlement. [Effective February 1, 2018]
- .07 Unless it is expected that expenses will not be paid from the post-employment benefit plan's assets, the actuary should select an explicit assumption regarding the expenses of wind-up and either offset the resulting expense provision against the post-employment benefit plan's assets, if any, or add the resulting expense provision to the post-employment benefit plan's liabilities. Expenses may include administration costs (which may be incurred from a third-party administrator or an insurer), or other expenses. [Effective June 30, 2013]

Scope

- .08 This section does not prescribe the manner in which:
- Benefit entitlements would be determined;
 - Funding obligations would be determined; or
 - The post-employment benefit plan's assets, if any, would be allocated between the employer(s) and the members or among members themselves.
- .09 Rather, those issues would be determined in accordance with the law, the plan provisions or governance documents, or by an entity empowered thereunder to make that determination. It may be appropriate, however, to use the results of the valuation to address one or more of those issues, or to disclose their resolution in the report.

Circumstances affecting the work

- .10 For the purposes of section 6300, the circumstances affecting the work would include:
- Whether the actuary's advice relates to the funding, funded status, financial position, or the financial condition of the post-employment benefit plan, or a combination thereof;
 - Whether the actuary's advice relates to the present value of expected future benefits under the post-employment benefit plan;
 - The terms of the appropriate engagement under which the work is being performed; and
 - The application of the law to the work.

Cut-off date

- .11 The cut-off date would be the date up to which subsequent events would be recognized in the valuation.

Partial wind-up

- .12 A partial wind-up occurs when a subset of the members terminates membership in circumstances that require wind-up with respect to those members. Such wind-up does not apply to the continuing members, although it may also be necessary, for other reasons, to value the benefits of the continuing members.
- .13 The standards for a partial wind-up are the same as the standards for a full wind-up.

Assumptions

- .14 The selection of the assumptions would normally be determined in accordance with the law (if applicable), the plan provisions or governance documents, or by an entity empowered thereunder to make that determination.
- .15 The actuary may need to consider various appropriate tax treatments for calculations prepared for wind-ups of post-employment benefit plans.

Expenses

- .16 The actuary would consider as part of the claims experience the administration costs related to the adjudication of the claims, including any related general administration expenses charged by the party adjudicating the claims and all applicable taxes. The actuary may also consider other expenses related to the post-employment benefit plan.

Plan provisions

- .17 The actuary would determine the plan provisions with sufficient accuracy for the purposes of the valuation. Sources of information on plan provisions include:
- Current plan documents;
 - Funding or underwriting arrangements;
 - Collective bargaining agreements;
 - Information regarding past practices;
 - Cost-sharing arrangements between the plan sponsor(s) or plan administrator and plan members; and
 - Communication between the plan sponsors or plan administrator and the plan members.

Prior plan provisions may be needed to analyze claims information from periods prior to the calculation date.

- .18 The actuary would consider all benefits that are to be payable under the post-employment benefit plan and would include provision for all such benefits expected to be paid under the plan.

6320 Reporting: External User Report

- .01 If a previous external user report was prepared with respect to the wind-up, the actuary should describe and quantify the gains and losses between the prior calculation date and the calculation date. [Effective June 30, 2013]
- .02 An external user report should:
- Include the wind-up date, the calculation date, the cut-off date, and the report date;
 - Describe the events precipitating the wind-up, of which the actuary is aware, that affect the terms of the wind-up, the benefit entitlements, or the valuation results;
 - Describe the sources of membership data, plan provisions, and the post-employment benefit plan's assets, if any, and historical claims data, if any, and the dates at which they were compiled;
 - Describe the membership data and any limitations thereof, including any assumptions made about missing or incomplete membership data;
 - Describe the tests applied to determine the sufficiency and reliability of the membership data and plan asset data for purposes of the work;
 - Subject to any applicable privacy legislation:
 - Include the detailed individual membership data; or
 - Include an offer to provide detailed individual membership data on request to the plan sponsor or the plan administrator;
 - Describe the liquidation value of the assets, if any, and a summary of the assets by major category;
 - Describe the post-employment benefit plan's provisions, including an identification of:
 - Any amendments made since any previous external user report with respect to the plan which affect benefit entitlements; and

- Any subsequent events or post-wind-up contingent events, of which the actuary is aware, which affect benefit entitlements;
- Report the explicit assumption regarding the expenses of wind-up or justify the expectation that expenses will not be paid from the post-employment benefit plan's assets, if any;
- Report the funded status at the calculation date, and state whether an updated report will be required in the future;
- If applicable, report the settlement value for each plan member when settlement is to be made by cash payments to the member;
- Disclose subsequent events of which the actuary is aware, whether or not the events are taken into account in the work and, if there are no subsequent events of which the actuary is aware, include a statement to that effect;
- State that the funded status at settlement may differ from that contained in the report, unless the report includes the funded status at the time of final settlement;
- If the actuary relies upon direction concerning unclear or contentious issues:
 - Describe each such issue;
 - Describe the direction relied upon or, where appropriate, a summary thereof; and
 - Identify the person providing such direction and the basis of authority of such person;
- Describe any post-wind-up contingent events that may affect the distribution of the post-employment benefit plan's assets, if any;
- Describe whether a recalculation of the value of benefit entitlements is required at settlement;
- Where a member has a choice of settlement options that the member has not yet made, describe the assumptions made regarding such choice;
- If applicable, describe the method to allocate the post-employment benefit plan's assets among classes of members and the method to distribute surplus;

- Describe the actuary's role in calculating settlement values, including the assumptions and methods used for their calculation; and
 - Describe the sensitivity of the valuation results to the post-employment benefit plan's investment policy and to market conditions between the report date and the settlement date. [Effective February 1, 2018]
- .03 An external user report should include the following four statements of opinion, all in the same section of the report and in the following order:
- A statement regarding membership data, which should usually be, "In my opinion, the membership data on which the valuation is based are sufficient and reliable for the purpose of the valuation.";
 - A statement regarding assumptions, which should usually be, "In my opinion, the assumptions are appropriate for the purpose(s) of the valuation(s).";
 - A statement regarding methods, which should usually be, "In my opinion, the methods employed in the valuation are appropriate for the purpose(s) of the valuation(s)."; and
 - A statement regarding conformity, which should be, "This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada." [Effective June 30, 2013]
- .04 The external user report should be sufficiently detailed to enable another actuary to examine the reasonableness of the valuation. [Effective June 30, 2013]

Dates

- .05 The wind-up date of the post-employment benefit plan would be determined by the plan administrator or the plan sponsor or others with responsibility to wind up the plan, based on the plan provisions, the law, and the circumstances of the wind-up.
- .06 The calculation date of the funded status would usually be the wind-up date.
- .07 For a particular member, the date of calculation of benefit entitlement would depend on the circumstances of the wind-up and the terms of the post-employment benefit plan, and may be the date of termination of employment, the date of termination of membership, the wind-up date, or another date.

Nature of wind-ups

- .08 The purpose of a wind-up valuation may be to determine, or to provide the basis for determining:
- The funded status of the post-employment benefit plan;
 - The total value of the benefit entitlements of all members prior to taking account of the funded status of the post-employment benefit plan;
 - Any required additional funding;
 - The amounts and methods of determining benefit entitlements, including any adjustment required due to a wind-up deficit;
 - The amount and method of distribution of a wind-up surplus; or
 - Payout for loss of benefit entitlements upon insolvency.
- .09 A wind-up may be complex and may take a long time. Delays may require a series of reports by the actuary. Since the funded status or other available funds for the post-employment benefit plan at the final settlement date may affect whether benefit entitlements can be settled in full, the reflection of subsequent events in each report would be critical.

Membership data

- .10 The finality of wind-up would call for the actuary to obtain precise membership data. The membership data are the responsibility of the plan sponsor or plan administrator. However, if the actuary is working with incomplete, unreliable, or missing data the actuary would make assumptions regarding the data. The actuary may, if the circumstances dictate, include a provisional sum in the wind-up valuation with respect to missing members if the actuary believes that additional members might have benefit entitlements under the post-employment benefit plan but their membership information is missing.

Assumptions

- .11 The selected assumptions would:
- In respect of benefit entitlements that are assumed to be settled by purchase of insurance, reflect single premium rates; and
 - In respect of benefit entitlements that are assumed to be settled in some other manner, reflect the manner in which such benefits would be settled.

- .12 If future benefits depend on continued employment, the actuary would consider reflecting contingent events. For example, if a member is eligible for post-retirement benefits only if the member remains in employment until age 55, the actuary may make an assumption as to the probability of this event occurring and the member's benefit may be discounted for the probability of the event occurring.
- .13 Wind-up expenses usually include, but are not limited to:
- Fees related to the preparation of the actuarial wind-up report;
 - Legal fees;
 - Insurer or adjudicator administration expenses; and
 - Custodial and investment management expenses.
- .14 The actuary would either net wind-up expenses against the post-employment benefit plan's assets, if any, or add the assumed wind-up expenses to the post-employment benefit plan's liabilities in calculating the ratio of assets to liabilities as a measure of financial security of the benefit entitlements, unless the expectation is that expenses will not be paid from the post-employment benefit plan's assets, if any. However, an exception may be made for future custodial and investment management expenses, which may be netted against future investment return in the treatment of subsequent events.

Subsequent events

- .15 Ideally, in a wind-up valuation, all subsequent events would be reflected. This ensures that the funded status is presented as fairly as possible as of the report date. However, it would be impossible to recognize subsequent events right up to the report date. Accordingly, the actuary would select a cut-off date that is close to the report date.
- .16 The actuary would ascertain that no subsequent events have occurred between the cut-off date and the report date that would change the funded status significantly; otherwise the actuary would select a later cut-off date. For clarity, a subsequent event may be material yet not be so significant as to require selection of a later cut-off date.
- .17 It may be appropriate to have more than one cut-off date. For example, the actuary may select one cut-off date for the active membership data and another cut-off date for the inactive membership data.

.18 Common subsequent events are:

- Contributions remitted to the plan;
- Expenses paid from the post-employment benefit plan's assets, if any;
- Actual investment return on the post-employment benefit plan's assets, if any;
- Change in assumptions;
- Corrections to the membership data; and
- Deaths of members or other significant plan experience.

Use of another person's work

.19 Some aspects of the wind-up may be unclear to the actuary or contentious. Examples are:

- The determination of the wind-up date;
- The members, former members, or recently terminated members to be included in the wind-up;
- Whether or not to assume salary increases or health care cost trend rate in determining benefit entitlements;
- Eligibility for benefits payable only with the consent of the plan sponsor or plan administrator;
- The liquidation value of the post-employment benefit plan's assets, if any;
- The method to allocate the post-employment benefit plan's assets, if any, among members; and
- Whether or not wind-up expenses are to be paid from the post-employment benefit plan's assets, if any, or included in the calculation of the liabilities or expected future benefits.

.20 To decide those aspects, the actuary may rely upon direction from another person with the necessary knowledge, such as legal counsel or the employer, or the necessary authority, such as the plan sponsor or plan administrator. The actuary would consider any issues of confidentiality or privilege that may arise.

Statements of opinion

.21 Where different statements of opinion apply in respect of different purposes of the valuation, the above requirements may be modified, but would be followed to the extent practicable.

6400 Financial Reporting of Post-Employment Costs

- .01 This section 6400 applies to advice that an actuary provides regarding financial reporting of a post-employment benefit plan's costs and obligations in the employer's financial statements, or the post-employment benefit plan's financial statements, or the financial statements of the trust associated with the post-employment benefit plan, where the calculations and advice are provided in accordance with an applicable financial reporting standard.

6410 General

- .01 For financial reporting purposes, the actuary should use methods and assumptions for the value of assets, if any, and post-employment benefit obligations that are appropriate to the basis of financial reporting in the employer's or post-employment benefit plan's or trust's financial statements, as applicable, and that are consistent with the circumstances affecting the work. [Effective February 1, 2018]

Circumstances affecting the work

- .02 For the purposes of section 6400, the circumstances affecting the work would include:
- The terms of the appropriate engagement under which the work is being performed; and
 - The application of the law to the work.
- .03 The actuary would reflect the financial reporting standards specified by the terms of the appropriate engagement. Where financial reporting standards require methods and assumptions to be established by the preparers of the financial statements, the actuary would use the methods and assumptions specified by the preparers of the financial statements.

Plan provisions

- .04 The actuary would determine the plan provisions with sufficient accuracy for the purposes of the valuation. Sources of information on plan provisions include:
- Current plan documents;
 - Funding or underwriting arrangements;
 - Collective bargaining agreements;
 - Information regarding past practices;
 - Cost-sharing arrangements between the plan sponsor(s) or plan administrator and plan members; and
 - Communication between the plan sponsor or plan administrator and the plan members.

Prior plan provisions may be needed to analyze claims information from periods prior to the calculation date.

- .05 The actuary would consider all benefits in accordance with the terms of the appropriate engagement that are to be payable under the post-employment benefit plan and would include provision for all such benefits expected to be paid under the plan.

Anticipated amendment or deferred recognition of a pending amendment

- .06 The actuary's advice on a post-employment benefit plan may reflect an expected amendment to the plan if the amendment is definitive or virtually definitive, as appropriate based on the applicable financial reporting standard.
- .07 The effective date of the amendment is the date at which the amended benefits take effect, as opposed to the date when the amendment becomes either definitive or virtually definitive.
- .08 If an actuary is aware of an expected amendment to the post-employment benefit plan, but does not reflect the amendment in the work, then the actuary would report the event in accordance with the requirements for the disclosure of subsequent events.

Data

- .09 In addition to the current plan membership and asset data, if any, the actuary would collect information on historical claims experience, such as nature of absence and benefit levels. Data may come from the plan sponsor or plan administrators or other sources, such as insurance carriers, brokers, or external third-party plan administrators.
- .10 In identifying the data needed, the actuary would bear in mind the pertinent benefits (i.e., those applicable during retirement, disability, or following termination of employment). If applicable, the actuary may obtain claims data split by plan, by age, by location, by status (retiree, inactive, spouse, etc.) and by type of expense (drug, hospital, payment for loss of income, etc.).
- .11 Where appropriate, in analyzing any relevant historical claims data, the data would be adjusted to reflect the trend in the cost of benefits between the reference period and the calculation date. Where appropriate, the actuary would also adjust past experience results to reflect non-recurring influences such as changes in the benefits offered, significant changes in the demographics of the group, changes in government programs, or unusual claims.
- .12 Available data may have limited value or low credibility. Where the benefit cost for former members or current retirees is not fully credible or does not reasonably represent the likely benefit cost for similar future groups, the actuary may rely on the experience of active members or other sources of data that the actuary considers reasonable and relevant. Such other data would be adjusted appropriately for the expected differences between these groups and the group from which the data were drawn.

- .13 The actuary may project data, including membership data and data with respect to claim costs from the effective date of the data to the calculation date, using appropriate extrapolation techniques. The actuary would not normally extrapolate membership data more than three years from the effective date of the membership data. The actuary may also use recent credible claims experience in the extrapolation.

Assumptions

- .14 The assumptions that the actuary uses would be best estimate assumptions, unless otherwise specified in the relevant financial reporting standards or as otherwise selected by the preparers of the financial statements.
- .15 Repealed
- .16 In determining initial claim costs assumptions, the actuary would consider available claims experience with regards to items such as:
- Claimant age, member status, coverage category, and benefit type;
 - Credibility; and
 - Relevance to future periods and future benefit provisions.
- .17 In situations where there are insufficient data with respect to claim costs—for example, if the post-employment benefit plan has only a small number of members or does not yet have any members in payment status—the actuary may develop the applicable assumptions based on experience with other similar plans.
- .18 If the actuary is determining the assumption with respect to the future claims trend rate, where necessary, it may be divided into short-term and longer-term components. The short-term component would often be based on the level experienced in the recent past by the plan and plan members. The longer-term component would be consistent with the assumption regarding future changes in benefit programs and general economic conditions such as nominal Gross Domestic Product growth. The actuary would determine the period of time required to transition from the short-term trends to the longer-term trends.

Expenses

- .19 The actuary's advice on a post-employment benefit plan would take account of expenses, including whether or not they are expected to be paid from the post-employment benefit plan's assets, if any.

Benefit commitments

- .19.1 The actuary would include in the valuation of the post-employment benefit obligations the effect of a commitment to provide benefits not specified in the terms of the plan to the extent stipulated by the preparers of the financial statements.
- .20 The actuary would consider, as part of the claims experience, the administration costs related to the adjudication of the claims including any related general administration expenses charged by the party adjudicating the claims and all applicable taxes. The actuary may also consider other expenses related to the post-employment benefit plan.

Extrapolations

- .21 The actuary may extrapolate results of an earlier valuation using appropriate extrapolation techniques. The actuary would not normally extrapolate valuation results more than four years from the effective date of the membership data.

6420 Reporting: External User Report

- .01 An external user report should:
- Include the calculation date and the report date;
 - Describe the sources of membership data, plan provisions, the post-employment benefit plan's assets, if any, and historical claims data, if any, and the dates at which they were compiled;
 - Describe the membership data and any limitations thereof, and any assumptions made about missing or incomplete membership data;
 - Describe the tests applied to determine the sufficiency and reliability of the membership data and plan asset data for purposes of the work;
 - Describe the assets, if any, including their market value and a summary of the assets by major category and the method used to value the post-employment benefit plan's assets;
 - Describe the post-employment benefit plan's provisions, including the identification of any definitive or virtually definitive pending amendment of which the actuary is aware, and whether or not such amendment has been reflected in determining the plan's obligations;
 - Describe any material accounting policies relevant to the work;

- Describe any commitment to provide benefits beyond the terms of the plan reflected in the valuation of post-employment benefit obligations;
- Disclose subsequent events of which the actuary is aware, whether or not the events are taken into account in the work, and, if there are no subsequent events of which the actuary is aware, include a statement to that effect;
- Include all other provisions as required for disclosure purposes as per the terms of the appropriate engagement, such as:
 - Reporting the funded status at the calculation date and the applicable service cost or expected cost of new claims;
 - Describe any contingent benefits provided under the post-employment benefit plan and the extent to which such contingent benefits are included or excluded in determining the funded status and the service cost;
 - Describe any benefits that are not contingent benefits and that have been excluded in determining the funded status and the service cost;
 - Describing the method and period selected in connection with any amortizations;
 - If the valuation is an extrapolation of an earlier valuation, describe the method and any assumptions for, and the period of, the extrapolation; and
 - Stating whether or not the valuation and/or extrapolation conforms with the actuary's understanding of the financial reporting standards specified by the terms of an appropriate engagement. [Effective May 1, 2019]

.02 An external user report should provide the following four statements of opinion, all in the same section of the report and in the following order:

- A statement regarding membership data, which should usually be, “In my opinion, the membership data on which the valuation is based are sufficient and reliable for the purpose of the valuation.”;
- A statement regarding assumptions which should usually be, “In my opinion, the assumptions are appropriate for purposes of the valuation.”;
- A statement regarding calculations, which should usually be, “In my opinion, the calculations have been made in accordance with my understanding of the requirements of [name financial reporting standard]”; and
- A statement regarding conformity, which should be, “This report has been prepared, and my opinions given, in accordance with accepted actuarial practice in Canada.” [Effective March 31, 2015]

.03 An external user report should be sufficiently detailed to enable another actuary to examine the reasonableness of the valuation. [Effective June 30, 2013]

Membership data

.04 Any assumptions and methods used in respect of insufficient or unreliable membership data would be described.

Reference to other external reports

.05 The descriptions required in the external user report may be incorporated by reference to another actuarial valuation report prepared in accordance with accepted actuarial practice in Canada.