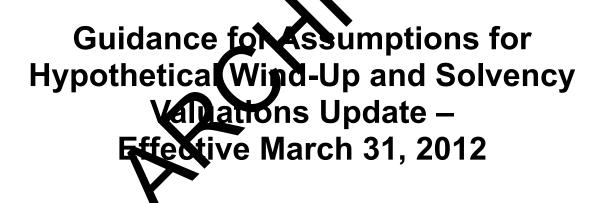


Educational Note Supplement



Document 212056

Voir au-delà du risque

Memorandum

To: All Pension Actuaries

From: Gavin Benjamin, Chair

Committee on Pension Plan Financial Reporting

Date: June 30, 2012

Subject: Educational Note Supplement: Guidance for Assumptions for Hypothetical

Wind-Up and Solvency Valuations Update – Effective March 31, 2012

Document 212056

The most recent guidance from the Committee on Pension Plan Financial Reporting (PPFRC) regarding assumptions for hypothetical wind-up and solvency tions was provided in an educational note dated May 24, 2012. The guidance conclude valuations with effective that for dates on and after December 31, 2011, an appropriate di rate f estimating the cost of purchasing a non-indexed group annuity would be the unadjusted yield on Government of Canada (GoC) long-term bonds (CANS (390**2**) increased arithmetically by 90 bps, in conjunction with the UP94 generational mo s. This guidance applies to both immediate and deferred pensions and also application ess of the overall size of a group annuity regard purchase.

The May 24 guidance as to estimated purchas, cos for non-indexed group annuities was partially based on quotes provided by eight it surar examples on illustrative group annuities using pricing conditions as at December 31, 11, and supplemented by data from certain actuarial consulting firms on actual group family purchases during the fourth quarter of 2011.

In an effort to continue to monito group a muity pricing, the PPFRC obtained illustrative quotes on a similar basis to those obtaine at Lagraber 31, 2011, but based on pricing conditions as at March 31, 2012. The illustrative none elexed quotations at December 31, 2011, and March 31, 2012, may be summarized as follows:

AVEL AG. OF THE THREE MOST COMPETITIVE QUOTES (USL VAUP94 GENERATIONAL MORTALITY TABLES)				
	Large Purchase		Small Purchase	
Y	31/12/2011	31/03/2012	31/12/2011	31/03/2012
Retirees				
Discount rate	3.28%	3.43%	3.36%	3.52%
Spread over CANSIM	+ 0.87%	+ 0.88%	+ 0.95%	+ 0.97%
V39062				
Deferred vesteds				
Discount rate	3.46%	3.69%	3.50%	3.70%
Spread over CANSIM	+ 1.05%	+ 1.14%	+ 1.09%	+ 1.15%
V39062				

There has been a relatively limited change in the spreads that may be suggested by the March 31, 2012, illustrative quotes compared to the December 31, 2011, illustrative quotes. Further, the actual group annuity purchase data obtained by the PPFRC for the first quarter and early second quarter of 2012 were very limited but, nonetheless, did not exhibit any pattern which caused the PPFRC to conclude that the guidance provided in the May 24 educational note has become inappropriate.

Accordingly, the PPFRC has decided that there is not sufficient evidence at this time to warrant changing the guidance provided in the May 24 educational note.

