

**ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 116**  
**MAY 26, 2021**  
**VIDEOCONFERENCE**  
**13:00 P.M. – 14:30 P.M.**

**Present:** Mel Bartlett  
Thierry Chamberland  
Renée Couture  
Pierre Dionne  
Stéphanie Fadous  
Azmina Jiwani  
Jamie Jocsak  
Josephine Marks, *chair*  
Simon Nelson  
Marshall Posner  
Yun (Bill) Xu  
Steve Easson, *ex officio*  
Dean Newell, *guest*

**Absent:** Lesley Thomson

**Staff:** Josée Racette

The Chair opened the meeting and reported that the original intent for the meeting was to approve the release of two exposure drafts (Pension Commuted Values when Bond Yields are Very Low or Negative, and the quinquennial review of Part 3000). Since then, the DGs on the Quinquennial Review have requested more time and rather than delay the timing of this meeting, this will now be deferred until the regular June ASB meeting.

In addition, the Chair requested that the ASB consider the revision, by the Bank of Canada, of rates for real return bond data from June 1, 2020, to capture the rollover of the 2050 bond. While this issue has been addressed by the CIA for the time being, it is important to discuss next steps by the ASB, since it affects several aspects of our Standards of Practice.

**116.1 Pension Commuted Values when Bond Yields are Very Low or Negative**

Marshall Posner provided an overview of the changes since they were last discussed with the ASB at its April 2021 meeting.

The recommendations are the same (proposed to adopt approach 9ii). In addition, a floor of zero would be added to the nominal interest rates used to calculate commuted values. The PPFRC previewed the document and indicated general support for the r7 formula change, and a general disagreement with the floor of zero. Ultimately, the DG felt the rationale for using a zero floor was sufficiently strong and the DG therefore expanded on this section in the document. The ASB noted that there were different outcomes across practice areas pertaining to the use of floors for interest rates, but that these could be justified within the context of serving the public interest due to differing circumstances.

Appendix C was expanded to include the impacts and hypothetical months (where bond yields are lower than today) were added.

Appendix D provides a lengthy explanation of the analysis performed.

Appendix E presents a summary of the reference material.

The DG performed its analysis using pre-revised CANSIM rates. However, a quick analysis with the new rates confirmed that it would not influence the DG to change its recommendation.

A specific question about how long plan administrators require to adjust is included to assist the DG in making a final recommendation as to the timing of the effective date for the final standard.

Monitoring and review on a regular basis: the ASB felt it should fall under the purview of a standing practice committee rather than a specified working group of some kind. It was suggested that the DG make a list of potential trigger points (e.g., liquidity spreads) as well as document key assumptions and methods to provide context for the future.

A few edits were suggested. The ASB thanked the DG for the thoroughness of the cover note to the ASB which provides thorough documentation of issues for future reference.

**Motion: That the *Exposure Draft Regarding the Determination of Pension Commuted Values in Economic Environments where Bond Yields are Negative* be approved for release as presented, with a comment deadline of July 30, 2021, and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.**

**Carried by at least 2/3 of members**

## **116.2 Revision of Rates for Real Return Bond by the Bank of Canada**

Simon Nelson informed the ASB that one or two weeks ago, the Bank of Canada revised real return bond series data, going back to June 2020. The changes are approximately 6 to 7 basis points. The changes could have a direct impact on the formula used in determining discount rates used for the calculation of commuted values (CV) (for fully indexed and partially indexed plans). In some instances, the CV would have already been calculated and paid, in others they would have been calculated but not yet paid, and finally some would have been neither calculated nor paid.

The CIA reached out to the Bank of Canada to determine the nature of the change (rollover of the 2050 bond, starting June 1, 2020; previously published rates were based on the 2044 bond). Discussions were then held between representatives of the PPFRC, the ASB, and the prior DG on CVs, to determine who might provide guidance and the potential thinking behind that guidance. Some of the general standards reviewed before deciding on the guidance to be provided included, for example, subsequent events, materiality, spirit and intent. It was determined that the PPFRC would consider the issue further and issue a communication.

The ASB discussed its exposure when the standards rely on an external data provider and how it could protect against similar situations in the future. Although it should be unusual, it could happen again. Promulgation is a potential solution, but gives rise to other issues.

Jamie Jocsak indicated that the Actuarial Evidence Committee is also planning to release a communication since the Bank of Canada's changes have an impact on capitalized values of pension plan benefits for a marriage breakdown.

### **116.3 Other Business**

The Chair indicated that the ASB will discuss discount rates across practice areas at its June meeting. In preparation for the discussion/education session on where and why differences exist between practice areas (e.g., capping and flooring, forecasting beyond the observable period), a document has been prepared and circulated amongst a few representative ASB members for comments.

There being no further business, the meeting concluded at 2:02 p.m. The next regularly scheduled meeting of the ASB will take place on June 22, 2021, via videoconference.