



Mr. Geoffrey Melbourne  
Chair, Designated Group

Date: January 13, 2017

Dear Mr. Melbourne:

**Re: Notice of Intent – Revisions to Subsection 3260 of the Practice-Specific Standards for Pension Plans – Reporting: External User Report; Advice on the Funded Status or Funding of a Pension Plan**

The Canadian Association of Pension Supervisory Authorities (CAPSA) would like to respond to your request for feedback on the notice of intent “*Revisions to Subsection 3260 of the Practice-Specific Standards for Pension Plans – Reporting: External User Report; Advice on the Funded Status or Funding of a Pension*”. We apologize for the delay in our response.

CAPSA supports the Actuarial Standards Board (ASB) on the valuable suggestions outlined in the notice of intent, and we would like to submit a few additional ones.

As stated in the notice of intent, the revisions intend to “provide enhance disclosures of future funding risks to users of external reports on the funded status or funding of a pension plan”. To that effect, we note that the suggestions include disclosure of sensitivity testing, but do not necessarily provide for additional disclosures that would identify the level of asset liability mismatch risk that the particular pension plan may be exposed to. The following are disclosures that the ASB may wish to consider further:

- The external report could provide the plans’ going concern liabilities and current service cost using some form of risk-free or low risk discount rate; and,
- When an actuary uses stochastic modelling (for instance, to produce the discount rate or indexing assumption), sufficient information should be included about the model parameters to assess the level of underlying risk or volatility the plan may be exposed to given its asset mix.

In addition, on page 3, item 4(a), in the situation where contributions are fixed by the terms of the plan or other governing documents, a suggested added disclosure is for the actuary to provide “*The relevant results of any stochastic analysis performed by the actuary as to the adequacy of the contributions to fund the pension plan in accordance with the law*”. We would suggest adding “or any regulatory policy or guideline” after “law”. The additional text is similar to wording that is used elsewhere in the Practice-Specific Standards for Pension Plans (e.g. Paragraph 3240.17).

CAPSA would like to thank the Actuarial Standards Board for recognizing the need for

improved disclosures in external user reports. Disclosure in pension actuarial reports is, generally, one of the areas that we, as regulators, have the most concern. We commend all efforts to improve the readability, clarity and helpfulness of these reports, particularly in the area of disclosure of risks.

Sincerely,

A handwritten signature in grey ink, appearing to read 'Angela Mazerolle', with a long horizontal flourish extending to the right.

Angela Mazerolle  
Chair, Canadian Association of Pension Supervisory Authorities (CAPSA)

cc: Chris Fievoli, Canadian Institute of Actuaries  
Members of CAPSA