

Memorandum

To: All Pension Practitioners

From: Geoffrey I. Guy, Chairperson
Actuarial Standards Board
Stephen Butterfield, Chairperson
Committee on Pension Plan Financial Reporting

Date: December 27, 2007

Subject: **Revised Standards of Practice – Practice-Specific Standards for Pension Plans – Section 3600: Reporting: External User Report**

Document 207115

A statement of principles regarding the Practice-Specific Standards for Pension Plans – Section 3600: Reporting: External User Report dated June 27, 2006 was published by the Practice Standards Council. An Exposure Draft – Practice-Specific Standards for Pension Plans – Section 3600: Reporting: External User Report was published by the Actuarial Standards Board (ASB) on March 29, 2007.

The statement of principles and the exposure draft reflect changes to the Standards of Practice recommended by the 2004 Pension Review Project. The three specific recommendations were:

1. The actuary should justify all individual economic and demographic assumptions, taking into account plan experience, where appropriate. The requirement for justification would be subject to the materiality of the individual assumption.
2. The actuary should report specifically on subsequent events. In particular, the absence of subsequent events should be disclosed specifically, if this is the case.
3. The actuary's opinion should include a quantification of the wind-up funded status of the plan regardless of whether the plan has a wind-up surplus or deficiency.

Recommendations 1 and 3 are applicable to funding reports only.

Based on the submissions received, the Committee on Pension Plan Financial Reporting (PPFRC) came to the conclusion that the word “justification” was too strong. In particular, this word may be perceived as placing too much onus on the actuary to prove that each assumption is appropriate. The PPFRC concluded that replacing the word “justification” with the phrase “the rationale for the selection” more aptly describes this intended requirement.

The changes to the Practice-Specific Standards for Pension Plans, as outlined in the exposure draft, but including the one change described above have been approved by the PPFRC.

The revised Standards of Practice – Practice-Specific Standards for Pension Plans – Section 3600: Reporting: External User Report was approved by the ASB on December 27, 2007. The revised Standards are effective December 30, 2007. Early implementation is encouraged.

GIG, SB