



STATEMENT OF PRINCIPLES

STATEMENT OF PRINCIPLES ON REVISED ACTUARIAL STANDARDS OF PRACTICE FOR REPORTING ON PENSION PLAN FUNDING

COMMITTEE ON PENSION PLAN FINANCIAL REPORTING

MARCH 2005

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MEMORANDUM

TO: All Members and Students of the Canadian Institute of Actuaries

FROM: Serge Charbonneau, Chairperson
Committee on Pension Plan Financial Reporting

DATE: March 9, 2005

SUBJECT: **Statement of Principles on Revised Standards of Practice for Reporting on Pension Plan Funding**

COMMENT DEADLINE: May 31, 2005

We enclose the Statement of Principles on Revised Actuarial Standards of Practice for Reporting on Pension Plan Funding.

To our knowledge, this is one of the first revisions to our standards that will be effected under the Canadian Institute of Actuaries' (CIA) new rules for due process. This process entails a statement of principles to be reviewed and commented on by the membership, followed by an exposure draft of the proposed standard and subsequent adoption of the new standard.

The *Recommendations for Valuation of Pension Plans* were adopted by the CIA in 1981. These recommendations have remained practically unchanged for over 20 years, other than additions made in 1999 mostly to accommodate new solvency rules.

There has been considerable public debate recently about the financial health of defined benefit pension plans in Canada. In particular, some pension regulators have expressed concern with current accepted actuarial practice as it relates to the funding of pension plans. Moreover, some members of the CIA and financial economists have questioned the underlying principles of traditional actuarial approaches to pension plan funding.

Three CIA task forces have deliberated these issues and reported thereon. They are:

- The Task Force on Multi-Employer Pension Plans, which released its report in June 2001;

- The Task Force on Pension Plan Funding, which released its final report in January 2003; and
- The Task Force on Public Policy Principles in Pension Plan Funding, which made use of the reports of the other two task forces, and discussions within the profession and with external stakeholders and released its report in November 2004.

The enclosed Statement of Principles delineates what the Committee on Pension Plan Financial Reporting (PPFRC) believes the actuary's reporting on pension plan funding should convey to our publics and, therefore, what should be the standard for accepted actuarial practice in that regard. This Statement of Principles represents a significant change in actuarial reporting on pension plan funding.

This Statement of Principles will also be distributed to external stakeholders to seek their input.

We hope to engender vibrant and extensive discussions of the concepts and issues embodied in this Statement of Principles, mostly with CIA members who are pension practitioners, but also regulators, plan sponsors, plan administrators and plan members and their representatives.

There is a session scheduled to discuss this Statement of Principles during the Pension Seminar in Toronto on April 19, 2005.

This Statement of Principles has been reviewed by the Practice Standards Council (PSC) and it meets the required criteria to be released for discussion.

The comment deadline for this Statement of Principles is **May 31, 2005**. Earlier comment is encouraged. Comments may be submitted to me at my *Yearbook* address or to my e-mail address SCharbonneau@morneausobeco.com.

Following the comment period, PPFRC will review the comments received and hopes to proceed rapidly to develop an Exposure Draft for the new Standard of Practice for Reporting on Pension Plan Funding. We expect to be in a position to distribute an exposure draft to the membership in the fall of 2005 for comments and, provided any changes are not significant enough to warrant re-exposure to the membership, we hope to develop final Standards of Practice, for formal adoption by the PSC, hopefully in 2006. We also hope to issue the necessary guidance to actuaries in 2006.

SC

EXECUTIVE SUMMARY

The CIA's Standards of Practice governing the funding of pension plans have not changed materially since 1981, other than additions made in 1999 mostly to accommodate new solvency rules. The Pension Plan Financial Reporting Committee (PPFRC), as suggested by the Report of the Task Force on Public Policy Principles of Pension Plan Funding, undertook a review of current Standards of Practice and concluded that changes should be considered for reporting on pension plan funding.

Following are the key considerations identified by the PPFRC in this regard:

- The roles and responsibilities of the various players in the pension funding system such as plan "Funders", pension regulators and tax authorities, as well as the actuaries, should be taken into account. The PPFRC believes that the role of actuaries is to provide information to users of actuarial reports, but that decisions on the level of contributions to be paid should rest with those other parties.
- The actuarial valuation reports should highlight two key objectives, – the security of benefits on plan wind-up and the stability of contributions in the long term. Security of plan benefits is promoted by valuation results on a hypothetical plan wind-up basis and contribution stability is promoted by valuation results on a going concern basis.
- The key principles of PPFRC's recommendations are as follows:
 - the actuary would need to obtain the plan's funding policy from the plan's "Funder",
 - valuation reports would need to disclose the following:
 - going concern valuation results, including the incremental annual cost;
 - wind-up valuation results, including the incremental annual cost;
 - unbiased measurements based on the actuary's best estimates, as well as Provisions for Adverse Deviations (PfADs) and Adjustments to Unbiased Measurements (AtUMs), in accordance with the funding policy and legislative requirements;
 - a summary of the funding policy and legislative requirements with respect to minimum and maximum contributions, and a calculation of the level of contributions in accordance with the funding policy and legislative requirements;
 - a discussion by the actuary on the expected stability of contributions and potential funding risks, including any asset/liability mismatch.

The PPFRC believes that new Guidance should be provided to actuaries to assist them in complying with these requirements, and that the CIA should actively assist the regulators in the development of the legislated requirements to reflect these proposals.

INTRODUCTION

We are currently at a time in Canada and elsewhere where the spotlight is on the funding of defined benefit pension plans. While there have been many changes in the pension

environment over the last quarter of a century, the actuarial standards of practice governing the funding of pension plans have not changed materially since 1981, other than additions made in 1999 mostly to accommodate new solvency rules.

Following the release of the Report of the Task Force on Public Policy Principles of Pension Plan Funding (P5F), the Committee on Pension Plan Financial Reporting (PPFRC) undertook a review of current accepted actuarial practice¹ (AAP) to determine if any changes may be warranted. This initiative was endorsed by the Practice Standards Council of the Canadian Institute of Actuaries (Institute). It was concluded from this review that changes to AAP should be contemplated.

The review undertaken by the PPFRC comes at a time when public debate on pension plan funding has continued to intensify. The scrutiny follows a period of disappointing investment performance that occurred coincident with an extended period of declining bond yields and correspondingly lower valuation discount rate assumptions. The coalescence of these two factors has tested the appropriateness of current AAP in an environment where the funding policies pursued by many plan sponsors, whether implicit or explicit, have been focused on surplus utilization and not risk measurement and control. The financial health of most pension plans has deteriorated significantly over this period and resulted in some public debate on the role of plan sponsors, administrators, actuaries, and regulators in properly securing the benefit promises extended to plan members and their beneficiaries. These groups comprise the stakeholders whose needs must be addressed and balanced.

The impetus for the review came from many sources that suggested the current standards might not be fulfilling the needs of the Institute and the public at large. These sources include:

- The Report of the Task Force on P5F released in November 2004;
- The Final Report of the Task Force on Pension Plan Funding released in January 2003;
- The Report of the Task Force on Multi-Employer Pension Plans released in June 2001;
- Input sought from a number of task forces formed by the Institute whose mandates have some relevance to the development of AAP;
- Concerns expressed by regulators with current AAP; and
- Commentary provided by Institute members at large and financial economists amongst others.

The PPFRC is also mindful of the efforts currently underway in the US and the UK in reviewing their respective funding standards. While an intersection of content certainly exists, the applicability of their conclusions will be limited by legislative and jurisdictional differences between the countries. These differences have resulted in fundamental design and structural differences in pension plans by jurisdiction. As such, while the PPFRC will

¹ Within the context of this document, the meaning of “accepted actuarial practice” or “AAP” is restricted to matters related to standards for reporting on pension plan funding.

continue to monitor the progress of the other initiatives underway, the PPFRC does not feel bound by their initiatives or timetable.

The PPFRC has given consideration to all of these sources and many of the recommendations and principles espoused herein are directly based on the reports produced by the prior task forces as well as commentary received. Special attention was devoted to giving proper consideration to the individual requirements of the roles of the actuary, the plan sponsor, and the regulator, as well as the interactions between these roles in arriving at a more transparent and responsive funding framework for Canadian pension plans. The PPFRC believes the additional transparency would provide advantages for all affected parties by providing more guidance, enhanced identification of the risks faced by pension plans, and better disclosure.

The PPFRC expects that the valuation results currently included in most actuarial reports would comply with this new Statement of Principles. However, the disclosure of these results would be significantly changed and there may be additional wind-up calculations required.

The PPFRC believes that this new Statement of Principles should apply to all employment pension plans, whether or not they are registered under the Income Tax Act and relevant pension legislation. However, this Statement of Principles was prepared primarily in consideration of registered pension plans and, therefore, it is acknowledged that further work will be needed to clearly articulate AAP for non registered plans.

ROLES AND RESPONSIBILITIES

After review and consideration of relevant material, the PPFRC concurred with many of the conclusions and recommendations espoused by the prior task forces and adopted many of the basic premises put forth in the Report of the Task Force on P5F. Readers desiring the complete history and background are encouraged to read the P5F Report. A fundamental precept of this structure ascribes roles and responsibilities within the pension funding system as follows:

- plan sponsors (or administrators) are responsible for the funding policy and the investment policy,
- actuaries are responsible for proper measurement and reporting of plan liabilities and costs, including disclosure of pertinent risks,
- pension regulators are responsible for defining minimum funding standards and certain investment constraints, and
- tax authorities are responsible for defining maximum funding limitations and certain investment constraints.

The PPFRC believes that actuarial funding standards should be developed in consideration of the foregoing structure. AAP can then lay the groundwork to enable the entire pension funding system to adapt to various governance structures, to different cost sharing arrangements, and to developing surplus ownership realities.

Consistent with the premises espoused in previous task force reports, the PPFRC does not believe that all of the sources of pension plan funding difficulties are capable of actuarial remediation. The inclusion of Provisions for Adverse Deviations (PfADs) can provide

pension plans with a meaningful level of protection against adverse experience. Nevertheless, reasonable levels of PfADs will not fully protect pension plans in all situations and should not be viewed as guaranteeing benefit security.

Considering only the asset side of the equation for the moment, the investment-related matters of a pension plan represent a significant source of risk that cannot be expected to be fully addressed through the use of PfADs. Investment-related matters include underperformance versus expectations, reductions in equity risk premium expectations and/or current bond yields, and any mismatch between a plan's assets and liabilities. These investment-related risks cannot be managed solely by the actuary through the use of PfADs in the actuarial valuation, but are dependent on those who are involved with the investment policy and its implementation. That said, the approach PPFRC has adopted aims to create a framework within which AAP can be defined, but which also permits the other various stakeholders to exercise influence on the pension funding standards in a congruent fashion.

DELINEATION OF AAP

The PPFRC believes that the security of plan benefits on plan wind-up and the stability of required contributions should be two key objectives and should represent the foundation upon which to build the funding framework. Security of plan benefits is promoted by requiring funding on a hypothetical plan wind-up basis and contribution stability is promoted through the use of a going concern basis.

The PPFRC believes that one of the fundamental principles underlying AAP is that the "Funder"² should develop its own funding objectives to suit the pension "deal" for that particular plan as well as its own risk management approach. AAP should then stipulate how to measure and report particular funding objectives.

However, the setting of minimum and maximum limits for the funding of registered plans is part of the mandate of legislators and regulators, not something to be prescribed by the actuarial profession. The PPFRC, in agreement with the Task Force on P5F, subscribes to this premise, with the provisos that:

- The actuary must strive to ensure that the Funder develops a funding policy within the context of the Funder's broader objectives, giving specific consideration to at least two objectives: benefit security and stability of contributions.
- Regardless of the funding objectives chosen by the Funder, the actuary's report must always include the unbiased measurement of the plan's current status on a wind-up basis and on a going concern basis, as well as the actuary's comment on future developments that may affect the stability of the plan's funding contributions and on inherent risks associated with defined benefit pension plans.
- Pension regulators and tax legislators will need to determine the specific funding objectives, or variants thereof, that will be mandatory for some or all registered pension plans. The actuarial profession can help in such deliberations, and actuarial

² The premise is that every plan will have an entity that has the clear authority to choose the funding policy for the plan and we have adopted the term "Funder" to identify that entity (as in the November 2004 report of the Task Force on P5F). For most single-employer private sector plans, the Funder will be the employer. For most multi-employer plans and jointly trustee single employer plans, the Funder will be the board of trustees. For most statutory plans, the Funder will be the appropriate public body.

standards can even become the basis for any regulatory stipulations, but the actuarial profession should not take over the role of either the Funder or the regulator.

The challenge for the PPFRC was to create a framework that can accommodate the foregoing beliefs while addressing specific concerns of the various stakeholders. The key components of our recommendations are noted below.

PRINCIPLES³

1. Funding Policy

Each Funder will be required to develop a written funding policy for its pension plan. Funding reports prepared without reference to a funding policy would not be in conformance with the Statement of Principles. The funding policy must address both going concern and wind-up bases and must include a description of the key risks faced by the pension plan and the extent to which such risks are addressed by PfADs. It is acknowledged that there may be situations where an acceptable policy could include an explicit decision not to fund on either a going concern and/or a wind-up basis (such as for a non-registered plan). All funding policies must stipulate funding parameters consistent with the funding objectives, and will normally address items such as:

- Actuarial cost method
- Basis to determine best estimate assumptions
- Identification and management of risks
- Types and magnitude of PfADs
- Types and magnitude of Adjustments to Unbiased Measurements⁴ (AtUMs)
- Target contribution levels (or target benefit levels for plans with fixed contributions) and cost sharing arrangements
- Utilization of surplus and contribution holidays
- Amortization periods
- Frequency of valuations

For negotiated contribution plans, the funding policy needs to address benefit policy and other issues related to fixed contributions.

In most instances, Funders will require the assistance of the actuary in the development of the funding policy and many of its parameters. The Institute should develop and maintain both standards and guidance for actuaries to follow.

³ In some areas below, the “principles” described go beyond the delineation of basic principles and touch upon implementation details. This approach was pursued to elicit commentary on the basic principles while providing an indication on the current thought process of the PPFRC with respect to the implementation.

⁴ This would be a new defined term . Unlike PfADs that by definition can only introduce conservatism, AtUMs could introduce negative or positive bias. An example of an AtUM is an asset smoothing method that can either write up or write down an asset’s market value.

2. Going Concern Valuation

Stability of contributions and security of future benefit accruals may be promoted through the use of an appropriate going concern valuation basis. The components of the going concern valuation basis to be reported are outlined in the following table:

Components of Going Concern Basis	Minimum Requirements for Unbiased Measurement	Adjustments as per Funding Policy and/or Legislation
Assumptions	All material individual actuarial assumptions must represent best estimates determined on a basis consistent with guidance to be provided by the Institute. For final earnings related plans, this includes a best estimate salary growth assumption. The assumed discount rate must reflect the rate of return expected to be produced by the plan's investments over the long term, net of expenses expected to be paid from the plan. ^{5 6 7}	This should reflect the relevant requirements of the funding policy and the applicable legislation.
Actuarial Cost Method	An appropriate going concern method must be selected.	Same as above.
Assets	Measured is on a pure market value basis as at the valuation date.	Measurement may include explicit AtUMs and PfADs.
Liabilities	Measurement is a by-product of the actuarial cost method and the best estimate assumptions.	Measurement may include explicit AtUMs and PfADs.
Incremental Annual Cost	Measurement of the normal cost is a by-product of the actuarial cost method and the best estimate assumptions.	Measurement may include explicit AtUMs and PfADs.,

⁵ The expected rate of return should include an expected equity risk premium. The inclusion of an equity risk premium is expected to be somewhat controversial in light of the arguments being advanced by financial economists. That said, the PPFRC is advancing this approach as the objective being discussed relates to the development of funding targets and recommendations considering the Funder's given investment policy, and not for the purposes of measurement and disclosure of the pension plan's liabilities and costs in any entity's financial statements.

⁶ With respect to the expenses to be reflected, this may include investment-related expenses as well as administrative expenses, and this may be reflected either as a reduction in the expected rate of return or as an addition to the annual cost.

⁷ Where the plan is unfunded, the discount rate should be determined by reference to either market interest rates at the valuation date on high quality debt instruments with cash flows that match the timing and amount of expected benefit payments, or the discount rate inherent in the amount at which the accrued benefit obligation could be settled.

A report conforming with this Statement of Principles must disclose going concern results in sufficient detail such that readers can distinguish between results under unbiased measurement and results incorporating the funding policy and any legislation requirements. Two samples of acceptable disclosure approaches are provided in Appendix A.

Disclosure must also include a discussion by the actuary on the expected stability of contributions. This does not impose a measurement of volatility levels, but an indication of whether the funding policy and plan design are, or are not, likely to produce a stable pattern of future contributions to the plan. For greater certainty, adherence to this Statement of Principles would not require the completion of an asset/liability study. The discussion should include an analysis of the key factors and risks faced by the plan that could lead to funding challenges and contribution volatility. This section could be made succinct where the plan's funding policy included a more in depth analysis of these issues, and where such funding policy is referenced in the valuation report and made available to the key users of the valuation report.

3. Wind-up Valuation

Benefit security of accrued benefits for plan members may be promoted through the use of an appropriate wind-up valuation basis. The components of the wind-up valuation basis to be reported are outlined in the following table:

Components of Wind-Up Basis	Minimum Requirements for Unbiased Measurement	Adjustments as per Funding Policy and/or Legislation
Assets	Measurement is on a pure market value basis as at the valuation date. An explicit deduction should be made for wind-up expenses expected to be paid from the plan.	Measurement may include explicit AtUMs and PfADs.
Liabilities	Liabilities must be measured on a pure settlement basis as at the valuation date without any regard to the plan's funded status. The actuary must hypothesize a wind-up scenario and describe the settlement basis under the scenario. The wind-up scenario cannot exclude any benefits to which members are legally entitled to receive under plan terms and applicable legislation (e.g., plant closure benefits, consent benefits, indexing).	Measurement may include explicit AtUMs and PfADs.
Incremental Annual Cost	This cost must be determined as the difference between the expected wind-up liability for the projected plan population one year (or more) after the valuation date less the current wind-up liability (adjusted for interest). The projected wind-up liability must be determined by extrapolating the demographics of the plan membership for that period, and reflecting expected changes affecting the financial situation of the plan over that period.	Measurement may include explicit AtUMs and PfADs.

The report must also disclose a “wind-up ratio”, equal to the ratio of the unbiased measurement of assets less wind-up expenses over the unbiased measurement of liabilities, calculated at the valuation date and also projected after one year (or at the end of such longer period used above for the incremental wind-up annual cost). A sample of acceptable disclosure is provided in Appendix B.

4. Funding Requirements

The translation of the going concern and wind-up measurement and disclosure requirements into funding requirements must be determined in accordance with the funding policy, subject to any legislated requirements.

The PPFRC believes that the previous sections (“Going Concern Valuation” and “Wind-Up Valuation”) provide all the relevant information to determine the level of contributions, as would be specified by the parties who are hereby considered to have that role (i.e., the “Funder” and the regulators, as specified in the above “Roles and Responsibilities” section). Those parties will need to specify, for example, the amortization period used to amortize deficits, the permitted utilization of surplus, as well as how to treat various experience gains and losses, and the value of benefit improvements.

While a transition period may be required, the PPFRC envisions that over time, the current going concern and solvency funding requirements across all jurisdictions will evolve to reflect this new Statement of Principles.

5. Disclosures in a Valuation Report Complying with Accepted Actuarial Practice

The PPFRC believes that every valuation report complying with this Statement of Principles should provide sufficient information to help readers assess the plan's financial situation and the risks involved; this should include at least the following information:

- The current disclosure requirements as to data, assumptions, methods and plan provisions, including changes since the last valuation.
- A summary of the key aspects of the Funder's funding policy.
- A description of any legislated funding rules.
- A section on opinions, encompassing:
 - Sufficiency and reliability of data
 - Reasonableness and appropriateness of assumptions and methods
 - Conformance with the funding policy
 - Conformance with legislated funding requirements and restrictions on both going concern and wind-up bases
 - Conformance with AAP.
- The measurement and disclosure of the accrued liability and "incremental annual cost" on both going concern and wind-up bases.
- The measurement and disclosure of the assets on both going concern and wind-up bases, together with a summary of the asset composition and of the investment policy.
- A reconciliation of the financial position, including the assets, the liabilities and the "incremental annual cost", since the last valuation, on going concern and wind-up bases, showing the major sources of experience gains or losses⁸
- Calculation and disclosure of the funding contributions amount on the following bases:
 - The funding policy adopted by the Funder, subject to any applicable legislation.
 - Where applicable, the minimum funding contributions permitted by legislation.
 - Where applicable, the maximum funding contributions permitted by legislation.
- A discussion on the expected stability of contributions and potential funding risks, including any asset/liability mismatch. Degree of details will depend on extent to which this information is available in the Funder's funding policy.

⁸ There could be fewer sources of gain and loss shown for the wind-up basis than for the going concern basis.

A sample of partial disclosures is provided in Appendices A and B.

PROPOSED INSTITUTE INITIATIVES

In order to assist actuaries in implementing the new Statement of Principles, the PPFRC recommends that the Institute develop guidance for the following in the near future:

- The determination of best estimate valuation assumptions.
- The determination of appropriate actuarial cost methods, for example whether to consider open groups or not.
- The measurement and reporting of key funding objectives.
- The determination of PfADs that:
 - Provide for the key funding objectives and risks on a going concern basis
 - Provide for the risks related to wind-up funding.
- The determination of AtUMs, for example to address volatility in asset market values.
- The calculation of the “incremental wind-up annual cost”.
- The formulation of funding policies.

The PPFRC believes the Institute should actively participate and assist in the development of the legislated requirements with the regulators. Participation is viewed as critical to support the development of effective regulations. For example, the following aspects could be considered:

- Redefining maximum funding rules that are related to maximum levels of PfADs and AtUMs.
- Creating minimum funding requirements that are the greater of going concern and wind-up calculations (including the incremental wind-up annual cost), instead of the current approach where solvency funding is overlaid on top of the going concern funding.
- Providing for exemptions in very specific circumstances to funding on a going concern and/or wind-up bases. For example, there are arguments to allow some public sector plans and some multi-employer plans, should they so choose, to dispense with the wind-up funding requirements in certain circumstances. The circumstances under which exemptions could be sought would relate to plan and sponsor characteristics and could also be tied to additional going concern funding standards and other benefit security measures. Possible approaches envisioned by the PPFRC include the incorporation of additional provisions for adverse deviations or stress testing of the financial strength of a plan’s funded position. Similarly, exemptions from the going concern funding standards could be permitted where enhanced wind-up funding is in place. Nevertheless, disclosure of the unbiased measurements on a wind-up valuation basis would still be required under the Statement of Principles.
- Introducing alternative funding mechanisms such as letters of credit or limited purpose trusts.

- Adopting surplus ownership and utilization rules that are reflective of the particular pension deals between plan sponsors and plan members. The PPFRC is aware that some plan sponsors have characterized the current surplus ownership rules as being asymmetrical, and until this issue is satisfactorily addressed, the funding policies of many plan sponsors might simply be to adhere to the minimum funding standard permitted by legislation. The PPFRC notes that, if applicable regulations could encourage plan sponsors to contribute more than the strict minimum, funding levels generally may increase, thereby enhancing the security of plan members and reducing the number and severity of underfunded situations with which pension supervisory authorities have to deal.

Lastly, we urge regulators to adopt funding requirements that are uniform across all jurisdictions.

APPENDIX A

This appendix shows two suggested alternatives for presenting the going concern financial position. Both of these alternatives would be considered equally acceptable, and other alternatives could be acceptable too.

Presentation of Going Concern Financial Position – Suggestion #1

	December 31, 20XX
Unbiased measurement of assets	
• Market value of assets	\$1,000,000
Unbiased measurement of liabilities	
• Active	\$500,000
• Deferred	100,000
• Pensioners	<u>300,000</u>
• TOTAL Liabilities	\$900,000
Unbiased Going Concern Funding Excess (Deficiency)	\$100,000
Adjustments as per funding policy and legislated requirements	
• Asset related AtUM	(\$50,000)
• PfAD	<u>(\$90,000)</u>
• TOTAL Adjustments	(\$140,000)
Going Concern Funding Excess (Deficiency) as per funding policy and legislated requirements	(\$40,000)

Presentation of Going Concern Financial Position – Suggestion #2

	December 31, 20XX
Assets ¹	
• Adjusted asset value	\$950,000
Liabilities ²	
• Active	\$550,000
• Deferred	110,000
• Pensioners	<u>330,000</u>
• TOTAL Liabilities	\$990,000
Going Concern Funding Excess (Deficiency) as per funding policy and legislated requirements	(\$40,000)

¹ Market value of assets equal to \$1,000,000

² Measurement includes a 10% PfAD

APPENDIX B**Suggested Presentation of wind-up financial position**

	December 31, 20XX
Unbiased measurement of Assets	
• Market value of assets	\$1,000,000
• Expenses	<u>10,000</u>
• Market Value net of expenses	\$990,000
Unbiased measurement of Liabilities	
• Active	\$500,000
• Deferred	100,000
• Pensioners	<u>300,000</u>
• TOTAL Liabilities	\$900,000
Unbiased Wind-Up Excess (Deficiency)	\$90,000
Unbiased Wind-up Ratio	110%
Adjustments as per funding policy and legislated requirements	
• AtUM offsetting indexing	\$180,000
• AtUM resulting from application of smoothed discount rate	20,000
• Asset related AtUM	(50,000)
• PfAD as per funding policy	<u>20,000</u>
• TOTAL Adjustments	\$170,000
Wind-up Excess (Deficiency) as per funding policy and legislated requirements	\$260,000