

June 15, 2021

RE: Revisions to Bank of Canada real-return bond yields (series V122553)

The Bank of Canada has made minor revisions to the real-return bond yields on their website retroactive to June 2020. In particular, the real-return long-term bond rate (series V122553) has been adjusted for certain months. The revised rates have implications for commuted value calculations for plans with CPI-based indexing.

In May 2021, the Canadian Institute of Actuaries (CIA) through its Committee on Pension Plan Financial Reporting (PPFRC) provided guidance in an Explanatory Report entitled Bank of Canada Revisions to Real Return Bond Data. For pension commuted values, the Explanatory Report has recommended the following:

- for a commuted value that has been paid, the actuary would not recompute the commuted value to reflect the updated V122553 rates;
- for a commuted value that has been communicated to the member and not paid, the actuary would not recompute the commuted value to reflect the updated V122553 rates; and
- for a commuted value that has not been communicated to the member, the actuary would compute the commuted value using the updated V122553 rates. However, the actuary may consider the application of subsections 1140 and 1240 and determine that it would be appropriate to use the previously published V122553 rates.

The Superintendent of Pensions has reviewed this approach and has identified one concern, with the second bullet above. **In the Superintendent's view, where a commuted value has been communicated but not paid and new information has become available which would materially alter the commuted value, the administrator of a pension plan should recompute the revised commuted value prior to authorizing payment.**

As such, for commuted values paid in accordance with the Pension Benefits Act, 1997, all commuted values authorized for payment **on, or after, June 16, 2021** should reflect the new updated V122553 rates where appropriate.

Also, please be aware that section 15(12) of the Pension Benefits Act Regulations requires payment of a commuted value within 180 days of the date of determination, otherwise a recalculation of the commuted value is required.

If you require further information, please contact the Division, at (709) 729-1039 or email the Superintendent of Pensions, at MichaelPDelaney@gov.nl.ca.