

December 3, 2020

**RE: Retirement Age Assumption for Commuted Value Calculations under the  
new Canadian Institute of Actuaries' Standards of Practice for Pension  
Commuted Values, Effective December 1, 2020**

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A member of a defined benefit pension plan who ends their membership may be eligible to receive their pension entitlement in the form of a commuted value (i.e. the lump sum present value of the pension benefit). The method for calculating commuted values is prescribed by pension legislation, specifically section 14 of the *Pension Benefits Act Regulations* (the “Regulations”) for members subject to Newfoundland and Labrador pension legislation.

Section 14(1)(a) of the Regulations refers to the Canadian Institute of Actuaries’ Recommendations for the Computation of Transfer Values from Registered Pension Plans. This document has since been replaced by the Canadian Institute of Actuaries’ Standards of Practice for Pension Commuted Values (the “CV Standards”) and the Superintendent of Pensions has approved the CV Standards for the determination of pension commuted values.

The CV Standards provide detailed guidance on the assumptions and methods to be used to calculate commuted values. These CV Standards have recently been updated, with changes taking place effective December 1, 2020.

One of the changes in the CV Standards involves the retirement age assumption used to calculate the commuted value. The updated CV Standards recommend using an assumption of a 50% chance retirement will occur at the age that results in the highest commuted value, and a 50% chance retirement will occur at the earliest age at which the plan member is entitled to an unreduced pension. However, section 14(3) of the Regulations specifies that the assumption to be used is a 100% chance retirement will occur at the age that results in the highest commuted value. **This memo is intended to clarify that the Regulations prevail and the Superintendent of Pensions expects commuted value calculations for members subject to Newfoundland and Labrador pension legislation to be performed using the retirement age assumption specified in section 14(3) of the Regulations (100% at the age that results in the highest commuted value).**

All other commuted value assumptions should reflect the updated CV Standards when they take effect on December 1, 2020.

If you require further information, please contact Michael Delaney, Superintendent of Pensions, at (709) 729-6014 or write to us at the address below.