Press Release

September 17, 2020

FTSE Russell Canada Selected by Canadian Institute of Actuaries to Represent Canada Bond Market for Commuted Value Standard for Pensions

- A selection of FTSE Canada bond indexes will now represent the market-based spread component for provincial and investment grade corporate bonds recommended by the Canadian Institute of Actuaries (CIA) in an enhanced commuted value calculation.
- FTSE Russell Canada was the natural choice by the CIA to represent the Canadian bond market for this calculation.
- FTSE Russell Canada introduces a new dedicated web page with historical index rates and background information for transparency & education.

Today, the Canadian arm of leading global index provider FTSE Russell announced that it has been selected by the Canadian Institute of Actuaries (CIA) to represent the Canada provincial and investment-grade corporate bond spread to be used for the CIA's new enhanced market-based Commuted Value calculation.

The Canadian commuted value actuarial standard of practice is used to determine how much to pay a member of a registered defined benefit pension plan who leaves the plan and elects to receive their pension entitlement as a lump sum payment This calculation, historically based on the yields of long-term Government of Canada bonds, will now also reflect blended spreads of provincial and investment grade corporate bond yields. These market rates will now be derived by actuaries from yields calculated and published by FTSE Russell for a number of FTSE Canada Fixed Income Indexes, including the FTSE Canada Provincial Bond Index and FTSE Canada Corporate Bond Index. This enhancement to the calculation standard follows a thorough review by the CIA.

Marina Mets, Head of Americas Fixed Income & Multi-Asset Product Management, FTSE Russell:
"We are so excited to be selected by the CIA to provide the underlying market data to support the new market-based commuted value computation. For decades, the FTSE Canada indexes have been viewed by investors as providing the most relevant and accurate representation of the Canada fixed income market and it is fitting that they be used as the basis for the CIA's new market-based approach to commuted value calculations. We are also happy to work with the CIA going forward to educate Canada actuaries, pension plan managers and the public on our indexes as this new association with the CIA will provide a much broader platform of engagement."

Michel St-Germain, FCIA, President, Canadian Institute of Actuaries:
"We gave it a great deal of thought and sought feedback from across the Canada actuarial and pension community when we decided to modernize our approach to commuted value computation. And when we decided to go to a more market-based approach to the determination of commuted value interest rates, FTSE Russell Canada was the natural choice. We also appreciate that FTSE Russell Canada is making the relevant index values accessible on their website to all those who need this information. We look forward to working with a well-respected global index provider to provide relevant rates and standards for CIA members and the Canadian pension community."

This new collaboration for FTSE Russell with the CIA builds on work FTSE Russell has done globally to help underscore reference rates in other markets. The FTSE Pension Liability Index and the associated Pension Discount Curve, created in 1994 by Yield Book, part of FTSE Russell, is widely used by plan sponsors and actuaries in the U.S. to value defined benefits liabilities in compliance with SEC and FASB discount rate requirements. And in July, FTSE Russell began publishing indicative term Sonia reference rates to help the industry's planned transition from the Libor benchmark rate at the end of 2021.

These changes to the commuted value standard, published by the CIA's Actuarial Standards Board in January 2020, will take effect on December 1 of this year. FTSE Russell Canada has introduced a dedicated online portal for CIA members and clients to access the index values used in determining commuted value interest rates and learn more about commuted value and how it is calculated.

– Ends –

For further information:

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Notes to editors:

About FTSE Russell:

FTSE Russell is a global index leader that provides innovative benchmarking, analytics and data solutions for investors worldwide. FTSE Russell calculates thousands of indexes that measure and benchmark markets and asset classes in more than 70 countries, covering 98% of the investable market globally.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. Approximately $16 trillion is currently benchmarked to FTSE Russell indexes. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create ETFs, structured products and index-based derivatives.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on applying the highest industry standards in index design and governance and embraces the IOSCO Principles. FTSE Russell is also focused on index innovation and customer partnerships as it seeks to enhance the breadth, depth and reach of its offering.

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For more information, visit www.ftserussell.com

About the Canadian Institute of Actuaries:

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Our more than 6,000 members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.

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