



Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries, and other interested parties

From: Edward Gibson, Chair
Actuarial Standards Board

Date: October 27, 2022

Subject: **Notice of Intent: Quinquennial Review of Part 7000 – Practice-Specific Standards for Social Security Programs**

Comment deadline: January 31, 2023

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Introduction

The Actuarial Standards Board (ASB) has established a designated group (DG) to review Part 7000 of the Standards of Practice of the Canadian Institute of Actuaries (Social Security Programs Standard or Part 7000).

The current Social Security Programs Standard came into effect on October 15, 2017, and was revised as of February 1, 2018, to maintain consistency with the other standards. This is the first full review since Part 7000 was adopted. The current review of the Social Security Programs Standard is being undertaken as part of the ASB's normal process of reviewing and potentially updating every major segment of the Standards of Practice on approximately a quinquennial basis.

The official mandate of the DG is to:

- Recommend any changes to Part 7000 (Social Security Programs) of the Standards of Practice, as part of a general review.

The DG will use as a “working mandate” the following:

- To conduct a comprehensive review of the current Social Security Programs Standard;
- To, where appropriate, update the wording to align more closely to the current social security practice environment;
- To review the level of specificity required within Part 7000;
- To make revisions where necessary to improve the clarity, conciseness, and level of specificity provided within Part 7000;
- To introduce any new elements that may be deemed necessary to adapt to changes that have occurred in the social security practice environment since the last review;
- To make the standard current with existing legislation where appropriate; and
- To make required minor edits that may have been identified.

This mandate includes a complete review of Part 7000 intended to identify revisions that may be appropriate given changes in social security practice over the past several years.

This notice of intent (NOI) outlines changes under consideration during this review, and requests feedback on the revisions as part of the formal due process for amending the actuarial standards of practice.

Changes to Part 7000 that are under consideration:

- The DG is considering revising wording to distinguish between financing method and funding policy, which are currently used interchangeably. The DG believes that financing methods should be kept for more general use while funding method is referring to more specific application.
- The DG is considering adding one or more paragraphs on subsequent events, which does not currently exist in Part 7000 (only a title on subsequent events currently exists prior to paragraph 7310.08). The DG believes that often the purpose of work on social security programs is to report on the entity as it was at the calculation date and during the projection period. This suggests that a subsequent event can make the entity different at the calculation date and/or during the projection period. Paragraph 1430.03 in the general standards does not explicitly permit the actuary to reflect subsequent events that make the entity different after the calculation date, however social security valuations have the dual purpose of reporting as of the calculation date and during the projection period.

To reflect subsequent events appropriately, the DG believes that Part 7000 should let the actuary decide on reflecting subsequent events if such events make the entity different during the projection period.

The DG also believes that the actuary would consider the materiality of the subsequent events on best estimate assumptions (individually and in aggregate) in their decision to reflect the subsequent event in the valuation.

- The DG believes that Part 7000 should let the actuary decide whether a cut-off date for recognition of subsequent events is necessary and also that cutoff dates could vary by assumption.
- The DG believes that Subsection 7330 on economic assumptions should be more detailed, and the actuary should disclose separately nominal rates and rates net of inflation, net of expenses, or net of some other factor, where appropriate.

General changes

- The DG will likely suggest a number of changes to improve the clarity, conciseness and level of specificity provided within Part 7000.
- The DG will aim for consistency, where appropriate, between Part 7000 and International Standard of Actuarial Practice 2 (Financial Analysis of Social Security Programs).

Timeline

The ASB aims to publish an exposure draft before the end of spring 2023 with the final standards effective no earlier than September 30, 2023. The ultimate timeline will depend on the feedback received and could vary from these targets.

Desired feedback

The DG and ASB are soliciting feedback on this NOI from members of the CIA and any other interested groups.

Feedback is welcomed on the proposals described above as well as the following questions:

1. Do you think a new section on subsequent events is necessary in Part 7000?

2. Are there any specific areas in Part 7000 where changes should be considered to enhance consistency with other practice areas? For example, cutoff dates or subsequent events?
3. Are there any other items that should be added, removed, or clarified in Part 7000?

Please send comments **by January 31, 2023** to [François Boulé](#), with a copy to [Chris Fievoli](#). No other forums for obtaining feedback are contemplated at this time.

The members of the DG are François Boulé (Chair), Robert L. Brown, Philippe Guèvremont, Jean-Claude Ménard, Andréanne Pearson, and Jill Wagman.

The ASB's due process has been followed in the drafting of this notice of intent.

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