

ACTUARIAL STANDARDS BOARD (ASB) MEETING N^o 113
JANUARY 27, 2021
VIDEOCONFERENCE
15:00 P.M. – 16:00 P.M.

Present: Mel Bartlett
Thierry Chamberland
Renée Couture
Pierre Dionne
Stéphanie Fadous
Azmina Jiwani
Jamie Jocsak
Josephine Marks, *chair*
Simon Nelson
Marshall Posner
Lesley Thomson
Yun (Bill) Xu
Steve Easson, *ex officio*
Michel Simard, *ex officio*
Dean Newell, *guest*

Staff: Josée Racette

Guest: Steve Bocking, at the invitation of the chair.

The chair opened the meeting and thanked everyone for attending this special meeting. She also thanked Steve Bocking for attending.

The chair provided a brief overview of the recruitment process for an ASB chair (call for candidates issued by APOB last fall). Since no candidate came forward, APOB asked the current ASB chair if she would be willing to continue serving in that capacity until June 2022, and she agreed.

The chair would like to ensure a candidate comes forward at the next call for candidates. In addition, she will attempt to recruit a vice-chair (ideally someone who would be willing to take over as chair). It will also be helpful to have an ASB member who is willing to take the lead on pension related matters with regulators which is the role that Mario filled as vice-chair last year.

The Executive Director added that the Head Office can also help through its Volunteer Services department.

113.1 Ultimate Reinvestment Rate (URR)

Steve Bocking joined the meeting for this item and provided a brief update.

The last promulgation issued was supposed to be the last one before the implementation of IFRS 17 but in light of the deferral of the implementation date of IFRS 17 and the changing economic environment, the ASB decided last year to review the economic promulgations. While not directly comparable, the change in rates will also be directionally consistent with interest rate movements under IFRS 17 reporting.

Steve provided some highlights as follows:

- The DG is recommending an update to the URRs based on the same methodology used in past reviews. The recommendation for the long-term URR-low is 2.90%. This compares to the “raw” result of 2.89% (i.e., average of the worst 30% of scenarios year 60) and a current long-term URR-low of 3.05%, so a 15 bps decrease.
- The DG is recommending an update to the stochastic risk-free interest rate calibrations criteria based on the same methodology used in past reviews. It is also consistent with the determination of the URRs above.
- The DG is recommending a 5 bps increase to the maximum net credit spread promulgation. This would move the 80 bps cap to 85 bps.

The DG will be presenting the draft initial communication and educational note supplement at the March 2021 ASB meeting.

Some ASB members expressed concerns about the implementation of a revised promulgation followed immediately thereafter by the implementation of IFRS 17. Concern was also expressed about potential changes to guidance on the IFRS 17 discount rates immediately after IFRS implementation. While these rates are not being promulgated, it is nevertheless expected that they will be monitored and potentially revised from time to time. The Committee on Life Insurance Financial Reporting (CLIFR) is currently reviewing comments received during a targeted external consultation and is expected to issue any revisions to the IFRS guidance by mid 2021.

113.2 Pension Commuted Values when Bond Yields are Negative

Marshall Posner reminded ASB members that this issue surfaced relatively recently. The standards provide formulas for the determination of r_7 , the yield on real return bonds (seven years) (information not publicly available). The current environment yields unusual results.

The designated group (DG) is reaching out to the Bank of Canada to see if they would be willing to publish another CANSIM series.

The DG entered discussions with Fiera Capital to see what the yield looks like. It was determined that there is a tight correlation between r_7 and expectations of inflation.

The ASB discussed the degree of urgency in this particular instance and determined that it would be best to release a notice of intent with a short deadline for comments (February 19, 2021), thereby allowing sufficient time for the DG to review comments and prepare an exposure draft to be presented to the ASB for approval at its March 2021 meeting.

Motion: ***That the Notice of Intent Regarding the Determination of Pension Commuted Values in Economic Environments where Bond Yields are Negative be approved for release as presented, with a comment deadline of February 19, 2021, and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.***

Carried by at least 2/3 of members

113.3 Role of the Actuary in the IFRS 17 Context

Lesley Thomson described the highlights of an exposure draft. It includes changes required for the implementation of IFRS 17 as well as those impacting the role of the actuary under IFRS 17 (changes from two different DGs). The changes proposed to support the role of the actuary

impact mainly subsection 2230 Reporting. The changes required for the implementation of IFRS 17 are relatively minor.

The exposure draft was shared with the Committee on the Appointed/Valuation Actuary, CLIFR, the Committee on Property and Casualty Insurance Financial Reporting, and the Committee on Risk Management and Capital Requirements. In addition, it was presented at the Seminar for the Appointed Actuary and act20 (CIA annual conference).

The DG is also recommending that an educational note be developed to better explain the changes to the actuary's opinion, fair presentation, and the use of another person's work.

The DG recommends that the deadline for comments be May 31, 2021 to allow sufficient time for the final standards to be published before the transition period to IFRS 17.

A few minor editorial suggestions were made.

Motion: ***That the Second Revised Exposure Draft to Incorporate changes required by the adoption in Canada of IFRS 17 Insurance Contracts, including Principles of International Standard of Actuarial Practice 4 – Actuarial Practice in Relation to IFRS 17 Insurance Contracts, into the Canadian Standards of Practice be approved for release as presented, with a comment deadline of May 31, 2021, and that the chairperson of the designated group, in consultation with the Head Office, be authorized to make any necessary editorial corrections (e.g., spelling, punctuation, format, grammar, cross-references) prior to its release.***

Carried by at least 2/3 of members

113.4 Other ASB Business

The chair reported that a meeting will take place in early February with the Accounting Standards Board and the CIA/ASB to discuss the interaction between the two professions.

There being no further business, the meeting concluded at 16:04 p.m. The next scheduled meeting of the ASB will take place on March 2, 2021 via videoconference.