

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 122
MARCH 31, 2022
VIDEOCONFERENCE
10:00 – 16:00

Present: Mel Bartlett
Thierry Chamberland
Renée Couture
Pierre Dionne (*absent 13:00 to 13:45*)
Stéphanie Fadous (*absent 11:00 to noon, left at 15:30*)
Edward Gibson, *vice-chair*
Azmina Jiwani
Jamie Jocsak (*left at 15:30*)
Josephine Marks, *chair*
Simon Nelson (*left at 16:00*)
Marshall Posner
Lesley Thomson (*left at 16:00*)
Yun (Bill) Xu
Steve Easson, *ex officio*
Michel Simard, *ex officio*

Staff: Lynn Blackburn for item 6; Josée Racette

Guests: Ross Gascho and Allyson Marta for item 6; James Koo, Dani Goraichy, and Charly Pazdor for items 6 and 7a; Jacques Tremblay for item 7b; Mario Robitaille for item 7e; Kelley McKeating for item 7f; François Boulé for item 7g; Bernard Morency, Krystal Lessard, and Charly Pazdor for item 9; all at the invitation of the Chair.

The Chair opened the meeting.

122.1 Approval of Agenda

Motion: That the agenda be approved as presented.

Carried

122.2 Previous Minutes

The minutes from the November 24, 2021, meeting were reviewed.

The minutes of the January 17, 2022, meeting were reviewed.

Motion: That the minutes of ASB meeting N° 120 held on November 24, 2021, and ASB meeting N° 121 held on January 17, 2022, be approved as presented.

Carried

122.3 Email votes

There was one electronic vote since the last meeting.

That the *Notice of intent on the revised Standards of Practice – subsections 1510 and 1520 CPA Canada/CIA Joint Policy Statement* be approved as presented, for release and with a comment deadline of March 18, 2022, 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 January 24, 2022

122.4 Disbanding Designated and Working Groups

There is one designated or working group to disband.

That the Designated Group on Pension Commuted Values when Bond Yields are Negative be disbanded with thanks.

122.5 Review of Action Items

All action items were reviewed. The list will be updated.

Research project on pension commencement age: See item 10.

Progress against our strategic plan: it will be discussed at the May 2022 meeting.

Discount rate template: it will be reviewed at the May 2022 meeting.

Reasons to promulgate: The item is on the agenda (see item 11).

Work in Canada: no update is available. The Chair of the Committee on Pension Plan Financial Reporting is looking into the issue. A webcast is being prepared.

Internal website: the documentation could be shared using Aprio or OneDrive. A concern was expressed about what happens if/when the contract with Aprio comes to an end and is not renewed.

Education session on fiduciary duty: the item is on the agenda (see item 6).

Research paper on ethical concerns: this item will be added to a future agenda.

IFoA Guidance on Data Science Ethics: this item will be added to a future agenda.

122.6 Fiduciary Duty

Allyson Marta and Ross Gascho joined the ASB for this item, as well as James Koo, Dani Goraichy, and Charly Pazdor.

Ms. Marta and Mr. Gaucho presented an education session on fiduciary duty. They provided an overview of pension plans, fiduciary duties, and the potential sources of fiduciary liability. They also provided an overview of the *Fredericton Police* decisions and the situation in the United States.

It was noted that the situation in Québec would not be addressed during this presentation as the legislation is different.

The presenters stated that there are two sources of fiduciary duties for pension plans in Canada: applicable pension benefit standards (PBA) legislation, and case law (common law). Elements of a fiduciary duty under both common law and statutory were briefly explained.

Delegation and use of agents was addressed. Actuarial services can only be performed by an actuary. This is different from what an administrator does (there can only be one legal administrator).

Fiduciary duties should not be accepted lightly or inadvertently. It was recommended that good disclosure of issues such as mandates, responsibilities, and contacts for taking instructions and communication could help to avoid unintended consequences. While the actuary would not be expected to assume any fiduciary obligation, such disclosure is also consistent with effective discharge of professional responsibilities and duties.

In summary, the presenters noted that the issue is ongoing and views on this issue will continue to evolve. The ASB strongly encourages the CIA to arrange a webcast on fiduciary duty to be available to the members.

The Chair and the Executive Director thanked Allyson Marta and Ross Gascho for a very informative presentation.

122.7 Reports from Designated Groups

a) Quinquennial Review of Part 3000

James Koo provided a brief update. DG#1 is proposing one small change in the final standards.

After reviewing the comments received on the exposure draft, the DG discussed the merits of removing the recently-added section on disclosures. The DG decided against removing it. The DG feels that it might be best to address the topic in an educational note.

Dani Goraichy also provided a brief update on the changes being proposed by DG#2. The DG reviewed comments received from consulting firms and others (about plausible adverse scenarios) and felt that there were not sufficient strong arguments to change what the DG is proposing.

Charly Pazdor presented an update and sought feedback from the ASB on the proposed direction concerning the commuted value on actual plan wind up for target pension arrangements (TPAs). He highlighted the most contentious issues.

The ASB discussed whether reexposure should be considered. If the DG recommends to proceed with the final standards, an explanation will need to be provided in the memo to members. If an educational note is required, coordination will occur with the Actuarial Guidance Council (AGC).

It was agreed that a draft version of the standards will be presented to the ASB at its May meeting, at which time the issue of TPA will be further discussed as well as whether to proceed to final standard or a re-exposure.

It was mentioned that the CIA will meet with the Quebec regulator on April 13 to discuss a number of issues which relate to the pension standards.

The ASB Chair thanked the chairs of the three DGs and their teams for their work.

b) Joint Policy Statement

Jacques Tremblay joined the ASB for this item. He reported that the Joint Task Force held a meeting on March 23. Work is progressing really well and the resource person from CPA Canada is doing a great job. Great collaboration with the other profession.

Homework had been assigned to the members of the Joint Task Force in January and February. The group discussed 13 issues. There was a great meeting of the minds.

Following that meeting, a revised version of the standards was circulated to the members of the Joint Task Force. Two additional meetings have been scheduled (one in April (review draft standards) and one in May). The objective is to circulate the exposure draft to the members of both professions before June 30, 2022.

Only one set of comments was received on the notice of intent.

Timeline: The DG will present an update at the May ASB meeting, and the exposure draft is expected to be presented for approval at the June ASB meeting.

The work on updating the auditing guide will commence shortly. The two co-chairs are Janice Deganis and Jacques Tremblay. Three or four actuaries will need to be recruited for this task. It is a multi-year project. The aim will be to try and publish a few chapters before the end of 2022 and the rest later on.

It is expected that a lot of changes will be proposed to the guide. It is being proposed that the document be drafted in Q&A format. The work will be coordinated with the AGC. A question arose as to whether the guide would also be issued as an actuarial educational note, which was the case last time the guide was updated. This will be for the AGC to decide.

The cover note will explain why some changes were made/not made.

c) Quinquennial Review of Part 6000

Renée Couture reported that the Chair of the DG has resigned and efforts to find a replacement have not yet been rewarded. Renée has agreed to step up on an interim basis.

It was also mentioned that the Education and Qualification Council is looking for volunteers to review the syllabus (Group benefits).

d) Reliance on Third Party Data Providers

Efforts are ongoing for the recruitment of a chair for this DG (ideally a pension actuary).

Mandate: the draft mandate should be socialized with DG members and then submitted to the ASB for approval.

e) ISAP 6

Mario Robitaille joined the meeting for this item. He provided an overview of the proposed exposure draft. The DG sought feedback from the Committee on the Appointed/Valuation Actuary, the Committee on Risk Management and Capital Requirements, and the Enterprise Risk Management Committee. The document now has the same look and feel as other parts of the standards. The DG proposes to add two new definitions to Part 1000.

The ASB confirmed the expected scope of the new standard, which is addressed in the preamble.

The ASB indicated that the memo to members will need to explain the rationale for creating a new ERM section (part) in the standards, as well as confirm the intended scope.

The DG expects to present the exposure draft for approval at the May ASB meeting.

The Chair thanked Mario and his DG for their work.

f) Quinquennial Review of Part 4000

Kelley McKeating joined the meeting for this item. She provided an update as follows:

- Two meetings have been scheduled.
- The cover memo is being finalized.
- Documents will be circulated to the Actuarial Evidence Committee for feedback (expected in late April/early May), thereby ensuring ongoing consultation.
- Once feedback has been reviewed, the exposure draft will be presented to the ASB for approval (expected at the June ASB meeting).

- Inconsistencies between the English and French versions of the standards: one individual has agreed to do the French technical review.
- There was some discussion concerning the potential use of models by AE actuaries related to concerns as to how the section on models in Part 1000 applied to AE practitioners.

The Chair thanked Kelley and her DG for their work.

g) Designated Group on the Quinquennial Review of Part 7000

The Chair welcomed the Chair of the DG, François Boulé, who joined the meeting for this item.

It was noted that the standards have only been in effect since 2017. Very qualified individuals have agreed to participate in the quinquennial review.

An overview of the timelines for the review was provided. A normal process would normally take 18 months to complete (six months each for the notice of intent, the exposure draft, and the final standards).

Motion: That the ASB create the Designated Group for the Quinquennial Review of Part 7000, that François Boulé be appointed as chair, that Robert Brown, Philippe Guèvremont, Jean-Claude Ménard, Andréanne Pearson, and Jill Wagman be appointed as members effective January 31, 2022, and that the Designated Group has as its mandate:

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

Carried

h) IFRS 17 and Role of the Actuary in the IFRS 17 Context

The standards have been published (effective date is January 1, 2023, and early implementation is prohibited). There is nothing else to report.

122.8 Update from APOB Meeting

The Chair reported that the Chair of APOB has reached out to select the topic for the joint session with APOB at the May ASB meeting.

122.9 Emerging pension issues

Krystal Lessard and Bernard Morency joined the meeting for this item.

Bernard provided some background on the creation and progress to date of a CIA group that was formed to provide some help to solve problems faced by the Québec regulator.

The Québec regulator is concerned and feels that the new subsection is unfair to younger plan members, potentially yielding very low values.

The joint group (CIA-Québec regulator) explored two options: make adjustments to the assumptions; and a minimum benefit that could be embedded in regulation.

The regulator ran several simulations under numerous scenarios.

The mandate of the joint group ended on January 31, 2022. It seems that no decision on what approach to use has yet been made. There is a real possibility that they will do nothing (continue to calculate the CV on a solvency basis).

There was a meeting with CAPSA on November 10 (see item 16). The topic was added to the agenda. Comments were sought but none were offered.

A concern was expressed that the comments made by the regulator were not acknowledged. The ASB will continue to improve its process to ensure that input is acknowledged.

After some discussion, the ASB will set up a group with TPA expertise and others to investigate, review the input, and recommend a course of action. The mandate will need to be drafted with care.

The efforts of the CIA members who were part of the joint group with the regulator were acknowledged. They worked really hard to strengthen the relationship with the regulator.

Accounting Standards Board outreach for pension plan exposure draft (Part IV of the Handbook): it was felt that comments from the profession (if any) should come from the CIA.

The ASB Chair thanked Krystel and Bernard for their contribution and efforts to strengthen the relationship with the regulator.

122.10 Updates from the PDC, the IAC, and the Research Council

PDC (Practice Development Council)

The PDC has met twice since the last ASB meeting.

Some of the topics discussed included the following:

- Cryptocurrencies: the CIA is not taking a position (it feels it would be premature to do so). It would rather promote education.
- Skills and knowledge inventory for pensions was approved and published (available to members only).
- Revised employment codes were approved.
- The CIA Head Office is consulting with C-level on their perspective about the actuarial profession.

IAC (International Affairs Council)

There is nothing to report.

Research Council

The Research Council met three times since the last ASB meeting, in addition to their meeting today. The following was noted:

- Several papers were approved.
- There are several projects in the pipeline.
- The research process/program is being revamped. To that end, two new governance policies were approved (or are expected to be approved shortly by the CIA Board), namely: 1) Policy Governing Research; and 2) Policy Governing Data for Sponsored Research.

Pension commencement age: Mel Bartlett reported that the request for increased funding was not approved. The Research Council proposed that the project be split into two phases (raw data, and doing the work itself) and funding would be available for phase 1. Proceeding with phase 1 does not guarantee that the budget for phase 2 would be approved at a later date. The Project Oversight Group will meet to discuss the options.

122.11 Rationale for promulgation

An internal working document explaining the rationale for the ASB to consider promulgating was reviewed.

Minor edits were suggested.

122.12 ISAP 7

The ASB considered whether it should offer comments to the International Actuarial Association (IAA) on ISAP 7 *“Current Estimates” and Other Matters in Relation to the IAIS Insurance Capital Standard*.

It was noted that the document has been forwarded to the Committee on Risk Management and Capital Requirements.

It was noted that most likely, it will have no impact.

122.13 Longevity funds

This item was deferred.

122.14 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: No update available.

Committee on Life Insurance Financial Reporting:

IFRS 17 educational notes are being finalized (not many changes).

Discount rate educational note: the methodology for the ultimate risk-free rate is changing slightly.

Canadian Asset Liability Method (CALM) guidance for investment assumptions: It was noted that insurers could change their strategy but cannot be expected to do it all on January 1, 2023. As a result, CLIFR is considering the development of a paper to address this issue and is seeking feedback. After some discussion of the two interpretations provided, the ASB feels that interpretation 1 (The “investment strategy” and “expected practice” would be consistent with the accounting regime under which this testing is being completed (i.e., assume that the CALM regime persists). Therefore, any changes to an insurer’s investment strategy due to IFRS 17 should be excluded and thus the valuation would assume a rebalancing of the portfolio to the IFRS 4 investment strategy¹.) appears to be reasonable.

Committee on Risk Management and Capital Requirements (CRMCR): No update available.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC):

IFRS 17 educational notes are being finalized (some have already been approved).

Other IFRS 17 notes are expected to be presented to the AGC for approval in May.

There is no expected publication date yet for the note on reinsurance and the document on disclosures.

Committee on Property and Casualty Insurance Pricing: An educational note on trends was approved.

The Committee is developing material on bias and ethics and expects that it will be approved in June.

Committee on Workers’ Compensation: The Committee is reviewing comments received on its IFRS 17 note.

¹ IFRS 4 investment strategy: Insurer investment strategy consistent with their expected practice assuming IFRS 4 persists

Committee on Pension Plan Financial Reporting: The update was covered under previous items.

Task Force on Gender Identity: No update available.

122.15 Webcasts

There are no webcasts being considered at this time.

122.16 Planning for the May 5, 2022 ASB meeting

The ASB is planning to hold a strategic brainstorm session at its next meeting. Topics proposed include the following:

- AGC White Paper on the exploration of the possibility of transferring the accountability of the AGC from the CIA Board to the ASB
- Statement approved by the CIA Board on its duty to the public

122.17 Report on Recent/Upcoming Meetings

The ASB received a report on recent meetings involving the ASB and the following was noted:

CIA\ASB\OSFI meeting on November 30, 2021

- Several topics were discussed, such as IFRS 17, the role of the AA under IFRS 17, LICAT rules, climate change, and “OSFI’s transformation”.

Actuarial Guidance Council (December 14, 2021, January 11, February 8, and March 8, 2022)

- Summaries were provided in the meeting material.

CIA/ASB/APOB/CAPSA meeting on June 7, 2022

- A preparatory meeting will be held.

CIA/ASB/Retraite Québec meeting on April 13, 2022

- A report will be provided at the May ASB meeting.

122.18 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

- May 5, 2022, followed by a joint session with APOB:** 10:00 a.m. – 6:00 p.m. (in person)
- June 8, 2022–** 10:00 a.m. – 4:00 p.m.

122.19 Other Business

There being no further business, the meeting concluded at 16:13. The next regularly scheduled meeting of the ASB will take place on May 5, 2022 as a hybrid meeting (in person and via videoconference).