

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 130
MAY 4, 2023
HYBRID
10:00 – 17:20

Present: Mel Bartlett
Gavin Benjamin
Thierry Chamberland
Renée Couture (*joined at 10:54*)
Simon Curtis
Pierre Dionne
Steve Easson
Edward Gibson, *Chair*
Azmina Jiwani
Jamie Jocsak
Marshall Posner
Dean Newell, *ex officio (absent between 13:44 and 15:00)*
Michel Simard, Executive Director (*joined at 16:10*)

Staff: Lynn Blackburn for item 8 and the joint session with APOB, Leona Campbell for the joint session with APOB; Josée Racette

Guests: Tim McGorman for item 6d; François Boulé for item 6e; Glenn Smith for item 6f; John Carter for items 6j to 17; all at the invitation of the Chair.

The Chair opened the meeting.

Before proceeding with the formal agenda, the chair opened the floor to some brainstorming of topics to be discussed during the joint session with APOB. The following topics were suggested:

- Climate change
- Consistency of practice
- Regulator perspective and interaction
- Gender issues

130.1 Approval of Agenda

Two items were added under Other Business, namely Strategic Plan, and ASB Membership. The order of items 8 and 9 was reversed.

Under Item 6c, the name of the designated group was changed to Designated Group to Correct a Reference in Subsection 1420 and a motion to disband was added.

Motion: That the agenda be approved as amended.

Carried

130.2 Previous Minutes

The minutes from the March 28, 2023, meeting were reviewed. A few edits were suggested.

It was suggested that when a guest is invited to address the ASB, that it be very clear in what capacity they are speaking to avoid confusion.

Motion: That the minutes of ASB meeting N° 129 held on March 28, 2023, be approved as amended.

Carried

130.3 Email votes

There was no electronic vote since the last meeting.

130.4 Disbanding Designated and Working Groups

There was one designated or working group to disband.

That the Designated Group on the Joint Policy Statement be disbanded with thanks.

It was pointed out that the accounting guide that will accompany the Joint Policy Statement is currently being updated by a joint working group of CPA Canada and the ASB.

130.5 Review of Action Items

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

Progress against our strategic plan: The topic was deferred to the next meeting where more time will be allocated for a detailed discussion.

Consistency of practice: Simon Curtis will review Part 1000 and report back at the next meeting.

Use of models: See item 6i.

Climate change and sustainability: See item 7.

130.6 Reports from Designated Groups

a) Joint Policy Statement

There was a brief discussion about the Basis for Conclusions (included in the CPA Handbook).

It was decided that a memo would be prepared (with the Basis for Conclusions as an appendix to the memo) and be posted as a related document to the memo that accompanied the memo to members when the JPS was published.

b) ISAP 6

The final standards have been published and will come into effect on June 30, 2023.

c) Correct a reference in subsection 1420

Marshall Posner provided a brief update and reported that the Committee on Property and Casualty Insurance Financial Reporting (PCFRC) has identified an error in the decision tree in Part 1000 of the standards. After a careful review, it was determined that it was not an intentional change but indeed a minor error. Another small change was also identified during the review.

As per Section E of the ASB due process, it was determined that no DG was required and no ASB approval of the memo to members was required. The memo to members was approved by the Chair of the ASB.

The memo was issued and the standards were overwritten.

PCFRC is now free to publish its educational note with the proper references.

Motion: That the Designated Group to correct a reference in subsection 1420 be disbanded with thanks.

Carried

d) Reliance on Third Party Data Providers

Tim McGorman joined the meeting for this item and provided an update as follows:

- After completing a review of the standards, the following third-party providers were identified:
 - Bank of Canada (3540.05 and 4530.09)
 - FTSE Russell (interest rates: spread adjustment for commuted value calculations)
- The primary issue is that without the indices mentioned in the standards, the actuary cannot calculate a commuted value. There is no viable alternative data provider for the Bank of Canada.
- In the case of FTSE Russell, the ASB could decide to promulgate. The CIA has a contract with FTSE Russell. There could be alternative providers but it is unclear whether they would be willing to do so.
- The impact of the Government's decision to stop issuing real return bonds is not immediate, but is expected to be more substantial over the long term.
- There was a brief discussion on how to address an error or restatement. The ASB would need to be able to react quickly.

After some discussion, it was decided that changes are likely required in the standards to allow for promulgation if necessary. The normal process to modify standards will be followed.

The Chair thanked Tim and his team for their work.

e) Quinquennial Review of Part 7000

François Boulé joined the meeting for this item. An exposure draft was presented to the ASB for approval. An overview of the changes made since the last ASB meeting was provided. All comments received from the ASB at the last meeting were reviewed and integrated as appropriate.

There was a discussion concerning the use of the word "material" in the standards.

Some edits were suggested to the exposure draft and to the memo to members.

It is expected that an updated exposure draft will be presented to the ASB for approval at the June ASB meeting.

The ASB Chair thanked François and his team for their work.

f) Target Pension Arrangements

Glenn Smith joined the meeting for this item. He reported that the DG is collecting information and to that end, has circulated a survey to Canadian regulators about their expectations concerning the wind-up of target pension arrangements (TPAs).

Variable payment life annuities: It was noted that the Practice Development Council (PDC) is developing a practice resource document (PRD) on the topic (for example, disclosure requirements). It was reported that there is no framework for variable payment life annuities (VPLAs) anywhere in Canada (the practice needs to be established first) and as such, the DG feels that the topic should not be part of its mandate. It was recommended that the CIA working group communicate with regulators to ensure they are aware a PRD is being

developed. It was also suggested to invite one or two people from the PDC working group in approximately three months to provide an update and context.

Once the information from regulators has been received, the DG will review it and develop a recommendation. A substantial update is expected to be ready in approximately three months.

The Chair of the DG had a conversation with the person working for a regulator to ensure this person understands their role on the DG as a full member and not a regulator representative.

The ASB Chair thanked Glenn and his team for their work.

g) Quinquennial Review of Part 6000

Renée Couture presented an exposure draft for approval and the following was noted:

- The DG reviewed the comments made by ASB members in March and updated the exposure draft and the memo to members accordingly.
- It was suggested that in the memo to members, a specific question on whether membership data should be extrapolated three or four years be added.
- A few minor edits were suggested.
- There was a discussion on the use of the word “material”. It was suggested that in a few instances, the word be replaced by “relevant”.
- It was recommended that a separate DG be created to review other parts of the SOP and ensure the word “material” is properly used (as well as circumstances of the work).

Motion: That the *Exposure Draft to Revise the Standards of Practice Parts 6000 – Practice-Specific Standards for Post-Employment Benefit Plans* be approved as presented, for release and with a comment deadline of August 31, 2023, 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

The Chair thanked Renée Couture and her team for their work.

h) Scope of application of SOP related to work outside Canada

There was an exchange of emails concerning an issue raised by some pension practitioners about what constitutes work in Canada versus work in the US.

i) Use of models

The objective of setting up an investigative group were reviewed. Its objective will be to look at the issue and make a recommendation to the ASB and whether a DG should be formed. Pierre Dionne has reached out to various entities and is awaiting answers. The Chair of the PDC is expected to reach out directly to Pierre Dionne.

Next step:

Dean Newell will recruit individuals for the investigative group.

The ASB Chair welcomed John Carter, Chair of APOB. John briefly introduced himself.

j) Quinquennial review of Part 1000

Members of a cross-practice DG will be recruited to undertake this project. It was specified that special attention should be directed to the concept of materiality and the subsection on subsequent events.

130.7 Climate Change

Steve Easson provided an overview of a proposed mandate for a potential DG.

Simon Curtis chairs an IAA Task Force on ISAP 8, currently preparing a statement of intent for standards, reflecting the disclosure requirements from ISSB S2. The ASB will be kept abreast of developments on this front.

After some discussion, the ASB decided that it would be premature to set up a DG at this time. However, it will increase its liaison efforts with practice committees and the International Affairs Council (IAC). It was noted that a dialogue has started between the Committee on Climate Change and Sustainability and the Committee on Risk Management and Capital Requirements.

It was recommended that the DG on the quinquennial review of Part 1000 consider whether something on climate change should be added to Part 1000.

130.8 Coordination between the AGC and the ASB

There was a discussion on the seven proposals to improve the coordination between the AGC and the ASB included in the meeting material.

The following measures were discussed:

- *More focused/specific responsibility for individual ASB/AGC members:* It might already be implemented in practice.
- *Increased coordination between the development of standards and associated guidance material:* It was noted that some guidance is developed without ASB involvement.
- *More explicit discussions on the application of public interest:* The ASB will ask its next DG to try and address the six tactics listed in a document entitled "[Acting in the public interest: a framework for analysis](#)".
- *Creation of a legacy knowledge database:* The ASB likes the idea of a "basis for conclusions" and will ask DGs to add this information in the memo to members (and to shorten the cover memo to the ASB). Information concerning the public interest to be inserted in the memo to ASB.
- *Clarification of ASB Chair involvement in queries under Rule 13:* Tweaks to the Guidance document on Rule 13 will be considered to introduce a hierarchy (consult with practice committee first, then escalate to the Chair of the AGC if required).
- *More orientation for incoming practice committee chairs*
- *More understanding/clarity/communication on the extent to which various documents from the ASB, AGC and PDC are intended to narrow the range of practice:* The ASB due process will be reviewed and adjusted, if required.

130.9 ASB Self-assessment

The results of the self-assessment were reviewed. The following was noted:

- *Effectiveness of meetings:* ASB members find it difficult to stay in front of a screen for a full day meeting. Other options, such as holding meetings over two days, were

explored but discarded. It was recommended that another in-person meeting be organized.

At the end of each meeting, it would be beneficial to recap the action items and lay the path forward.

Setting time aside to look at emerging topics, strategic plan, when the next quinquennial reviews should be conducted would be beneficial.

In addition, the ASB due process needs updating. A small working group consisting of Renée Couture (chair), Marshall Posner and Steve Easson was formed to look into this.

- *Strategic plan*: It is felt that an open discussion would be beneficial before attempting to update the strategic plan, preferably with the help of a facilitator (two hours).
- *Interaction with APOB*: It is felt that there is not a big link with APOB. One suggestion is to invite the APOB Chair to attend ASB meetings more frequently. Conversely, ASB members interested to attend APOB meeting are invited to advise the ASB Chair who will make the necessary arrangements.
- A summary of numerical responses is expected to be presented at the next ASB meeting.

130.10 Conflicts of Interests/Rules of Professional Conduct

Jamie Jocsak reported that good feedback was received and reflected in the proposed changes to the Rules of Professional Conduct, which were approved by the CIA Board at its March 2023 meeting. The relevant documents are expected to be released to the membership shortly.

A webcast will be organized to be held in early June, in time for the expected ratification by members at the annual general meeting.

130.11 Webcasts/Podcasts

A schedule of webcasts was included in the meeting material. It was suggested that DGs be encouraged to consider communicating with webcasts and/or podcasts and that it be included in the revised ASB due process.

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

PDC (Practice Development Council)

The PDC has not held a meeting since the last ASB meeting.

The ASB liaison connected with the PDC Chair to discuss ways to keep each entity better informed. Sharing the ASB highlights document is a good way to do so.

Also discussed was where the ASB could be more helpful (utilize PDC, AGC and ASB resources effectively).

Climate change: the PDC will help the Committee on Climate Change and Sustainability to ensure optimal coordination.

Predictive modeling: as previously mentioned, the PDC Chair will reach out to Pierre Dionne.

IAC (International Affairs Council)

The IAC already monitors international developments related to climate change. There is room for improvement on the communication side.

Research Council

The Research Council met once since the last ASB meeting and there was nothing significant to report.

There was a discussion about the relevance of keeping an ASB liaison on the Research Council. It was decided to ask the Manager, research program at the Head Office to notify the ASB on topics of interest.

130.13 Updates from various practice committees

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

Committee on Life Insurance Financial Reporting:

Areas of interest are as follows:

- Review of existing guidance: CLIFR is reviewing existing notes with a view to determine which notes should be archived, which remain active, and which remain active but need to be updated. Various subcommittees have been created to review and updates notes that require updating.
- First set of reporting under IFRS 17 is expected in the next month or so. ASB will monitor.

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

The work being done is similar to that of CLIFR.

- A clarification on minimum capital test (MCT) (margin for unexpired coverage) was issued by OSFI. PCFRC followed up with OSFI as it creates issues for reinsurers. The matter is now closed.
- PCFRC held a meeting in April. PCFRC will hold a session at the AA Seminar on IFRS 17 implementation challenges.
- PCFRC is working with CLIFR on establishing a review process for the Fiera reference curves.
- Review of existing guidance
- Two educational notes will be updated: educational note on duration and educational note on subsequent events.

Committee on Property and Casualty Insurance Pricing: No update available.

Committee on Pension Plan Financial Reporting: The committee met once since the last ASB meeting.

- It issued its educational note supplement on the annuity proxy (Q1).
- Existing educational notes were updated and published:
 - Note on plausible adverse scenarios
 - Note on best estimate discount rate
 - Note on incremental cost
 - Note on alternative settlement methods
- Notes being updated and soon to be published:
 - Note on commuted values (except subsection 3570)
 - Note on commuted values (subsection 3570)
 - Note on expenses

Committee on Workers' Compensation: The committee will meet in May.

Steering Committee on Climate Change and Sustainability: The focus is on a series of webcasts scheduled for June 2023.

A mapping of topics for relevant practices was done to help identify what is needed.

Guidelines on when to attend events are being developed. If an event is endorsed by the CIA, then a CIA representative should attend the meeting.

Task Force on Gender Identity: No update available.

Task Force to Review the Rules of Professional Conduct: See item 10.

130.14 Report on Recent/Upcoming Meetings

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

AGC meeting on April 11, 2023

- This item was addressed earlier during the meeting.

CIA/ASB/CAPSA meeting on April 17, 2023

- The ASB and the CIA provided an overview of current activities in the area of pensions.
- The topic of VPLAs was raised by one regulator. The ASB is not ready to develop standards but the PDC is developing a PRD. The regulator was happy to hear that the CIA is addressing the topic.

A meeting with Assuris is being organized.

130.15 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

June 20, 2023 – 10:00 a.m. - 4:00 p.m.

The Head Office will canvass ASB members for suitable meeting dates for the remainder of 2023.

Clarification was provided on the selection process to become chair of the ASB. The process involves submitting an application, followed by an interview and potentially selection for a two-year mandate. The person selected becomes vice-chair six months (January 1) before taking over as chair (July 1).

For members, the norm is a three-year mandate, which can occasionally be extended (a request for renewal must be submitted to APOB). It was pointed out that there is a learning curve for new members and that it helps if they can attend as observers for one or a few meetings.

It was noted that currently, ASB membership has a pretty good diversity related to area of practice, but other types of diversity are not so good (e.g., geographical, gender, age, nature of employment).

130.16 Other ASB Business

There was no other ASB business.

130.17 Joint ASB/APOB Meeting

APOB members joined the ASB for a joint session covering a number of topics. Brief introductions of meeting participants were made.

The ASB Chair indicated that a number of topics will be discussed and that the perspectives of APOB members on these topics was welcome.

Climate change and sustainability

This is a complex topic. Several professions and organizations are involved.

Actuaries have a role to play in scenario analysis and disclosures. It was noted that two international standards are expected to be released soon (environmental, governance, social (ESG) and climate change). The Office of the Superintendent of Financial Institutions (OSFI) has

issued Guideline B-15, which sets its expectations on climate risk management (physical and transition risks).

The CIA has established a Climate Change and Sustainability Steering Committee reporting to the CIA Board.

The International Actuarial Association (IAA) has set up a task force to develop a standard on disclosures. Its standard, ISAP 8, will have a narrow focus and is expected in a little more than one year.

The ASB is keeping abreast of developments but feels it is a bit premature to set up a designated group to develop or modify existing standards. The Canadian profession will start with guidance before establishing standards. In addition, the ASB will initiate its quinquennial review of Part 1000 General Standards and there might be an opportunity to include climate change.

It was mentioned that municipal and provincial governments are not best suited to assess financial risks associated with climate change. It was suggested that the profession focus on risk analysis.

The science continues to evolve. The UK has done a lot of research and it would make sense to draw on the work they have done.

Interaction with regulators

Regular meetings with regulators are taking place.

It was noted that one regulator wants the CIA (and the ASB) to address variable payment life annuities (VPALs). The profession is not ready but care must be exercised as there is no desire for regulators to take action without consultation. Therefore, strong communication is important.

OSFI seems to be happy to use leverage around capital and is establishing guidelines. We need to be prepared.

It was also noted that in the past, regulators have asked the ASB and the CIA to narrow the range of practice in certain instances. However, when the profession asked for evidence to better understand the problem and come up with an appropriate solution, the information was not provided, which makes it difficult for the ASB to address the issue in question.

The importance of a strong framework for maintaining contact with regulators and other interested parties was stressed. On that front, the CIA and the ASB meet with Retraite Quebec, OSFI, CAPSA and the Autorité des marchés financiers. The profession has also met with the Financial Services Regulatory Authority of Ontario, Finance Canada and the Canada Revenue Agency on a few occasions.

It was noted that the work done by the CIA is accomplished by volunteers; we therefore have a limited pool of resources.

Gender identity

The CIA Board had set up a Task Force on Gender Identity. The task force has completed its work and prepared a draft report which provides an inventory of potential impacts on the actuarial profession. An emerging trend: neither male nor female.

Some background information that led to the setting up of the task force was provided (a judgment from the Superior Court of Quebec). Quebec appealed the judgment.

Some provinces prohibit the use of gender. Guidance is required. To that end, a cross-disciplinary working group is being set up to develop said guidance. The importance of a strategic plan to meet with and discuss this issue with regulators was noted, as well as the need to develop a message.

Artificial intelligence, confidentiality

Things are changing very rapidly in this field (especially the use of models). It was reiterated that the quinquennial review of Part 1000 General Standards will consider this topic as part of its review.

There being no further business, the meeting concluded at 17:20. The next regularly scheduled meeting of the ASB will take place on June 20, 2023, via videoconference.