

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 123
MAY 5, 2022
HYBRID
10:00 – 17:30

Present: Thierry Chamberland (in person)
Renée Couture (in person)
Pierre Dionne (in person)
Stéphanie Fadous (virtual)
Edward Gibson, *vice-chair* (in person)
Azmina Jiwani (virtual)
Jamie Jocsak (virtual)
Josephine Marks, *chair* (in person)
Simon Nelson (*joined at 10:50*) (virtual)
Marshall Posner (in person)
Lesley Thomson (*left at 15:00*) (in person)
Yun (Bill) Xu (*left at 11:00*) (virtual)
Steve Easson, *ex officio* (in person)
Michel Simard, *ex officio* (virtual)

Absent: Mel Bartlett

Staff: Lynn Blackburn for item 11 and the joint session with APOB; Josée Racette

Guests: James Koo, Dani Goraichy, and Charly Pazdor for items 6a; Michel Benoit for items 11-14; all at the invitation of the Chair.

The Chair opened the meeting.

123.1 Approval of Agenda

Motion: That the agenda be approved as presented.

Carried

123.2 Previous Minutes

The minutes from the March 31, 2022, meeting were reviewed.

A few edits were noted.

Motion: That the minutes of ASB meeting N° 122 held on March 31, 2022, be approved as amended.

Carried

123.3 Email votes

There was no electronic vote since the last meeting.

123.4 Disbanding Designated and Working Groups

There is no designated or working group to disband.

123.5 Review of Action Items

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

Research project on pension commencement age: See item 7.

Progress against our strategic plan: See item 11.

Discount rate template: This will be deferred to a later meeting.

Work in Canada: Some context on this issue was provided. A webcast on the topic is scheduled on May 11, 2022.

Internal website: In the event that the contract with Aprio comes to an end and is not renewed, the CIA will have an opportunity to retrieve all documentation stored on the site.

IFoA Guidance on Data Science Ethics: It was suggested that the Committee on Property and Casualty Insurance Pricing, which is preparing a document on bias and ethics, be invited to discuss the topic with the ASB.

International Sustainability Standards Board: Micheline Dionne has been invited to present to the ASB at its June 2022 meeting.

123.6 Reports from Designated Groups

a) Quinquennial Review of Part 3000

James Koo, Dani Goraichy, and Charly Pazdor joined the meeting for this item. Charly provided an overview of the memo presented to the ASB.

The DG has almost finalized the final wording for the standards. Charly indicated that for the most part, there was strong consensus among DG members. He also took this opportunity to highlight the most contentious issues (for example, how to handle “definitive” versus “virtually definitive” pending amendment).

Wind-up of target pension arrangements (TPAs): The DG recommends that a separate group composed of people practising in that space be charged to look into this issue.

Re-exposure: On the understanding that issues related to TPAs will be handled separately, the DG recommends that the next step be the publication of final standards.

A subgroup of the ASB will report back on target benefit plans at the June ASB meeting.

The ASB asked the DG to ensure that the Committee on Pension Plan Financial Reporting is consulted.

A few minor edits to the memo were suggested.

The final standards are expected to be presented to the ASB for approval at its June meeting. One cover memo will be provided on behalf of all three DGs. The DG was reminded that it is expected to propose an effective date for the standards, and whether early implementation is permitted.

There was a brief discussion on the circumstances under which the ASB would ask for a legal review. All agreed that there would need to be a specific question asked rather than a broad mandate.

Thierry Chamberland reported on the meeting with the Quebec regulator on April 13. Seven CIA members and eight Retraite Quebec members were in attendance.

It was noted that the Quebec regulator had submitted two separate letters commenting on the proposed changes to the pension standards. The ASB representative reminded the regulator that DGs do not systematically respond to each commenter. Rather, the issues raised and the DG response is included in the memo to members.

The various issues raised by the regulator in its comments to the ASB were reviewed, with the exception of the issues related to target benefit plans since a separate group will be formed to address the issue.

On the issue of virtually definitive amendments, it was stated that the actuary is expected to follow the law.

The Quebec regulator would like the profession to issue more guidelines for the actuary to follow. It has high expectations concerning the educational note being developed.

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

b) Reliance on Third Party Data Providers

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

One individual had been approached but has not yet provided an answer.

c) Quinquennial Review of Part 6000

Renée Couture reminded the ASB that she is acting as interim DG Chair.

A first meeting was held, and all agreed to develop a plan to move forward. The DG will meet every other week to ensure good progress.

Renée will provide an update on the timeline at the June ASB meeting.

The ASB Chair thanked Renée for agreeing to move this project forward.

d) Quinquennial Review of Part 4000

The ASB received an update as follows:

- The DG held a meeting earlier this week.
- The proposed revisions were shared with the Actuarial Evidence Committee for feedback. Some minor revisions were made following the comments received.
- The exposure draft will be presented to the ASB for approval at the June ASB meeting.
- The possibility of requesting a legal review was broached. It will be discussed with the DG, although since no substantial changes are contemplated, it is probably unnecessary.
- 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 the DG for their work.

e) Joint Policy Statement

Leslie Thomson provided an update on the progress. No comments were received on the notice of intent.

She reported that the Joint Task Force will be proposing some changes (cleaning the language).

One issue discussed was complaints by auditors about the actuary asking for extra work (such as validating data). A paragraph is being added to clarify.

It was suggested that the JPS be circulated to the Committee on the Appointed/Valuation Actuary, the Committee on Pension Plan Financial Reporting, and the Committee on Workers' Compensation for feedback.

The exposure draft is expected to be presented for approval in June (both by the Auditing and Assurance Standards Board and the ASB).

The work on updating the auditing guide is expected to require more effort.

It was suggested that the effective date be May 31, 2023, rather than March 31, 2023.

f) *Designated Group on the Quinquennial Review of Part 7000*

The ASB received an update. It was noted that ISAP 2 has not substantially changed.

The DG is aiming to present a notice of intent in late September.

g) *IFRS 17 and Role of the Actuary in the IFRS 17 Context*

The DG on the Role of the Actuary is not active at the moment, waiting for the educational note on the role of the AA to be ready for review.

The other DG (on IFRS 17) is not active given that the final standards have been published.

h) *ISAP 6*

Mario Robitaille was unable to join the meeting.

ASB members were reminded that the proposed exposure draft had been discussed at the last ASB meeting. It was mentioned that the Committee on Risk Management and Capital Requirements, and the Enterprise Risk Management Committee were consulted.

Some edits were suggested (expansion of the section on ERM programs), wordsmithing, etc.

In addition, it was felt that the French version could be improved.

Given the number of comments received and potential scope of editing to be done, it was decided that the ASB would not proceed with the approval of the document just yet but would defer it to its June meeting when the chair of the DG would be present.

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

PDC (Practice Development Council)

The PDC has not met since the last ASB meeting.

IAC (International Affairs Council)

The International Actuarial Association is holding its hybrid meetings this week in Europe. A more detailed update will be provided at the June meeting.

Research Council

The Research Council met once since the last ASB meeting.

Two new governance policies were approved, namely: 1) Policy Governing Research; and 2) Policy Governing Data for Sponsored Research.

Pension commencement age: In the absence of Mel Bartlett, Marshall Posner presented an update. He provided some background information on the impetus for initiating this project.

A Request for proposals was issued and only one response was received. Some terms proposed by the researcher were deemed unacceptable and the fee requested was too high. One of the issues is ownership of data (the CIA wants to own the data).

The ASB discussed potential avenues for moving this project forward, as it would be beneficial to be able to rely on data the next time the commuted values standards are reviewed. One question raised was whether there was a sense from the public and/or members that the assumption is not appropriate. The ASB feels the standards are fine, although some comments were received to the effect that the standards led to a reduced commuted value.

It was suggested that the members of the Project Oversight Group (POG) be invited to discuss the issue with the ASB and to also approach the Chair of the Research Council and the CIA Manager, Research Program.

An option could be to try and revive the project in one year, once the situation on data ownership is clearer, or the ASB could wait until the next review of the standards and ask the DG to try and obtain data.

123.8 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: The committee is developing an educational note on the role of the AA under IFRS 17.

It also offered its comments on draft changes to OSFI E-16 guideline, LICAT guidelines, as well as educational notes and explanatory reports on IFRS 17.

Committee on Life Insurance Financial Reporting:

IFRS 17 educational notes are being finalized.

Educational note on coverage units: CLIFR is waiting for a decision from IFRIC on payout annuities.

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

Canadian Asset Liability Method (CALM) guidance for investment assumptions: A draft document is being prepared and will be presented to the Actuarial Guidance Council at its next meeting.

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.

Consultations have taken place with audit firms on the following documents: educational note on discount rates, report on assets for acquisition cash flows, educational note on reinsurance, report on expenses, and a report on disclosures.

Some documents (IFRS 17) will be presented to the Actuarial Guidance Council for approval at its next meeting.

The committee presented comments to OSFI on the AA memo.

Work has started on the annual fall letter.

Committee on Property and Casualty Insurance Pricing: The committee is reorganizing to improve its efficiency in developing guidance.

Key initiatives include the development of a document on bias and ethics and on AI.

Committee on Workers' Compensation: No update available.

Committee on Pension Plan Financial Reporting: The committee met once since the last ASB meeting. The committee is preparing its quarterly update on annuity proxy. It is also updating its educational note on going concern discount rate.

Task Force on Gender Identity: The group has met once or twice. It is preparing a report to be presented to the CIA Board. It was noted that currently, actuarial standards do not have a definition of “sex”. Eventually, the standards might need to be updated.

123.9 Webcasts

The ASB strongly encourages the CIA to organize a webcast on fiduciary duty.

The ASB is considering whether to organize another webcast on Part 1000 of the standards.

123.10 Report on Recent/Upcoming Meetings

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

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

- See item 123.6a for more details.

CIA/ASB/AMF meeting on April 27, 2022

- AMF expressed its disappointment over the ASB decision not to promulgate under IFRS 17, as it feels it would better serve the public. The issue was discussed at length and both parties appreciated the opportunity to do so. The ASB reiterated its intention to continue to monitor the situation. The ASB also reminded the AMF that it relies on regulators to advise the ASB when they notice irregularities concerning the range of practice. Both parties agreed to keep the channels of communication open.
- It was clearly stated that in Canada, the desire is to continue to produce a single set of financial statements.

Actuarial Guidance Council (AGC) meeting on April 8, 2022

- A summary was provided in the meeting material. It was noted that the AGC expects to approve over 20 educational notes and explanatory reports to support the implementation of IFRS 17. Some notes have already been approved while others are expected to be approved over the next few months.

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

- A preparatory meeting was held. The CIA and ASB will meet CAPSA as part of its annual meeting with stakeholders. In addition, CAPSA’s Standards Committee normally holds another meeting with the profession (in the fall).
- The agenda will include the following topics: an update from the CIA and the ASB on the various activities in the pension field, inappropriate actuarial assumptions, variable payment life annuities, environmental, social, and governance, locking in rules, surpluses, and security of benefits.

123.11 Strategic session

Michel Benoit, Chair of APOB, joined the meeting for this item.

ASB/AGC interaction

The ASB Chair reported that the AGC Chair has prepared a White Paper to facilitate the discussion on the potential transfer of the AGC from reporting to the CIA Board to reporting to the ASB.

The AGC Chair started his presentation by stating that the White Paper had been drafted from the perspective of good governance. The system is not broken: the objective would be to improve our processes and make better use of the limited volunteer pool.

Currently, the AGC Chair and Vice-chair attend ASB meetings and the ASB Chair attends AGC meetings to ensure a high level of coordination between the two entities. In addition, the ASB has liaisons assigned to the practice committees which report to AGC.

Steve Easson provided a few examples of interpretation of standards where the system did not quite function as intended.

One question: does the AGC need to comment on technical details in guidance material? It is the voice of second thought.

A brief overview of non-IFRS 17 guidance issued annually was provided as follows:

- Annual letters are prepared by CLIFR, PCFRC, and CRMCR (a large portion of each note is a list of references).
- PPFRC prepares an update every quarter on annuity proxy.
- The Committee on Pension and Post-retirement Benefit Accounting Discount Rates has only released three educational notes over the last few years.
- COVID blog posts; it was not firmly established that AGC should approve them.

The proposal was presented to the CIA Governance and Nominations Committee (GNC). Additional information was requested (feedback from ASB and APOB; what Bylaws changes would be required, if any; listings of documents that are not related to standards; more information on what the American Academy of Actuaries does and what practice notes represent). This additional information will be presented at the next GNC meeting on May 12, 2022.

There was a discussion on the advantages and disadvantages of the proposal. The following was noted:

- ASB members are in favour of improvements in efficiency and coordination between the two entities. It probably makes sense that both standards and educational notes are developed by the same experts. Concerns were expressed that it might make it more difficult to recruit volunteers as there would be increased pressure to do more.
- Accountability in interpreting standards. There was a discussion as to which entity is in a better position to do this. Some felt that ASB members would be better suited as they know what they had in mind when the standards were drafted so that the writing and interpretation of standards should go hand in hand. Others felt that having different groups working on the standards and the guidance had the advantage of minimizing the workload and providing checks and balances.
- The issue of potential conflicts of interest would need to be dealt with really well if there are fewer opportunities for checks and balances.
- Roles and responsibilities would need to be clearly defined.
- An analogy was made to the legislature and the regulator (separate).
- Concerns were expressed as to whether the ASB has the capacity to handle the additional workload.
- Some ASB members felt the current process works relatively well: ASB establishes the standards, and the AGC provides interpretation. If there is a problem, the ASB addresses it (part of a check and balance system).

- From a regulatory perspective: some feel that the AGC to report to the ASB would be viewed as a step in the right direction. On the flip side, some context was provided on the reciprocal oversight between the CIA Board and APOB.
- There are questions left to be addressed, especially on the operational side. Bylaws changes required to effect the transfer would not be trivial and could not happen before the fall. It was also pointed out that effecting a transfer after IFRS 17 would be an ideal time to harmonize.

In summary, there was consensus that improving processes to increase efficiency is desirable. ASB members were not ready to make a recommendation until there is more clarity on how such a combination would work in practice.

Progress report on strategic plan

The ASB Vice-chair led the discussion on the results of a survey on strategic objectives.

Serving the public interest

An area of improvement is responses to feedback. Although it was agreed that it is unreasonable to expect a DG to respond directly to every commenter, comments received need to be clearly acknowledged in the memo to members and other stakeholders.

The stakeholders distribution list should be updated periodically.

It would be good practice to address at the beginning of each meeting that ASB members should deliberate independently from their job (i.e., not represent their employer's views). DGs should be encouraged to do the same (ASB liaison to remind them).

Conflicts of interest: what constitutes a conflict of interest? It should not necessarily be viewed only in the context of financial transactions. Potential conflicts bring nuances that affect our view.

International standards

ASB members noted there is room for improvement. There was some discussion on how the ASB can stay abreast of developments.

There will be a session at the June ASB meeting on international standards, and another on the International Sustainability Standards Board.

The International Affairs Council is reviewing its strategy.

Awareness and access to standards

There was a brief discussion on whether standards should be accessible to the public.

Part 1000: The ASB needs to do a better job regarding raising its awareness amongst CIA members. As a reminder, Part 1000 contains items common to all areas of practice as well as ISAP 1.

Canadian actuaries can now benefit from a discount from the Auditing and Assurance Standards Board and CPA Canada to access accounting standards.

It was noted that Part 6000 does not mention Part 1000.

Conflicts of interest

It was recommended that at the beginning of each meeting, potential conflicts of interest be identified.

ASB members might benefit from an education session to help them understand what it might mean. It was noted that this issue is being addressed by an ASB subgroup.

ASB priorities

In the near future, the ASB will hold sessions on emerging areas (it will invite guest speakers) to determine what the ASB can do to support them.

It might be time to again invite the Chair of the PDC in the fall to discuss when the ASB has a role in emerging areas (and also consider resources).

Climate change: should it be considered as a subset of enterprise risk management? Perhaps there is no need to develop a new practice. At some point, it becomes a “modeling” issue.

Do we have the necessary tools?

APOB communication

APOB may be a little invisible to ASB members (other than to the Chair and Vice-chair), although their views are shared with ASB members.

ASB activities

The CIA, through its International Affairs Council, will ensure information from the International Actuarial Association is flowing to the ASB.

Improve consistency of standards across various practice areas

The ASB is very conscious of the need for consistency. It is also aware that it can probably never achieve perfect consistency. It was agreed that the ASB could focus a bit more on the issue.

It was noted that a verbal update of ASB’s self-assessment will be provided to APOB and the CIA Board.

Emerging issues

Target benefit plans: a working group is looking into the issue and will report back to the ASB in June 2022.

Longevity funds and variable payment life annuities: It had been determined that standards strengthen the profession. Longevity funds are not covered by our standards (perhaps under Part 1000). The ASB needs to look at where they might be covered before investing too much time into this issue. In the case of longevity funds, is it more of a regulatory role?

123.12 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

June 8, 2022– 10:00 a.m. – 4:00 p.m.

ASB members will be canvassed to determine meeting dates for the remainder of 2022.

123.13 Other ASB Business

There was no other business to be discussed.

123.14 Joint ASB/APOB Meeting

APOB members joined the ASB for a joint session covering the ASB/AGC interaction. Brief introductions of meeting participants were made.

The Chair of the Actuarial Guidance Council (AGC) presented an overview of a proposal to transfer the oversight of the AGC from the CIA Board to APOB. He indicated that the topic had been discussed with the ASB, which was generally supportive of the proposal.

First and foremost, the system is not broken. However, an assessment was conducted, from a governance perspective, with the goal of improving governance and the use of resources.

The AGC Chair started his presentation by providing a brief overview of the AGC mandate and where it currently fits within the CIA structure.

The proposal was presented to the CIA Governance and Nomination Committee. Additional information was requested as follows:

- Feedback from ASB and APOB;
- What Bylaws changes would be required to effect the transfer;
- A list of documents produced by the AGC that are not related to the standards; and
- The practices of the American Academy of Actuaries.

It was noted that currently, the ASB develops standards using a robust process, and the AGC provides interpretation (development of guidance material). The AGC has a similar due process in place, similar to that of the ASB. The AGC reaches out to relevant practice committees for feedback, and in one instance, it reached out to external stakeholders.

There is a constant dialogue between the AGC and the ASB and the Chairs attend each other's meetings. In addition, the AGC recruits DG members.

Some APOB members expressed strong concerns about the proposed transfer of oversight. In the standards, the focus is on clarity and the choice of words, while the AGC and its practice committees are intended to be the technical experts. In addition, the ASB may not be able to handle the expected increased workload.

The important question is whether there should be a distinction between the entity establishing the standards and the entity interpreting the standards. Regardless of the answer, it was felt that it is crucial to maintain a strong consultation process.

APOB members asked about what would change (how it would be different) under the proposal.

The AGC Chair feels there are two options: transfer the AGC under the ASB or disband the AGC. It was noted that although the PDC produced thoughtful documents actuaries can use, it is hit and miss.

Operational details need to be fleshed out.

A fundamental issue is the separation of duties: convergence but analogy to legislation and regulations.

One APOB member indicated that it seems bizarre, when meeting with regulators, to have two different voices. For example, if APOB meets with a regulator who raises an issue about educational notes, then APOB must reply is it not under its purview.

When Canada is compared to the US and the UK, Canada is reactive rather than proactive. It would probably help if regulators were involved in the development of standards.

It was also noted that the ASB was established for the profession to maintain control and responsibility for the development of standards.

APOB members were reminded that they should look at the issue from an **oversight perspective**. APOB'S mandate is to ensure robust processes are in place and being followed.

It was pointed out that APOB has more "oversight" to do than under the previous ASOC structure (oversight of two more boards).

Some APOB members stated they like the separation of development of standards from their interpretation.

It was suggested that perhaps other stakeholders should be involved in the ASB. After some discussion, it was felt that non-actuaries on ASB would not add value. Rather, other stakeholders are consulted at every step of the development of standards and their feedback is appreciated.

In summary, APOB felt that its responsibility is the oversight of a self-regulatory profession, which could have great financial impacts. APOB needs to ensure satisfactory processes are in place.

APOB also feels that it needs to have a better understanding of how the proposed transfer would work before expressing a formal opinion. It also noted that there is no great urgency.

There being no further business, the meeting concluded at 17:30. The next regularly scheduled meeting of the ASB will take place on June 8, 2022, via videoconference.