

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 132
SEPTEMBER 5, 2023
VIDEOCONFERENCE
10:00 – 14:18

Present: Gavin Benjamin
Thierry Chamberland
Renée Couture
Simon Curtis
Pierre Dionne
Steve Easson
Edward Gibson, *Chair*
Marshall Posner
Dean Newell, *ex officio*
Michel Simard, Executive Director (*left at noon*)

Staff: Josée Racette

Guests: Tim McGorman for item 6e; Winnie Vong for item 6k; all at the invitation of the Chair.

The Chair opened the meeting.

132.1 Approval of Agenda

Motion: That the agenda be approved as presented.

Carried

132.2 Previous Minutes

The minutes from the June 20, 2023, meeting were reviewed. A few edits were suggested.

Motion: That the minutes of ASB meeting N° 131 held on June 20, 2023, be approved as amended.

Carried

132.3 Email votes

There were no electronic votes since the last meeting.

132.4 Disbanding Designated and Working Groups

There is one designated or working group to disband.

Motion: That the Designated Group on ISAP 6 be disbanded with thanks.

132.5 Review of Action Items

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

Implementing coordination improvements between ASB and the Actuarial Guidance Council (AGC): A brief overview of the seven concepts was provided. It was noted that the work to be done by the DG on climate change or the DG on gender identity (yet to be formed) could be used as a test case for addressing public interest.

It was noted that the amendments to the Bylaws were approved by the membership but that those to the Rules of Professional Conduct were not. The issue of clarifying who members can consult in confidence will be revisited.

132.6 Reports from Designated Groups

a) Joint Policy Statement

The Basis for Conclusions will be made available to CIA members.

b) Quinquennial Review of Part 6000

Renée Couture reported that two sets of comments had been received to date. A reminder will be included in the new CIA announcements. Once the deadline for comments has passed, the DG will convene to review the comments and prepare the final standards.

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

There was no update available.

A little bit of background information was provided. This issue arose through a chain of emails from pension practitioners. More research is needed before a final recommendation is made to the ASB. Members to sit on an investigative group are being recruited (including non-pension actuaries). It seems that the probability of changes to the standards is low.

The defining factor in this case: who is the user of the work? It was noted that the examples provided in the standards are very specific and that perhaps more leeway is required.

d) Use of models

The investigative group will be to look at the issue (including predictive models) and make a recommendation to the ASB as to whether a DG should be formed.

e) Reliance on Third Party Data Providers

Tim McGorman joined the meeting for this item. He provided some background information that led to the development of a notice of intent being presented to the ASB for approval.

It was noted that the standards of practice rely on two third party data providers, namely the Bank of Canada and FTSE Russell. The standards provide the ASB with the ability to promulgate in the case of FTSE Russell, but not in the case of the Bank of Canada.

The DG is recommending to the ASB that wording be added so the ASB can promulgate in the case of the Bank of Canada, if required.

It was recommended that the deadline for comments be extended to October 31, 2023. A few other minor edits were suggested.

Motion: That the *Notice of Intent: Reliance on Third Party Data Providers* be approved as presented, for release and with a comment deadline of October 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

f) Quinquennial Review of Part 7000

It was noted that the exposure draft was published and the deadline for comments is September 30, 2023. No comments have yet been received. The DG hopes to publish the final standards by the end of 2023.

g) Correction to paragraph 3260.20

A DG had been created to address a correction to be made to paragraph 3260.20 of Part 3000 of the standards (Pensions).

The DG consulted the DG on the Quinquennial Review of Part 3000 and the Committee on Pension Plan Financial Reporting to ensure they agreed that the correction should be made.

It was noted that a member of the Actuarial Guidance Council questioned whether the wording as it currently appears in the standards was indeed what was intended.

It was confirmed that that it is the intent of the DG to have the wording corrected. The change is retroactive to December 1, 2022.

A few minor edits were suggested.

The release of the memorandum to the members was approved by the chair of the ASB.

The chair thanked the members of the DG for their work.

h) Quinquennial review of Part 1000

Simon Curtis reported that the DG is very active and has begun its work. It is comprised of seasoned actuaries representing a broad cross-section of practice areas. The size of the group is not expected to be an issue. Two individuals can do the French technical review.

Potential topics identified so far have been assigned to the members of the DG for further research. An all-day meeting is convened in October to discuss the results of the research and plan next steps.

A few tweaks were suggested to the proposed mandate.

Motions: That the ASB create a Designated Group for the Quinquennial Review of Part 1000 with the following mandate:

- **To perform a general review of Part 1000.**
- **To recommend any changes or additions to Part 1000 which may be warranted at this time.**

Carried

That Josephine Marks be appointed as chair, that Simon Curtis be appointed as a member and as the ASB liaison, and that Stephen Cheng, Gavin Benjamin, Chris Townsend, Steve Easson, Dan Doyle, Matthew Garnier, Marco Fillion, Faisal Gulamhussein and Amanda Chou be appointed as members of the Quinquennial Review of Part 1000.

Carried

i) Gender Identity

Marshall Posner provided an update on the meeting held with representatives of the AGC. It was agreed that the group being recruited by the AGC to update guidance material or develop new guidance would have a dual mandate (review and update the standards, as required).

After consultation of the Actuarial Evidence Practice Committee, it is felt that representation from this area of practice is not required on the DG (or the AGC Working Group). Efforts to recruit individuals from areas of practice other than pension are continuing (especially life practitioners and perhaps someone working in social security).

j) ISAP 8

Steve Easson provided an update. The purpose of setting up a DG would be to determine the best way to accommodate ISAP 8 in the Canadian standards of practice (and to do so).

Some individuals have been approached about serving on this DG and several have expressed their interest. The recruitment of one more P&C and one more pension practitioners would be ideal.

It was reported that the International Actuarial Association (IAA) is expected to approve the release of a statement of intent this fall. There is strong support from other associations. The drafting of the standard is expected to start this fall and the initial draft could take six to nine months.

It was also noted that the Financial Stability Board (FSB) has a rival set of standards. It will replace them with S1 and S2.

The ASB is hoping to approve the members and the mandate of the DG at its next meeting.

k) Target Pension Arrangements

Winnie Vong joined the meeting for this item.

Steve Eason provided brief background information on the objectives of the DG.

Winnie Vong reported that the DG has come to a high-level agreement on how to calculate the relative value in the case of a wind-up. The DG was attempting to address equality, transparency and fairness without being overly prescriptive (on the actual final payment to each beneficiary). The DG agrees that the initial calculation should be based on a consistent basis (for all participants) (annuity proxy but with some leeway). If using another basis, justification would be required.

Next steps are to continue to discuss draft changes and develop a notice of intent.

The ASB Chair thanked Winnie and the team for their work.

l) Criminal Rate of Interest (Section 4600)

The ASB Chair was informed of a change being considered by the House of Commons (ways and means motion) that would replace “effective annual interest rate” by “annual percentage rate”.

Actuarial evidence practitioners are concerned that it could lead to inconsistency of practice. Discussions with the Ministry of Finance are ongoing.

There might be recommended changes to the standards of practice if the change is adopted.

m) Materiality (paragraph 4710.01, actuarial evidence)

This item was identified by an actuarial evidence practitioner.

After some discussion, it was felt that this item could be part of a broader clean up effort of the standards and it was agreed that recruitment of members of a DG would not commence until the outcome of the next meeting of the DG on the Quinquennial Review of Part 1000.

If recruitment for DG members is required at a later date, the AGC Chair will be requesting some bullet points to help with the recruitment effort.

132.7 Strategic Plan

After some discussion, ASB members felt that there would be some value in having an operational plan. A working group will be formed at the next meeting.

The ASB Chair provided an update on recruitment efforts. Discussions are held with the Head Office to help identifying potential candidates. The ASB Chair will reach out to a few individuals.

Incoming ASB Chair: an announcement has been circulated to the membership, but no candidate has yet stepped forward. The official deadline for expressing interest is September 30. The plan was for the new ASB Chair to become Vice-chair on January 1, 2024, and then take over as chair on July 1, 2024. The rules have a provision for an extension, should it be required.

132.8 ASB Due Process

It was reported that the group met in August and looked at proposed changes. Two more meetings are scheduled in September.

One question being discussed is whether the Guidelines for designated groups should be included in the ASB due process.

The due process will encourage DGs to arrange webinars.

One other topic of discussion is whether there should be an “urgent” track (where “urgent” would need to be defined). If so, it would be beneficial to have a clear process. Some ASB members expressed concerns about eliminating the notice of intent in such a case as is currently being proposed. It is felt that it is beneficial to get feedback early in the process. The other difficulty is how to define “urgent” change.

132.9 Webcasts/Podcasts

It was reported that a webcast on climate change in August had record attendance.

There is another webcast mid-September where the Office of the Superintendent of Financial Institutions will lead the discussion.

The ACIA module is expected to be launched September 5, 2023.

132.10 Updates from the PDC and the IAC

IAC (International Affairs Council)

The IAC met three times since the last ASB meeting.

The IAC has reviewed the results of the membership survey to help improve its effectiveness. It is also reviewing the CIA strategic plan to place more focus on climate change.

The International Actuarial Association (IAA) is working on artificial intelligence.

The IAA is also developing ISAP 8, dealing with climate change disclosures.

PDC (Practice Development Council)

No update available. A new ASB liaison is required. It was noted that attendance at PDC meetings is not required (a review of the minutes is sufficient).

132.11 Updates from various practice committees

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

Committee on Life Insurance Financial Reporting:

The committee meets monthly. Its annual fall letter was released in August. The committee is currently updating existing educational notes.

It was noted that there is a lot of overlap with the work of the PCFRC. We need to ensure they work more closely together (especially on IFRS 17). A more structured overlap is recommended (joint meetings?).

It was noted that the chair of CLIFR and PCFRC attend AGC meetings simultaneously. The AGC Chair will look more closely at the situation.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC): The committee released its annual fall letter. Two more educational notes have been published, namely: a note on duration, and a note on subsequent events (also applicable to life insurers).

Review of the Fiera curves: the issue has been put to bed (no peer review).

The committee will host two sessions at the AA Seminar, namely: IFRS 17 implementation challenges, and PCFRC update.

Committee on Property and Casualty Insurance Pricing: This committee no longer exists. It was renamed (Property and Casualty Practice Committee) and now reports to the PDC. It has a broader mandate which now includes reserving.

If the committee drafts guidance, it would then be submitted to the AGC for approval. It was pointed out that sometimes, the line is blurred between what is an educational note (application of the SOP) and what is a practice resource document (best practices).

It was determined that since the committee now reports to the PDC, there is no longer a need for an ASB liaison.

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

- All important existing notes have now been updated. PPFRC is now turning its attention to the medium to low priority educational notes.
- The educational note on sensitivity analysis will be archived.
- The educational note supplement and the explanatory report on annuity proxy for Q2 have been published.
- The committee is developing an experience matrix for its members to ensure all areas are mapped.
- The committee will not have a session at the Pension Seminar this fall.

Committee on Workers' Compensation: No update available.

Steering Committee on Climate Change and Sustainability: The following was noted:

- A partnership with an academic is being developed.
- A brief update on upcoming webcasts was provided.
- A brief overview of a brainstorming session with council chairs was provided.
- The CIA will not establish a contract position at this time.
- A brief update on ISAP 8 was provided.

132.12 Report on Recent/Upcoming Meetings

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

AGC meetings on July 11, 2023 and August 8, 2023

- As previously mentioned, the CLIFR and PCFRC fall letters have been published , as well as two other notes from PCFRC.
- Two existing educational notes are being updated as a result of the publication of OSFI guideline E-16.
- The Committee on Workers' Compensation is updating its draft educational note on data validation.
- Progress is being made on the recruitment of members to the cross-disciplinary group on gender identity.

CIA/ASB/AMF meeting on September 7, 2023

- Pierre Dionne will represent the ASB at that meeting. It will be interesting to hear about the range of practice now that the first set of results have been received.

AGC meeting on September 12, 2023

- The agenda for the meeting is very light.

CIA Board meeting on September 14, 2023

- There are no burning issues.
- The Board had indicated some concern about the diversification of the ASB membership. Efforts are being made to rectify the situation.

132.13 Future Meetings

Meeting dates for the first half of 2024 will soon be identified.

132.14 Other ASB Business

There being no further business, the meeting concluded at 14:18. The next ASB meeting will be held via videoconference on October 17, 2023.