

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 125
SEPTEMBER 6, 2022
VIDEOCONFERENCE
10:00 – 15:07

Present: Mel Bartlett (*left at 13:30*)
Thierry Chamberland
Renée Couture
Simon Curtis
Pierre Dionne
Steve Easson
Edward Gibson, *Chair*
Jamie Jocsak (*absent between 12:50 and 14:30*)
Marshall Posner
Lesley Thomson
Yun (Bill) Xu
Dean Newell, *ex officio*
Michel Simard, *ex officio (absent between 13:30 and 14:30)*

Absent: Azmina Jiwani

Staff: Lynn Blackburn for item 8; Josée Racette

Guests: Alison Rose, Paul Winnett, and Michael Bean for item 6; Qi AN, Carl Lussier, Alina Rogozhnikova, and Joshua Snow for item 12; all at the invitation of the Chair.

The Chair opened the meeting.

125.1 Approval of Agenda

An item was added under Other Business: Display of standards on the CIA website.

Motion: That the agenda be approved as amended.

Carried

125.2 Previous Minutes

The minutes from the June 8, 2022, meeting were reviewed.

An edit was noted.

Motion: That the minutes of ASB meeting N° 124 held on June 8, 2022, be approved as amended.

Carried

125.3 Email votes

There were two electronic vote since the last meeting.

Motion: That the *Exposure Draft to Revise the Standards of Practice Parts 1000 and 4000 – General Standards and Practice-Specific Standards for Actuarial Evidence* be approved as presented, for release and with a comment deadline of September 30, 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 June 22, 2022

Motion: That the *Final Standards – Practice Specific Standards for Pension Plans (Part 3000)* be approved as presented, for release and with an effective date of December 1, 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 June 22, 2022

125.4 Disbanding Designated and Working Groups

There is no designated or working group to disband.

125.5 Review of Action Items

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

Progress against our strategic plan: No update was presented. The item will remain on the list.

Consistency of practice/discount rate: Addressing inconsistencies is to be addressed during quinquennial reviews of standards.

Work outside Canada: A 2005 educational note on this topic will be updated. The recruitment of members to do this work has begun. Dean Newell thanked Lesley Thomson for agreeing to be part of this initiative.

Internal website: Documentation has been uploaded. ASB members will be advised on how they can access it.

IFoA Guidance on Data Science Ethics: This item is deferred to the next meeting.

125.6 Data for Pension Research

Alison Rose, Paul Winnett, and Michael Bean joined the meeting for this item.

Alison Rose provided some context by pointing out the restructuring of the CIA research program, in particular a new policy on data approved last year. She also stated that obtaining suitable data (and in a timely manner) for pension research is a challenge. To address this issue, a task force reporting to the Research Council is being created.

Mel Bartlett spoke about the experience of the project oversight group on pension commencement age and the various hurdles. He suggested that the task force approach plan administrators with questions, looking for ways to come up with a solution.

ASB members supported the direction being promoted (approach plan administrators in an effort to establish relationships and obtain experience data for research purposes). They suggested a few edits to the memorandum to avoid inadvertently offending plan administrators.

The guests answered some questions about what led to choosing this “top-down” approach.

It was also suggested that the CIA could perhaps leverage its close relationships with pension regulators.

The ASB must be conscious of the implications from a perspective of protecting the public interest and the establishment of standards. It was mentioned that the ASB can help in suggesting the names of individuals who would be valuable members of the task force.

The Chair thanked the guests for taking the time to inform the ASB of this important initiative.

125.7 Reports from Designated Groups

a) Quinquennial Review of Part 3000

The Chair reported that the members of the working group set up to discuss target benefit plans (TBPs) are recommending that the ASB establish a designated group (DG) to look into these plans. The working group drafted a potential mandate, and have used it in an initial recruiting effort. The group suggested that the DG look at commuted values and at other sections in Part 3000 to refine the wording as it related to TBPs, if appropriate.

The working group has also approached potential DG members and some have expressed interest in serving on the DG. The working group will provide this list to the Chair of the AGC.

The ASB feels that the DG should include people with experience with TBPs, take into account geographical diversification, include one or two people without extensive TBP experience, and one or two people from a practice area other than pensions.

It is expected that the DG will be created at the next ASB meeting and its members appointed, as well as an ASB liaison.

b) Quinquennial Review of Part 4000

Jamie Jocsak provided an update as follows:

- The exposure draft was published at the end of June, with a deadline for comments of September 30, 2022.
- Once the deadline for comments is passed, the DG will review the comments received and prepare final standards.

c) ISAP 6

Renée Couture provided an update as follows:

- The exposure draft was published at the end of June, with a deadline for comments of September 30, 2022.
- Once the deadline for comments is passed, the DG will review the comments received and prepare final standards. Very few comments have been received so far.

It was mentioned that the DG will need to be careful and review the definitions in ISAP 6 and those in our standards to ensure consistency.

In addition, the International Actuarial Association has begun its quinquennial review of ISAP 6. Timing has not been confirmed but it is likely that the review will not lead to substantive changes.

d) Joint Policy Statement

Lesley Thomson provided an update as follows:

- The exposure draft was published at the end of June.
- Deadline for comments is September 19, 2022. Not many comments have been received to date.
- Roundtables have been organized for the accounting profession this week.
- Much of the supporting work was done by CPA Canada.
- Work is under way on the audit guide and is progressing quite well. A draft is expected in October.

e) Reliance on Third Party Data Providers

Steve Easson briefly explained the catalyst for setting up this DG.

The recruitment of a chair for this DG proved challenging. Work is slowly starting.

f) Designated Group on the Quinquennial Review of Part 7000

Marshall Posner provided an update.

The notice of intent (NOI) is essentially complete, including the proposed wording changes to the standards. After some discussion, to respect the spirit of the Policy on due process, the ASB prefers that the proposed wording changes not be included as part of the NOI.

The NOI is expected to be presented to the ASB at its October 2022 meeting. The work is still on track to have final standards in the fall of 2023.

The Chair thanked the DG for its work.

g) Quinquennial Review of Part 6000

Renée Couture stated that she is now the DG Chair.

Progress to date has been slow due to the summer season. The DG is expecting to propose minor wording changes, such as changing “post-retirement” to “post-employment” and the wording of the opinion.

Renée noted that the standards include a substantial amount of repetition. The ASB discussed the best way to address this issue. It was suggested that an academic be recruited to “edit” the standards.

The exposure draft is expected to be presented to the ASB at its October 2022 meeting.

The ASB Chair thanked Renée for agreeing to move this project forward and thanked the DG for its work.

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

The final standards have been published.

The Committee on the Appointed/Valuation Actuary is developing an educational note on the role of the AA. It is expected that the note will be published before the end of the year.

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

The two DGs are expected to be disbanded in early 2023.

125.8 White Paper Operational Plan

Steve Easson sought high-level comments on the draft operational plan to potentially change the entity to which the AGC reports from the CIA Board to the ASB. Steve emphasized that the transfer should be made only if there are compelling benefits to do so, from the perspectives of improved efficiency/effectiveness, even better governance, and an even better work product.

Some of the questions/issues raised were:

- The Actuarial Profession Oversight Board (APOB) had expressed some reluctance when the initial proposal was discussed with them in May 2022.
- Concerns were expressed about a potential blurring of the lines over time if such a move is made, noting that standards and guidance have a different purpose. The challenges are operational in nature.
- How would “AGC” members be recruited?

- Some ASB members stated that they like the benefits of having the two groups at arm's length. It ensures good governance. Having a single entity control both the development of standards and guidance could be perceived as a closed group controlling everything.
- All agreed that close coordination between the two entities is a must. The issue of how to prioritize the work was brought up.
- It was noted that the chairs of the practice committee have a key role in the practical interpretation of guidance; given this, if it is appropriate to have the standards independent of the CIA, then shouldn't the same logic apply to practice committees, and therefore, should they report, at least indirectly, to APOB?
- Some felt that APOB, which is comprised mostly of non-actuaries, might not be well equipped to understand all the issues.

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

PDC (Practice Development Council)

The PDC met in June 2022.

Some members have expressed interest in developing a document exploring actuarial insights on mental health. A working group will be created.

IAC (International Affairs Council)

The International Actuarial Association is devoting considerable effort to the issue of climate change.

The IAA noted that Canadian universities are quite effective in attracting international students. The IAA will try and keep the channels of communication open when they go back to their own country.

Research Council

The Research Council met once since the last ASB meeting. There is nothing to report.

125.10 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: As previously noted, 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. OSFI has now released the memo to the Appointed Actuary for 2022.

Committee on Life Insurance Financial Reporting:

The Committee on Property and Casualty Insurance Financial Reporting (PCFRC) is putting the finishing touches on an educational note on reinsurance. The note could also apply to life practitioners.

It was noted that close coordination is required between CLIFR and PCFRC, given that IFRS 17 applies to both life and P&C insurance.

Educational note on coverage units: The note will be updated based on IFRIC's comments on payout annuities. The release of this note also needs to be coordinated with PCFRC.

The AGC is spearheading a review of all educational notes to determine which ones need to be updated due to changes to the standards (including IFRS 17), and those that should be archived. CLIFR is also working on guidance on mortality improvement.

CLIFR has issued its annual fall letter. It was noted that there is a potential reputational issue concerning asset-liability management.

Committee on Property and Casualty Insurance Pricing: See item 12.

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

The P&C educational note on discounting has been published.

PCFRC is putting the finishing touches on its annual fall letter.

The committee is also finalizing the educational note on reinsurance.

As is the case for CLIFR, PCFRC is reviewing educational notes to determine which ones should be archived and which ones should be updated.

PCFRC will be providing its comments on the educational note on the role of the AA under IFRS 17.

Committee on Risk Management and Capital Requirements (CRMCR): The committee will be updating the educational note on financial condition testing (FCT) to reflect IFRS 17.

It is not considering proposing changes to the standards.

Committee on Workers' Compensation: There was no meeting this summer. It is however discussing the implications of increased inflation on some benefits that are inflation-indexed.

Committee on Pension Plan Financial Reporting: The committee met twice since the last ASB meeting. In July, the committee prepared its quarterly update on annuity proxy.

It is also looking at updating 10 educational notes due to the recent changes to Part 3000.

In August, it discussed a query.

It also discussed a query on annuity proxy, as to whether the indexed annuity guidance reflects “an assumption for current year inflation not yet reflected in pension data, or that the date includes the most recent index and the next index is provided in 12 months”. In the future, PPFRC will be more precise on what the quote should reflect.

Steering Committee on Climate Change and Sustainability: This group was created by the CIA Board. An update was provided in the meeting material.

Action items include updating its mandate and conducting an inventory of initiatives. A policy statement is being prepared by the Public Affairs Council.

An ISAP on climate change is being developed.

The International Sustainability Standards Board has published two exposure drafts.

The Bank of Canada and OSFI have published a report on the quantification of transition risk.

There was a presentation at the ASB in June on the topic. No DG has been established to look at our standards (FCT and perhaps other sections) from a climate change perspective. The ASB should ensure it stays current with respect to this issue.

Task Force on Gender Identity: The group meets semi-regularly and is working on a report. It seems likely that a DG will need to be formed to update the standards.

Task Force to Review the Rules of Professional Conduct: The group will meet tomorrow. It will use the IFoA approach and adapt it to our situation (rules, and guidance on the rules). The group hopes that it will replace the policy on conflicts of interest.

125.11 Webcasts

No webcast is being considered.

125.12 Data science and ethics and potential changes to the general standards

Carl Lussier, Alina Rogozhnikova, Qi An, and Joshua Snow joined the meeting for this item.

Carl Lussier provided some context on bias and ethics, and artificial intelligence. He stated that the Committee on Property and Casualty Insurance Pricing has been working on a paper on bias and ethics for approximately one year. Regulators have expressed concerns about this issue.

Carl mentioned that automated processes can lead to unfairness but that a bias does not necessarily equate to unfairness. A few concepts were defined, such as fairness, contrasts, social bias, and ethics.

Individual or group fairness can become a policy decision.

An example based on the distribution of COVID vaccines at the start of the pandemic was provided.

As currently drafted, the educational note does not prescribe a course of action. Care must be exercised so as not to get around the letter of the law.

The ASB reacted to the proposed wording changes, indicating that it would need to define fairness. Would there be other changes (to the section on data, for example)? It was suggested that the group start with developing guidance and then perhaps move to standards. Providing specific examples would be useful. It was also pointed out that the CIA recently published a paper on big data that contains a section on bias.

Other actuarial organizations are also working on this topic.

The ASB Chair thanked the guests for their presentation and their work.

125.13 Report on Recent/Upcoming Meetings

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

AGC meetings on June 14, July 12, and August 9, 2022

- Summaries were provided in the meeting material.

APOB public meeting on October 25, 2022

- This meeting is scheduled on the day of the ASB's next meeting. The ASB lunch break will be extended to 80 minutes to allow the ASB Chair to attend and present at the APOB meeting, and to allow other ASB members to attend the APOB meeting, if they are interested in doing so.

CIA/ASB/OSFI meeting on November 23, 2022

- At its October meeting, the ASB will look at issues to be discussed with OSFI.

125.14 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

October 25, 2022 – 10:00 a.m. - 4:00 p.m.

November 23, 2022 – 10:00 a.m. - 4:00 p.m.

125.15 Other ASB Business

Climate Change and Sustainability Steering Committee: covered under item 10.

Ethical concerns research paper: The ASB will decide whether there is value in asking the author to come and discuss the supplement.

Standards on the ASB website: A numbering issue was identified in Section 3200 (English).

A correction needs to be made to the complete set of standards (January 1, 2023, English and French)).

Since Part 5000 will be replaced by Section 2800 once IFRS 17 comes into effect, text explaining the situation should be added to the Part 5000 page. Similarly, a note to reader should be

added to the complete set of standards explaining that Part 5000 has been repealed and replaced by Section 2800.

There being no further business, the meeting concluded at 15:07. The next regularly scheduled meeting of the ASB will take place on October 25, 2022, via videoconference.