

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 118
SEPTEMBER 8, 2021
VIDEOCONFERENCE
10:00 a.m. – 16:10 p.m.

Present: Mel Bartlett
Thierry Chamberland
Pierre Dionne (*until 15:30*)
Stéphanie Fadous (*until noon*)
Azmina Jiwani
Jamie Jocsak
Josephine Marks, *chair (absent between 11:15 and 11:30)*
Simon Nelson
Marshall Posner
Lesley Thomson (*until 15:00*)
Yun (Bill) Xu (*joined at 10:45*)
Steve Easson, *ex officio*
Dean Newell, *guest*

Absent: Renée Couture

Staff: Josée Racette

Guests: Charly Pazdor, James Koo, and Dani Goraichy for item 6a; Kelley McKeating for item 6d; Mario Robitaille for item 6e; Simon Curtis for item 6f; all at the invitation of the Chair.

The Chair opened the meeting and noted that as per the practice instituted at the last meeting, 5-minute breaks have been included throughout the agenda.

118.1 Approval of Agenda

A small edit to the motion for the adoption of the minutes was noted.

Motion: That the agenda be approved as amended.

Carried

118.2 Previous Minutes

The minutes from the June 22, 2021 meeting were reviewed.

Motion: That the minutes of ASB meeting N° 117 held on June 22, 2021 be approved as presented.

Carried

118.3 Email votes

There were no electronic votes since the last meeting.

118.4 Disbanding Designated and Working Groups

There is no designated or working group to disband. ASB members were reminded that designated groups are disbanded at the meeting following the effective date of the standards they were responsible for drafting.

118.5 Review of Action Items

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

Issues concerning the review of Part 3000 will be covered under item 6a.

IFRS 17 and promulgation issues: this item will be covered under item 6f.

Research project on pension commencement age: Mel Bartlett reported that the request for proposal has been issued. No expression of interest has yet been received.

118.6 Reports from Designated Groups

a) Quinquennial Review of Part 3000

James Koo, Dani Goraichy, and Charly Pazdor joined the meeting for this item. Simon Nelson provided some background information on the project, mentioning that the proposed changes to the standards had been notionally approved by the ASB at its June 2021 meeting. The cover notes from the three designated groups (DGs) have been consolidated into a single memo to members.

The Chair of each DG provided a high-level overview of the proposed changes and their respective part in the memo to members. Some minor edits to the consolidated memo were suggested and formatting issues in the exposure draft will be dealt with prior to publication.

It was proposed that due to the delay in approving the release of the exposure draft, the deadline for comments be extended to December 15, 2021. The ASB agreed.

For ease of reading, it was decided that a clean version and a redlined version of the exposure draft would be published.

The ASB discussed the possibility of seeking a legal review of the exposure draft in an effort to determine whether pension actuaries are or should be considered plan fiduciaries. Some ASB members pointed out that a legal review might not yield a straight answer.

The ASB also discussed the merits of seeking an opinion from the Professional Conduct Board (PCB) on whether the standards as drafted could inadvertently put a practitioner in trouble. What is the obligation to disclose (financial strength of the plan sponsor), based on what is known? Could it be covered under the terms of the engagement?

A few points to ponder (early feedback):

- There is currently no definition of pension plan in the standards. Should there be one?
- It is not always clear, when doing a partial valuation, whether the actuary must disclose sensitivity.

Motion: That the *Exposure Draft for Revisions to the Practice-Specific Standards for Pension (Part 3000)* be approved for release as presented, with a comment deadline of December 15, 2021, and that the chairperson of the designated groups, 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 the three DG chairs (and their team) for all their work.

b) Quinquennial Review of Part 6000

A written update was circulated prior to the meeting.

Few responses were received on the notice of intent. The Chair will reach out to a few contacts at large consulting firms encouraging them to share with their teams and to comment. One stakeholder is preparing a response and has asked for a short extension.

c) Pension Commuted Values when Bond Yields are Very Low or Negative

Marshall Posner reported on the comments received following the publication of the exposure draft. Comments were received from five sources; most were appreciative of the changes proposed in the exposure draft.

Final standards are being presented for approval by the ASB (no changes compared to what was published in the exposure draft).

The ASB discussed the proposed effective date of April 1, 2022 to take into account the fact that responders had indicated they needed time to update their systems. However, it was also noted that waiting this long represents a risk that bond yields will fall further. The ASB agreed on an effective date of February 1, 2022 as a reasonable compromise.

Motion: That the *Final Standards: Determination of Pension Commuted Values in Economic Environments where Bond Yields are Negative* be approved for release as presented, with an effective date of February 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 by at least 2/3 of members

The Chair thanked Marshall and his team for their work.

d) Quinquennial Review of Part 4000

Kelley McKeating joined the meeting for this item and provided an update. The group has made good progress and came to a consensus on how to handle the major issues. Work is progressing on schedule and an exposure draft is expected to be ready by the end of the year.

The DG sought feedback from the ASB on its proposal to reduce the ultimate inflation assumption from 2.25% to 2%, in line with the Bank of Canada target. It was reported that the assumption is prescribed in actuarial evidence work to ensure that two actuaries valuing a pension would use consistent assumptions. In addition, the DG is leaning towards a select period of 20 years. The ASB is supportive of both proposals.

There was a discussion on whether it would be wise to request a legal review. The DG will discuss the merits of a legal review.

It was agreed that no update would be provided at the October ASB meeting.

The Chair thanked Kelley and her team for their work.

e) ISAP 6

Mario Robitaille joined the meeting for this item and provided an update. He mentioned that all the documents included in the package were available in both languages, although the French technical review is ongoing.

Mario reported on an outstanding issue from the previous ASB meeting about whether it was necessary to include an opinion in the proposed standards. The DG discussed the issue and consulted the Enterprise Risk Management Committee (ERMPC) and the Committee on Risk Management and Capital Requirements (CRMCR). All felt that an opinion is not necessary at this time. What is being proposed reflects current practice.

There was a discussion as to where ISAP 6 fits within the Canadian standards. The DG is seeking guidance from the ASB. ISAP 6 does not fit obviously into the current structure of the Standards and there are also differences in terminology. If it were to be a standalone part of the standards, is it complete?

The ASB noted that being an early adopter in establishing standards in this area would be consistent with the active involvement of actuaries in risk management roles. It was recommended that the DG prepare a revised version as a standalone section of the Standards and use the same format as the other standalone sections. In addition, a terminology check needs to be performed. An update will be provided at the October ASB meeting (even if the revised version is not yet complete) as it is felt that it will be helpful to continue the discussion.

The Chair thanked Mario and his team for their work.

f) IFRS 17

Simon Curtis joined the meeting for this item.

The Chair indicated that a formal written response to the Autorité des marchés financiers will be prepared. Although a decision on promulgation likely will not be made today, the ASB needs a solid rationale for such decision (written summary of the issue and rationale for the ASB's decision). It was also noted that it seems premature to make the final decision until the results of QIS 3 are known.

Stéphanie Fadous provided an overview of the process followed by the subcommittee of the Committee on Life Insurance Financial Reporting (CLIFR) in developing the note on discounting and how the feedback from the external consultation is expected to be integrated.

The ASB discussed what, if anything, should be promulgated. It might consider promulgating the risk-free interest rate curve. It could strengthen the credibility of the results and might better serve the regulators. Several ASB members feel the guidance issued by CLIFR is sufficient to protect the interests of the public. If the ASB were to decide to promulgate, it could extract the necessary information from Chapter 2 of the educational note on discounting.

It was noted that if promulgating for Canada, the guidance would have to indicate what to do with other countries. Some ASB members observed that a promulgation does not necessarily achieve the Autorité des marchés financiers's objective.

No other jurisdiction is going down the path of a promulgation. In addition, there is no real evidence (from QIS 2) that there is an issue to address.

Steve Easson mentioned that a first draft of a cover letter to the members and to the external stakeholders who took part in the external consultation is being circulated for comments.

The Chair thanked Simon and his group for their work.

g) Role of the Actuary in the IFRS 17 Context

Lesley Thomson reported that some comments received on the exposure draft expressed some concern about the use of the word “appropriate” in the wording of the opinion. The DG discussed the issue and is proposing a slightly modified wording of the opinion. The suggested wording was discussed with the group that expressed concerns and with the DG on IFRS 17. Agreement on the proposed revised wording was obtained.

The DG does not feel that the change warrants re-exposure and the ASB agreed.

The Chair thanked Lesley and her group for their work.

118.7 Designated Group on Reliance on Third-Party Data Providers

Steve Easson provided some background and presented a draft mandate. He also reported that currently, no Actuarial Guidance Council (AGC) member had volunteered to spearhead the recruiting effort.

The mandate was approved in principle, although a few edits were suggested. In addition, it was felt that the DG members would likely want to tweak it a bit themselves.

The ASB agreed that the DG should be comprised of three pension practitioners (one of which should have experience in post-employment benefits), two from actuarial evidence, and one insurance practitioner.

Jamie Jocsak volunteered as one of the two actuarial evidence practitioners.

The ASB confirmed that the mandate will be approved at the same time as the formation of the DG and the appointment of the members.

118.8 Discount Rates Across Practice Areas

The Chair stated that, at the last ASB meeting, the discussion was more of an education session. The ASB should now decide on a direction (what problem are we trying to solve). The ultimate goal is to better serve the public.

ASB members agree that there are probably areas where there are differences between areas of practice (but that these might be mostly due to the fact that actuaries must follow differing accounting standards). Are there areas where the assumptions should be similar? If not, can we come up with a rationale?

It was mentioned that the ASB terms of reference might need to be modified to include “consistency across practice areas”.

118.9 Updating the Joint Policy Statement

The Chair indicated that increased interaction between the two professions has prompted the review.

A group comprised of representatives from both professions will be formed. The Joint Policy Statement (JPS) is not expected to need much work. However, the work needed to update the auditing guide that accompanies the JPS will likely be more extensive.

The Accounting Standards Board (AcSB) has shared with the Chair of the ASB the document it will be presenting to its own board to get approval for the project. The AcSB has requested feedback. The Chair of the ASB will meet with the AcSB later today. One point that the ASB will

stress is to try and ensure that accountants do not redo the work done by actuaries (i.e., ensure that there is no need to duplicate if certain conditions are met).

The ASB will create a DG to initiate this review process from the actuarial perspective.

Motion: That the ASB, subject to confirmation of approval of the joint initiative by the Accounting Standards Board, create a Designated Group to Update the Joint Policy Statement and that its members serve as the actuarial contingent to the joint group with the Accounting Standards Board.

Carried

118.10 Use of Standards of Practice by Other Professionals

From time to time, the AGC is asked to provide interpretation of the standards. However, there have been instances where the person asking for the interpretation is not an actuary. After some discussion of the potential implications, it was agreed that, in light of the limited volunteer resources available to respond to such queries, the AGC will limit its detailed responses to actuaries.

118.11 Dealing with Conflicts of Interest on ASB

Jamie Jocsak reported that the group held its first preliminary meeting, with a second meeting being planned. Progress is being made and a more detailed report will be provided at the November meeting.

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

PDC (Practice Development Council)

The PDC approved two practice resource documents as follows: 1) risk appetite, written from an insurance perspective; and Skills and Knowledge Inventory for Actuarial Evidence.

The PDC is also reviewing all the employment codes. The work is being carried out in two phases. Phase 1 includes an update of the codes, and phase 2 will involve a review of the overall structure of the codes themselves and its impact on the CIA website.

The CIA Board reviewed the availability of CIA documents to the public (to what extent our documents are shared with non-members). The Board decided on the status quo. However, the PDC has the authority to decide on availability to the public on a case-by-case basis.

A practice resource document is being developed on income tax gross up.

IAC (International Affairs Council)

There was no meeting of the IAC since the last ASB meeting. Feedback was provided to the IAC on the integration of ISAPs.

Research Council

The Research Council has not met since June but will be meeting later this month. The Research Council has a new Chair.

Several documents have been published.

The volume of translation is creating a bit of an issue.

118.13 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: The committee is developing guidance for the impact of IFRS 17 on the role of the actuary.

Committee on Life Insurance Financial Reporting: The annual fall letter was recently published. CLIFR continues its efforts to develop guidance on IFRS 17.

Following an external consultation on its educational note on discounting, CLIFR revised the reference curve (document and slide deck). Fiera Capital will publish the reference curve monthly.

Fair value: CLIFR aims to publish the document by the end of 2021.

Report on disclosures: CLIFR aims to publish the document by the end of 2021.

Discount rate applications: CLIFR is documenting the use of discount rates under IFRS 17.

Recoverability of acquisition expenses (joint effort with the Property and Casualty Insurance Financial Reporting Committee (PCFRC): Guidance is being developed.

IAN 100: Will likely be adopted as is.

Mortality improvement: A common scale for pension and life areas of practice is being developed.

Committee on Property and Casualty Insurance Financial Reporting (PCFRC): The Committee recently published its annual fall letter.

PCFRC will be hosting two sessions at the Seminar for the Appointed Actuary.

IFRS 17 issues: An issue was raised by the Office of the Superintendent of Financial Institutions (OSFI) on the role of the actuary at quarter end (IBNR at the end of the quarter or not). PCFRC is very busy developing IFRS 17 guidance on discount rate, risk adjustment, fair value, liability for remaining coverage, disclosures, and a presentation at the AA Seminar.

It is also reviewing guidance developed by other committees.

Committee on Property and Casualty Insurance Pricing: The Committee is working on an educational note for trends (soon to be submitted to the AGC for approval). It is also looking at ethical concerns.

Committee on Workers' Compensation: The Committee is reviewing its existing guidance on IFRS 17. It is also preparing additional guidance on liability for remaining coverage (LRC) (how to recognize the LRC for next year).

The Committee is also holding discussions on the discount rate to ensure that what they do is consistent with CLIFR and the reference curve.

Committee on Pension Plan Financial Reporting: A new chair took over on July 1, 2021. The Chair is looking into the optimal size and level of diversity of the committee. The Committee is reviewing an educational note on setting the discount rate for going concern valuations. The Skills and Knowledge Inventory for Pensions was reviewed and it will be submitted to the PDC for approval.

Annuity guidance: the process to issue the guidance at the end of every quarter was updated. It was noted that past promulgations are difficult to find on the CIA website.

Task Force on Gender Identity: The Chair provided background information and sought views on whether the ASB should appoint a liaison.

118.14 Webcasts

No new webcasts are being planned.

118.15 Report on Recent/Upcoming Meetings

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

Actuarial Guidance Council (July 13 and August 25, 2021)

- The AGC will be canvassing for 2022 meeting dates fairly soon.

118.16 Compare our Progress to the Strategic Plan

The ASB reviewed its strategic plan to monitor its progress. In doing so, the Chair noted that the ASB has accomplished quite a lot and is pleased to note that people are contributing more broadly.

It was mentioned that ASB members who would like to attend an APOB meeting should reach out to the Chair of the ASB.

118.17 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

October 13, 2021 – 10:00 a.m. – 4:00 p.m.

November 24, 2021 – 10:00 a.m. – 4:00 p.m.

There will be no face-to-face meetings until 2022. ASB meetings will be “virtual” meetings until further notice.

118.18 Other Business

Definition of “work in Canada”: this item was deferred and will be added to the agenda of the October ASB meeting.

There being no further business, the meeting concluded at 15:55. The next regularly scheduled meeting of the ASB will take place on October 13, 2021 via videoconference.