

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 127
NOVEMBER 23, 2022
VIDEOCONFERENCE
10:00 – 14:54

Present: Mel Bartlett
Thierry Chamberland
Renée Couture
Simon Curtis (*left at 14:20*)
Steve Easson
Edward Gibson, *Chair*
Azmina Jiwani
Jamie Jocsak
Marshall Posner
Lesley Thomson (*left at 11:30*)
Yun (Bill) Xu
Dean Newell, *ex officio*

Absent: Pierre Dionne

Staff: Lynn Blackburn for items 7 and 8; Josée Racette

Guests: Kelley McKeating for item 6b; Tim McGorman for item 6c; Mario Robitaille for item 6g; all at the invitation of the Chair.

The Chair opened the meeting. He welcomed Gavin Benjamin as a new member of the ASB, effective January 1, 2023. Gavin attended the meeting as an observer.

The Chair also took this opportunity to thank Lesley Thomson and Yun (Bill) Xu for their contribution on the ASB throughout their mandate.

127.1 Approval of Agenda

It was noted that there is no motion with item 6a Joint Policy Statement, as the French version of the standards is not yet available.

A discussion on the government's decision to cease issuing real return bonds will take place under item 6c.

Motion: That the agenda be approved as presented.

Carried

127.2 Previous Minutes

The minutes from the October 25, 2022, meeting were reviewed.

Motion: That the minutes of ASB meeting N° 126 held on October 25, 2022, be approved as presented.

Carried

127.3 Email votes

There were no electronic vote since the last meeting.

127.4 Disbanding Designated and Working Groups

There were no designated or working group to disband.

127.5 Review of Action Items

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

Progress against our strategic plan: No update was presented.

Consistency of practice/discount rate: Simon Curtis has reviewed the material provided by the previous ASB Chair. He suggested the addition of a separate agenda item on this topic at the next ASB meeting.

Scope of application of SOP related to work outside Canada: A working group has been created to update the 2005 educational note on this topic. The note is expected to be finalized in early 2023.

Ethical concerns: Documentation will be shared with ASB members.

Use of models: A suggestion was made to the ASB that the standards on the use of models be reviewed (for example, it is felt that the definition of models is too broad), with a thought to perhaps include predictive models.

After some discussion, the ASB decided that it would be best to create a designated group for the quinquennial review of Part 1000 due to be performed in 2023, and to include the review of the definition of model as part of its mandate. In addition, the group should comprise individuals with the appropriate expertise in predictive modeling.

Climate change and sustainability: See item 10.

127.6 Reports from Designated Groups

a) Joint Policy Statement

An update was provided as follows:

- The Joint Policy Statement has been part of Part 1000 since 2007.
- The version being presented went through many discussions between accountants and actuaries.
- The Auditing and Assurance Standards Board (AASB) is expected to approve the JPS in November.
- The biggest change is a clarification of the scope (use, rather than rely, on the work).
- There was a long discussion about what standards would apply to the report from an auditor to an actuary.
- Examples have been added.
- The proposed effective date is March 31, 2023.

The ASB requested that one change be made to the proposed standards.

Some edits to the memo to ASB and the memo to members were proposed.

Once the French version is available, an electronic vote will be set up.

The Chair thanked Lesley and the other members of the DG.

b) Quinquennial Review of Part 4000

Kelley McKeating joined the meeting for this item and provided an update as follows:

- Final standards are being presented to the ASB for approval.
- The changes made to the standards are important (but not very significant) and they represent an improvement.
- The DG is very comfortable with the French version.

There was a discussion about the potential impact of the government's decision to cease issuing real return bonds. It is felt that no change to the standards is required.

A few edits were suggested.

It was noted that the memo to the ASB was very complete.

Motion: That the *Final Standards – Practice Specific Standards for Actuarial Evidence (Part 4000)* be approved as presented, for release and with an effective date of January 1, 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 Kelley and her team for their work.

c) *Reliance on Third Party Data Providers*

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

- A mandate was approved in principle approximately a year ago. The proposed mandate was presented.
- Only two third party data providers have been identified, the Bank of Canada and FTSE Russell.
- Fiera Capital is also a third party data provider for guidance (pension accounting discount rate and the CLIFR discount rate curve). Due diligence was performed upfront. The curve is not reviewed monthly.
- It was recommended that if the DG decides to offer the same service to the CIA for guidance, it would report to the Actuarial Guidance Council.

Motion: That the mandate of the Designated Group on Reliance on Third Party Data Providers be approved as presented.

Carried

The Chair thanked Tim and his team for their work.

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

There was nothing new to report. The final standards have already been published.

e) *Target Benefit Plans*

Dean Newell provided background information on the desire to create a separate designated group (DG) with specialized expertise in the field of target benefit plans (TBP).

Designated group members have been recruited.

At the annual meeting with the CAPSA Actuarial Standards Committee, regulators expressed interest in having representation on the DG. The ASB agreed that such representation would serve the public interest but indicated that it is important that such individuals be made aware of their role.

Motion: That the ASB create a Designated Group on Target Benefit Plans and that Mary Kate Archibald, Steve Easson (ASB liaison), Edmund Lee, Maurice Parent, Yves Plourde, and Glenn Smith be approved as members.

Carried

f) Quinquennial Review of Part 7000

A notice of intent was released with a comment deadline of January 31, 2023. One comment has been received so far.

g) ISAP 6

Mario Robitaille joined the meeting for this item and provided an update as follows:

- The final standards were presented for approval.
- One comment was received on the exposure draft and it was taken into consideration.
- Minor edits concerning the numbering were suggested.

Mario answered a few questions.

Motion: That the *Final Standards – Establishment of Enterprise Risk Management (ERM) Practice-Specific Standards for Consistency with ISAP 6* be approved as presented, for release and with an effective date of June 30, 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 Mario and his team for their work.

h) Quinquennial Review of Part 6000

An update was provided as follows:

- The DG is making good progress. It will meet in mid-December to review the exposure draft.
- The item still left to address is the repetition throughout the standards.
- The exposure draft is expected to be presented at the next ASB meeting.

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

127.7 **Conflicts of Interests**

Lynn Blackburn joined the meeting for this item.

Jamie Jocsak reported that all comments received were shared with the members of the task force.

Disclaimer: there was already some text in the guidance document itself. As such, it was felt that an official disclaimer on the cover page, similar to that for educational notes, was not required.

Some edits were suggested.

The Chair thanked Jamie for the presentation.

127.8 **White Paper Operational Plan**

Steve Easson reported that if it was decided to proceed with a transfer, it could not happen until June 2023 at the earliest as changes would need to be made to the Bylaws and ratified by the CIA membership.

The concept of the transfer is scheduled to be discussed with the Governance and Nominations Committee on November 24.

The pros and cons of the AGC moving under the ASB as a council rather than as a committee were examined. After careful deliberation, the consensus was that it would be better, from a governance perspective, to select the council option.

Motion: That the ASB endorses as a first step that the AGC be moved under the ASB as a council.

Carried

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

PDC (Practice Development Council)

There was nothing to report.

IAC (International Affairs Council)

There was nothing to report.

Research Council

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

127.10 Updates from various practice committees

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

Committee on Life Insurance Financial Reporting:

The committee will meet next week. Areas of interest are as follows:

- Final educational note on coverage units to align with recent interpretations from the IASB is being finalized.
- Work is ongoing on an explanatory report on discount rate applications.
- Explanatory report on disclosures: work is on hold.
- Review of existing guidance in light of the implementation of IFRS 17 (keeping a lot of notes active).

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

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

No update available.

Committee on Risk Management and Capital Requirements (CRMCR): No update available.

Committee on Workers' Compensation: There was a meeting last week where technical aspects of IFRS 17 implementation were discussed.

Committee on Pension Plan Financial Reporting: The committee issued its quarterly explanatory report on the annuity proxy. There was a tweak concerning the quotes received from insurance companies.

Existing educational notes are being updated, such as:

- Note on plausible adverse scenarios
- Note on discount rate
- Note on expenses
- Note on commuted values

PPFRC had a discussion about real return bonds (RRBs) but no conclusion was reached.

It was noted that an industry group has asked the government to reverse its decision. The CIA Pension Practice Committee is looking into doing something.

Some of the potential issues about the recent government decision concerning RRBs are:

- Will the liquidity of that bond be impacted?
- Can CANSIM series be relied upon? Close monitoring of the situation is required.

Steering Committee on Climate Change and Sustainability: The committee met on October 24, 2022, with its next meeting scheduled for December 5, 2022.

One of the Co-Chairs will provide an update on the climate initiative at the upcoming CIA Special General Meeting.

A risk statement is being drafted. The committee will discuss tactics to leverage the document.

One of the challenges is collecting climate data.

The committee will endeavour to establish contact with supranationals.

The Chair of the Committee on Climate Change and Sustainability will be invited to make a presentation to the ASB.

The ASB agreed to create a DG on Climate Change at a later date. As part of its mandate the DG could be asked to:

- Stay abreast of international developments; and
- coordinate the development of standards, guidance, and other documents.

It was noted that S1 and S2 address both risks and opportunities, whereas ISAPs only look at risks.

Task Force on Gender Identity: No update.

Task Force to Review the Rules of Professional Conduct: See item 7.

127.11 Webcasts

The ASB is not currently contemplating organizing a webcast.

It was noted that a webcast on fiduciary duty was held recently.

It was noted that the Committee on Continuing Education has begun its planning for various CIA events to be held in 2023.

127.12 Report on Recent/Upcoming Meetings

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

AGC meeting on November 8, 2022

- A summary was provided in the meeting material. No document was approved for release to the members.
- PCFRC has discovered an error on the discounting note and they want to correct it (a few sentences and a formula). An electronic vote for the approval of the revised version was set up and the motion just got approved.
- CRMCR is expected to present an educational note on financial condition testing for approval at the December AGC meeting.

A note on LICAT is expected to be released early in 2023.

A note on the role of the AA under IFRS 17 is expected to be presented for approval at the next AGC meeting.

The Task Force to Update Guidance is making progress.

CIA/ASB/CAPSA Actuarial Standards Committee meeting on November 22, 2022

- CAPSA would like the CIA to issue a communication to its members on emerging trends (economic conditions).

- OSFI and the Quebec regulator both publish a maximum allowable discount rate for pension valuation (although they don't explain how they came up with the figure). OSFI will issue guidance next year. Retraite Québec will issue something this year (earlier than usual). There is no indication about the direction of the change.
- There was a discussion about gender. Regulators are looking at the issue strictly from a commuted value perspective.
- Projection assumptions for CAP: CAPSA feels it would be good for the CIA to come up with standard projections (who would do this?). It was noted that FP Canada already does this.
- Variable payment life annuities (VPLAs): a regulator reiterated its wish for the ASB to develop standards on what the actuary would be asked to do if they needed to report (how to do it). It was suggested that the CIA could look at existing standards (Part 1000) and determine what most applies. The information could be presented in a practice resource document (best practices).
As VPLA are conceptually a TBP without active members, it was suggested that the DG TBP could consider them.
- CAPSA feels that it would be good for the CIA to issue a communication to its members on pension funding.
- Gathering of pension data for research purposes: FSRA showed some interest in this initiative.

CIA/ASB/OSFI meeting on December 15, 2022

- There were no burning issues to be discussed.
- The CIA will ask for an update on their guidelines, as well as on the study with the Bank of Canada on transition risk.

127.13 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

May 4, 2023 – 10:00 a.m. - 4:00 p.m., followed by a joint session with APOB

127.14 Other ASB Business

There being no further business, the meeting concluded at 14:54. The next regularly scheduled meeting of the ASB will take place at a date to be determined, via videoconference.