

ACTUARIAL STANDARDS BOARD (ASB) MEETING N° 120
NOVEMBER 24, 2021
VIDEOCONFERENCE
10:00 – 15:15

Present: Mel Bartlett
Thierry Chamberland
Renée Couture (*absent 14:15 to 14:45*)
Pierre Dionne
Stéphanie Fadous
Azmina Jiwani
Jamie Jocsak (*left at 15:15*)
Josephine Marks, *chair*
Simon Nelson
Marshall Posner
Lesley Thomson
Yun (Bill) Xu (*joined at 10:45*)
Steve Easson, *ex officio (joined at 12:40)*
Michel Simard, *ex officio (present 13:15 to 14:45)*
Dean Newell, *guest*

Staff: Lynn Blackburn for item 13; Josée Racette

Guests: Simon Curtis for item 7e; Mario Robitaille for item 7f; Wally Bridel and Phil Watson item 12; Edward Gibson (*left at 12:30*); all at the invitation of the Chair.

The Chair opened the meeting. She welcomed Edward Gibson as a guest. Edward will become Vice-chair of the ASB on January 1, 2022 and will take over as Chair of the ASB on July 1, 2022.

120.1 Approval of Agenda

Motion: That the agenda be approved as presented.

Carried

120.2 Previous Minutes

The minutes from the October 13, 2021, meeting were reviewed.

A few minor edits were made.

Motion: That the minutes of ASB meeting N° 119 held on October 13, 2021 be approved as amended.

Carried

120.3 Email votes

There was one electronic vote since the last meeting.

That Jacques Tremblay be appointed as co-chair, that Pierre Lepage and Barend (Gus) van Helden be appointed as members, and that Lesley Thomson be appointed as ASB liaison to the Designated Group to Update the Joint Policy Statement.

Carried October 29, 2021

The name of one more individual was submitted for approval to serve on the DG to Update the Joint Policy Statement.

Motion: That Wendy Mizuno be appointed as a member of the Designated Group to Update the Joint Policy Statement.

Carried

120.4 Disbanding Designated and Working Groups

There is one designated or working group to disband.

That the Designated Group to Update the Ultimate Reinvestment Rate and Calibration Criteria be disbanded with thanks.

120.5 Review of Action Items

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

Research project on pension commencement age: Mel Bartlett reported that an interview will be conducted with one provider. The project oversight group met to review the expressions of interest and another meeting is scheduled. The project is being reviewed by the Research Council and final approval is expected early in 2022.

Progress against our strategic plan: it will be prepared in early 2022 as part of the annual review.

The reasons to promulgate and the draft response to the Autorité des marchés financiers (AMF) are both on the agenda.

Education session on fiduciary duty of (pension) actuaries is being organized for 2022. A lawyer has been identified (Ross Gascho) and he is preparing a presentation. Topics to be covered include the following:

- What is a fiduciary role
- Consequences if the actuary is deemed to be a fiduciary
- Case review (jurisprudence in Canada)

It was suggested that the presentation also touch upon who gets to decide if the actuary is a fiduciary. This presentation could also be presented to the entire membership in the form of a webcast.

IFoA Guidance on Data Science Ethics: this item was added to the list of action items as a means of keeping up with international developments. A general discussion could take place on our decision-making framework.

120.6 Update from APOB Meeting

APOB is supportive of the work done on discount rates. It is also supportive of the ASB reaching out to get legal education on fiduciary duty.

The Chair of APOB is meeting with various provincial pension regulators.

A survey of APOB members was conducted. One theme that came up is the concern to be able to attract volunteers (although the ASB has not encountered this particular challenge). Another concern raised was that the ASB sometimes may have moved too slowly. Lastly, could the ASB be more strategic in what it does? One way to address this last comment could be to set aside a specific portion of the meetings to deal with strategic issues.

The APOB public meeting was held on November 16, 2021. The ASB Chair had a good presentation. There were only a few questions.

120.7 Reports from Designated Groups

a) Quinquennial Review of Part 3000

The deadline for comments on the exposure draft is December 15, 2021. The DG will attempt to organize a meeting before the end of 2021 to start reviewing the comments.

b) Quinquennial Review of Part 6000

The DG is currently reviewing the comments received on the notice of intent and is preparing the exposure draft, expected to be presented to the ASB in the Spring of 2022.

c) Quinquennial Review of Part 4000

Jamie Jocsak provided a brief update. The DG expects to present an exposure draft to the ASB at its May meeting. Most major issues have been resolved.

d) Joint Policy Statement

The Joint Task Force will hold its first meeting on December 15, 2021.

e) Reliance on Third Party Data Providers

Four individuals have been recruited. No Chair has yet been identified. Dean Newell will reach out to them later this week with a draft mandate to get things started. The DG members will be asked to review the draft mandate and edit as appropriate.

Motion: That the ASB create a Designated Group on the Reliance on Third Party Data Providers and that Patrick Desrosiers, Tim McGorman, Steve Easson, and Jamie Jocsak be appointed as members.

Carried

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

Simon Curtis joined the meeting for this item. He provided an overview of the memo to members and explained the process followed to integrate ISAP 4 into the Canadian standards of practice.

It was noted that the final standards (and the memo to members) reflect the views of both DGs. There are no substantive changes from the exposure draft.

There were three key issues as follows:

- Section 2200: this section is new and applies only to valuations under IFRS 17.
- Promulgation of risk-free curves: The DG is not recommending promulgation.
- Wording of the opinion: The wording was modified slightly to clarify the use of the word “appropriate”. An educational note is being developed to provide further guidance.
- A few minor edits were suggested. It was noted that a small change is also required in Part 6000 (to refer to Section 2800 rather than Part 5000).
- Effective date: January 1, 2023, and early implementation prohibited.

Motion: That the *Final Standards – Changes Required by the Adoption in Canada of IFRS 17 (Insurance Contracts)* be approved for release as presented, 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 ASB reviewed a draft response to AMF on promulgation under IFRS 17. It was recommended that an offer be made to arrange a meeting between the AMF and the ASB to discuss the issue, if they so wish.

A few edits were suggested.

The Chair thanked the members of both DGs for their work.

g) ISAP 6

Mario Robitaille joined the meeting for this item and provided an update. He reported that the DG reached out to the Committee on the Appointed/Valuation Actuary, the Committee on Risk Management and Capital Requirements, and the Enterprise Risk Management Committee for feedback. Drafting of the standards was also discussed with Lesley Thomson.

The Chair thanked Mario and his DG for their work.

120.8 Designated Group on the Quinquennial Review of Part 7000

Edward Gibson provided some background on the development of this standard. There were no social security standards at that time and Part 7000 was developed to ensure consistency with international standards (ISAP 2).

Next year, it will be time to set up a DG to do the quinquennial review of Part 7000. It was noted that there is a limited number of practitioners in this area.

The ASB is asking the AGC to recruit practitioners to serve on the DG to conduct a quinquennial review, noting that practices do not change much over time and that the work effort might be minimal.

Marshall Posner volunteered to serve as ASB liaison on the DG.

120.9 How Regulators are Responding to Subsection 3570 – CV for TPA

This new subsection 3570, part of the commuted value (CV) standards, deals with target pension arrangements (TPAs). The new methodology calls for using a portion of asset share to determine the CV.

In October, Bernard Morency, who is working jointly with Retraite Québec to determine what standards they will reference in upcoming regulations, approached the Chair and Vice-chair of the ASB. Retraite Québec is reluctant to adopt subsection 3570 in its current form. The joint group is attempting to find a suitable solution.

Retraite Québec feels the new subsection is unfair to younger plan members, potentially yielding very low values.

The group (CIA and Retraite Québec) is exploring the possibility of using adjustments to 3570 assumptions or test on the share of contributions made by members. Such a variation would have to come from the regulators/policy makers.

There was a meeting with CAPSA on November 10 (see item 16). The topic was added to the agenda. Comments were sought but there was no specific resolution.

Among the options available to the ASB are:

- Do nothing (due process was followed and the ASB stands behind the conclusions reached by the DG)
- Dig deeper (consult with DG members, Retraite Québec or other pension regulators to consider whether better solutions exist)

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

PDC (Practice Development Council)

The PDC has met once since the last ASB meeting.

It approved a practice resource document on risk appetite.

The Committee on Pension Plan Financial Reporting (PPFRC) presented a revised version of the Skills and Knowledge Inventory for Pensions.

The PDC received an update on the review of phase 1 of the employment codes.

There was a presentation on the unique skills of actuaries and the key messages from the report indicate that the code of conduct makes actuaries unique. Our disciplinary process is looked upon favourably.

There was a discussion on the merits of standards of practice versus a practice resource document on predictive modelling. The ASB decided to add the topic to its next strategic discussion.

IAC (International Affairs Council)

The IAC met last week. Some verbal updates were provided. The following was noted:

- The IAC discussed the CIA response on the IASB exposure draft on disclosure requirements.
- The IAA is now allowing a maximum of two observers and staff representatives per committee. The number of observers had to be reduced on several committees.

Research Council

The Research Council has held one meeting since the last ASB meeting. The following was noted:

- The Research Council discussed process.
- The CIA has hired a new research manager, Michael Bean.
- A few research papers were published (for example, a paper on the topic of minimum income plan in the era of COVID-19)

120.11 Rationale for promulgation

The ASB reviewed a document on the rationale for promulgation. Lesley Thomson provided an overview. One important step is to determine the possible benefits and downsides of promulgation (one advantage could be to narrow the range of practice).

It was noted that there really is no distinction between “prescribed” and a promulgation. The advantage of a promulgation is that it is easier to fast track a change when required.

120.12 Update from the Committee on the Appointed/Valuation Actuary

Wally Bridel and Phil Watson joined the meeting for this item. They provided an overview of the committee, its work, and its priorities. The following was noted:

- The committee is comprised of both life and P&C actuaries.
- Its main priorities are currently related to dealing with IFRS 17 and COVID-19.
- Its mandate was updated recently.
- The committee is developing an educational note on the role of the AA under IFRS 17. A first draft was shared with a few select people for comments. A second draft is expected to be shared soon.

- The two co-chairs sought clarification on the due process for the development of guidance material.
- It was suggested that the note would first be released in draft form.
- QIS 3 (IFRS assessment for regulators) involved more time than anticipated.
- COVID-19: the committee is looking at emerging experience and best practices. It holds round table discussions at each meeting on IFRS 17 and COVID-19.
- Recruitment: The Head Office Volunteer Department can help.
- The committee is supportive of a decision not to promulgate under IFRS 17.
- It was suggested that regulators be reminded of the amount of work required to manage the current and new standards.

The Chair thanked Phil and Wally for their presentation.

120.13 Dealing with Conflicts of Interest on ASB

Lynn Blackburn joined the meeting for this item. Jamie Jocsak provided an update on the work of the group and sought comments on the direction. He noted that the detailed review of all relevant ASB governance documents was undertaken at the request of APOB. The following was noted:

- All conflicts of interest refer to the code of conduct and vice versa.
- The CIA Board has a specific document on each of the two topics.
- The volunteer code of conduct doesn't quite apply to the ASB given the nature of the volunteer work performed. It may be appropriate for the ASB to develop its own.
- After some discussion, it was decided that that ASB will join forces with the Board to have a single document addressing both conflicts of interest and code of conduct.
- The Board approved the release of a consultation document on a review of the Bylaws. Drafting of policies to support this initiative will occur over the next two months. The TF to Review Bylaws will take the lead and coordinate the consultations with the Board and other entities.

120.14 Updates from various practice committees

Committee on the Appointed/Valuation Actuary: See item 12.

Committee on Life Insurance Financial Reporting:

Discount rate educational note: comments are being summarized and the note is being updated. The note is expected to be published early 2022.

Fair value: The note was published.

Report on disclosures: CLIFR aims to publish the document early in 2022.

Discount rate applications: The document is expected to be published early in 2022.

Recoverability of acquisition expenses (joint effort with the Property and Casualty Insurance Financial Reporting Committee (PCFRC)): The document is expected to be published early in 2022.

Mortality improvement: CLIFR is keeping abreast of developments.

IFRS 17 notes: the notes are being finalized.

The topic of the transition of ALM practice as companies approach the IFRS17 implementation date (difficult to conform to our standards) might be raised with the ASB in due course. A document to facilitate the discussion is being prepared.

Committee on Risk Management and Capital Requirements (CRMCR):

Topics of interest are the following:

- MCT guidance for 2022

- IFRS 17: quantitative versus qualitative
- Completed the comments to OSFI on LICAT QIS 3
- Reviewed draft educational notes
- Prepared comments on the draft exposure draft on ISAP 6

Committee on Property and Casualty Insurance Financial Reporting (PCFRC): The Committee is working on projects jointly with CLIFR.

The Committee is working on an educational note for non IFRS 17 valuation work.

PCFRC is very busy developing IFRS 17 guidance on discount rate, risk adjustment, fair value, liability for remaining coverage, recoverability of acquisition expenses, and disclosures.

It is reviewing climate change scenarios from the practice resource document from the Climate Change and Sustainability Committee.

Committee on Property and Casualty Insurance Pricing: The Committee is developing material on bias and ethics; COVID-19 impact and how to reflect the impact in pricing. The Committee is also preparing a response to a document prepared by Oliver Wyman for the Canadian Automobile Insurance Rate Regulators Association (CARR) on how much they can rely on the valuation actuary.

Committee on Workers' Compensation: The Committee met earlier in the week to review the educational note on IFRS 17 and reflect comments received. The Committee will ask Lesley Thomson to review it before submitting it to the AGC for approval.

Committee on Pension Plan Financial Reporting: The Committee met last week. It is preparing its quarterly guidance on annuity proxy.

The committee is also working on an update of the educational note on going concern discount rates.

Task Force on Gender Identity: The second meeting of the task force will take place soon.

120.15 Webcasts

There is a possibility of a webcast on fiduciary duty (see item 5).

An email from the Program Committee was received. The ASB is being asked whether it wants to hold a session at act22. Topics to consider include the following: general update from the ASB, and a presentation on Part 1000 and how those standards might be applied.

120.16 Report on Recent/Upcoming Meetings

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

Actuarial Guidance Council (October 12 and November 9, 2021)

- A summary was provided in the meeting material.
- Comments on the cover letter to the discount rate note (CLIFR) are being reviewed.
- AGC Alerts: A first alert was distributed. A few suggestions were not retained.
- AGC will consider a paper on COVID-19 from the Research Council.

CIA/ASB/CAPSA Actuarial Standards Committee meeting on November 10, 2021

- A number of updates were provided by the CIA/ASB, and by CAPSA.
- Action items: Retraite Québec feels there should be standards related to variable payment life annuities.
- Valuation interest rate: Retraite Québec would like the CIA to issue more guidance on the selection of assumptions.
- Mortality assumptions: Retraite Québec felt some actuaries were using assumptions that were too aggressive. They seemed to be unaware of the existence of an educational note on the selection of mortality assumptions.

- MI 2017: work on updating the table has begun.

CIA\ASB\OSFI meeting on November 30, 2021

- There is an upcoming meeting at the end of the month.

120.17 Future Meetings

The ASB confirmed its intended upcoming meeting schedule as follows:

March 31, 2022 – 10:00 a.m. – 4:00 p.m. (virtual)

May 5, 2022, followed by a joint session with APOB: 10:00 a.m. – 6:00 p.m. (in person)

June 8, 2022– 10:00 a.m. – 4:00 p.m.

The CIA Board has approved a revised travel policy, which includes changes as to how business is conducted.

In person meetings will resume in January 2022.

ASB will hold an in-person meeting with APOB. Other in person meetings would need to be justified and approved by the Executive Director.

A vaccination policy was also approved.

120.18 Other Business

There being no further business, the meeting concluded at 16:00. The next regularly scheduled meeting of the ASB will take place on March 31, 2022, via videoconference.