

Memorandum

To: All Fellows, Affiliates, Associates, and Correspondents of the Canadian Institute of Actuaries, and other interested parties

From: Conrad Ferguson, Chair
Actuarial Standards Board
Catherine Robertson, Chair
Designated Group

Date: October 4, 2017

Subject: **Notice of Intent to Review the Standards of Practice for Consistency with ISAP 3 and to Review Sections 3400 and 6400 of the Standards of Practice for Consistency**

Comment Deadline: December 8, 2017

Document 217103

Introduction

On April 11, 2015, the Council of the International Actuarial Association approved International Standard of Actuarial Practice 3 – Actuarial Practice in Relation to IAS 19 Employee Benefits (ISAP 3).

The Actuarial Standards Board (ASB) agrees in principle that Canadian standards should be substantially consistent with international standards of actuarial practice. The ASB therefore established a designated group (DG) to review the standards of practice for consistency with ISAP 3.

Background

The principles-based content of ISAP 3 is generally consistent with Canadian standards of practice (SOP). There are a small number of areas where the requirements in ISAP 3 go beyond the requirements of the SOP, and these are noted below.

ISAPs go beyond the high-level principles. ISAP 3 contains a number of details and examples that expand upon the principles. We are seeking feedback on whether such level of detail and examples continue to be better suited to educational notes rather than the SOP.

Regardless of any changes, the Canadian standards of practice and not international standards of practice will continue to apply to work in Canada. Reporting on a Canadian employee benefit plan for the purpose of preparation of IFRS financial statements of a foreign corporation is work in the country of the domicile of the corporation. An actuary performing work in another country will continue to apply the formal guidance which the actuarial profession in that country gives to its members, in accordance with SOP paragraph 1230.06. If that guidance does not exist or is limited, then both the SOP and ISAP may provide useful guidance.

Summary of Proposed Changes and Desired Outcomes

The ASB proposes to revise the SOP and/or guidance to incorporate the following requirements (note that references to the SOP are the existing references and do not reflect any proposed changes to numbering based on the exposure draft on revisions to the General Standards released in February 2017):

1. Disclosure and Knowledge of Accounting Policies

SOP paragraphs 3420.01 and 6420.01 would be revised to include a requirement for an external user report to “describe any material accounting policies relevant to the work”, consistent with ISAP 3 paragraph 2.1.

In addition, in accordance with ISAP 3 paragraph 2.1, SOP paragraph 1440.02 would be revised to include “accounting policies” as an example of the conditions about which the actuary should have adequate knowledge. Subsection 1450 would be revised to include an example.

2. Consistency of Sections 3400 and 6400

Sections 3400 and 6400 would be reviewed for consistency and section 3400 would be updated as appropriate. Proposed changes may not be directly required by ISAP 3 but will either indirectly align with ISAP 3 and/or meet the ASB’s mission to have high-quality standards.

While the Canadian standards of practice are principles-based, ISAP 3 paragraph 2.6 contains significantly more detail regarding the approach for setting actuarial assumptions than is included in the SOP. One of the ASB’s goals regarding the SOP is that the SOP should restrict actuarial practice to an appropriate range while not unduly limiting actuarial developments or use of professional judgment where needed. As such, the ASB is not proposing any changes to the SOP to align them to ISAP 3 paragraph 2.6 and is instead recommending that educational note(s) are developed as needed.

Timeline

The ASB hopes to publish an exposure draft by the first quarter of 2018. Final standards of practice would not be effective before August 1, 2018.

Your Feedback

The ASB is soliciting feedback on this notice of intent from members of the CIA and other stakeholders. Comments on the proposed changes are invited by December 8, 2017. Please send them, preferably in an electronic format, to Catherine Robertson at crobertson@eckler.ca, with a copy to Chris Fievoli at chris.fievoli@cia-ica.ca. No other forums for obtaining feedback are currently contemplated.

Feedback is particularly invited on the following issues:

1. Should the ASB actively pursue consistency with ISAP 3?
2. Are there situations where the proposed changes may not be appropriate and modifications may be needed?
3. Do you agree that the SOP should continue to be principles-based and the level of detail and examples in ISAP 3 are better in educational notes, or are there any circumstances where the detail/examples in ISAP 3 should be included in the SOP either for consistency or other reasons?
4. ISAP 3 defines “law” to include accounting standards, whereas the SOP does not define “law”. Consequently, use of a method or assumption stipulated by an accounting standard that is not otherwise in accordance with accepted actuarial practice would require greater disclosure under Canadian standards than under ISAP 3. Do you agree this is appropriate?

The ASB’s due process has been followed in the development of this NOI.

The ASB has created a designated group which will be responsible for developing these changes to the Standards of Practice. It includes Christiane Bourassa, Doug Chandler, Laura Newman, Catherine Robertson (Chair), and Maria Zaharia.

CF, CR