

ISAP 3 – IAS 19 EMPLOYEE BENEFITS

IAA Professionalism Committee Review of Compliance with Due Process

Submitted to the Professionalism Committee and the Actuarial Standards Committee in February 2015.

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Process for ISAP 3*

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Introduction

The development of this ISAP spans multiple structures of the IAA standard setting process and multiple versions of ISAP Due Process rules. The start of the process (as envisioned by the current Due Process) began with a presentation at Council in April 2011 by the chair of the Actuarial Standards Committee's predecessor organization¹, continuing until 27 January 2015 when a final ISAP was being presented for EC action. Hence the work began before formal ISAP Due Process rules existed, and proceeded through adoption of Due Process rules and a subsequent revision to those rules. This summary review reflects this changing Due Process environment.

Scope of report

This report relates only to a review of process and covers actions up to 27 January 2015, which corresponds to the EC meeting to consider the proposed final ISAP. This completes the involvement of the PC with respect to the proposed ISAP, unless the Council does not adopt the ED and the process is re-started.

Note that responsibility for the content of any Statement of Intent, Exposure Draft or ISAP rests with other parties, not the Professionalism Committee, per the approved ISAP Due Process rules. As such this report makes no comment regarding such content.

Summary of the Review

Overall, the task force finds that the development was in substantial compliance with Due Process rules in existence at the time of each step of the development. We especially commend the ASC (and its IAS 19 task force) for its report on the comments received on the ISAP Exposure Draft and the ASC response to those comments.

The review begins with a background on the various Due Process environments that existed during this ISAP development. Next, each of the steps of the current Due Process is provided, along with evidence supporting the completion of the required step. As the development of this ISAP took place under multiple versions of the Due Process, this part of the report is split into sections based on the Due Process that existed at that time in the development. At the end of each section is a brief summary of findings or items of note for that section.

Included as an appendix is a more detailed summary of the existing ISAP Due Process steps, plus, where applicable, the required evidence used in verifying the Due Process.

¹ This predecessor organization was the Interim Actuarial Standards Subcommittee, or IASSC.

Background on ISAP Due Process rules

Originally, the development of actuarial standards at the IAA was left to individual technical committees, with oversight provided by the Professionalism Committee.

The current structure largely arose out of the Convergence of Actuarial Standards Task Force report, discussed at the October 12, 2010 meeting in Vienna, Austria. The Council meetings at that meeting reported that “[t]he EC will consider a possible structural change to accommodate *this* [i.e., the general consensus from that Council discussion that an actuarial standards Board or committee should be set up by the IAA]”.

At the following Council meeting (in Sydney, Australia, April 2011) Fred Rowley gave a report of the Task Force on Due Process. Dave Pelletier also gave a report on the new IASSC (Interim Actuarial Standards Subcommittee). The Task Force and the Subcommittee were created by the EC in the period between the Vienna and Sydney meetings (as reported in the EC’s report to the Council in Sydney).

At the same time the EC created the IASSC they also created subgroups for the 5 ISAPs being considered at that time. Dave Pelletier’s report at the Sydney Council meeting listed these 5 potential ISAPs. Given no objections raised by Council during the presentation, it was presumed that Council approved of the list. This is the first time that something similar to a “strategic action plan” for ISAPs was presented to Council.

The proposed (initial) Due Process for ISAPs was discussed further at the October 2011 meeting in Zagreb, and then formally adopted by Council in January 2012.

At the May 2013 meeting, a Professionalism Committee task force was created to perform a limited review of the ISAP Due Process based on 18 months of experience working under those rules. Membership was made up of members of the various task forces that were reviewing the ISAPs in progress. Issues were identified based on the experiences of those task forces to-date. This review included discussions with the Actuarial Standards Committee (the successor to the IASSC) and feedback from the EC, resulting in a revised Due Process that was approved in June 2014. (One of the issues addressed by this Due Process revision was the possibility of the ISAP scope evolving during the ISAP development process.)

The development of an ISAP regarding IAS 19 work was discussed at the April 2011 Council meeting mentioned above, before any formal ISAP Due Process existed, with a proposed final ISAP 3 presented to the EC for their January 27, 2015 meeting.

Status Report on ISAP 3 – IAS 19 Employee Benefits

A. - STEPS ACCOMPLISHED PRIOR TO ADOPTION OF ISAP DUE PROCESS

Strategic Action Plan for ISAPs

		Date	Evidence	Verified (1)	Verified (2)
1.	Consider proposal (EC)		<i>NA – prior to Due Process</i>		
<i>Note that Executive Committee (EC) should consider whether an IAN would be more appropriate.</i>					
2.	Add to Strategic Action Plan for ISAPs (Council)	9 April, 2011	Council minutes from April 2011 Sydney meeting	R Blanchard 18 April 2013	Joe Nichols May 2014

Findings/Comments:

While no due process existed at the time of this step, the Council discussion noted above seems to cover the intent of the current Due Process that Council approve the development of the ASOP.

B. - STEPS ACCOMPLISHED UNDER JANUARY 2012 DUE PROCESS

Statement of Intent

		Date	Evidence	Verified (1)	Verified (2)
3.	Prepare draft SOI (ASC)	5 July 2012	5 July 2012 minutes of IASSC conference call	Ralph Blanchard 18 April 2013	Joe Nichols May 2014
<i>SOI should include: reasons why ISAP is desirable; purpose(s) of ISAP; scope of ISAP (including boundaries), roles to which it would apply and high level indication of proposed content; and confirmation that there is no conflict with principle of subsidiarity.</i>					
4.	Consult on draft SOI (ASC)	July 6, 2012, Oct. 9, 2012 (modified Dec 21, 2012)	Transmittal letter and draft SOI (July), Summary of responses (Oct./Dec)	Ralph Blanchard 18 April 2013	Joe Nichols May 2014
<i>Member associations should be asked to inform local standard-setter.</i>					
5.	Submit proposed final SOI for approval, together with report on consultation (ASC). <i>Copy to PC.</i>	7 January 2013	Email with attachments	Ralph Blanchard 18 April 2013	Joe Nichols May 2014
6.	Approve proposed final SOI (EC), submit to Council for ratification	15 January 2013	EC meeting minutes	Ralph Blanchard 18 April 2013	Joe Nichols May 2014
<i>There should be sufficient demand for the ISAP to justify the work to be done in developing it. ASC should provide to EC and Prof Comm a summary of the key issues from the consultation on the draft SOI and the ASC's responses.</i>					
7.	Ratify approval within 9 months (Council)	25 March 2013	Ballot and vote results downloaded from IAA website – Council Ballots	Ralph Blanchard 18 April 2013	Joe Nichols May 2014

	<i>Council may invite ASC and EC to submit a modified SOI (-> amend this template if necessary).</i>				
8.	Publicise approval (EC/Secretariat)	26 March 2013	Email from the Secretariat	Ralph Blanchard 18 April 2013	Joe Nichols May 2014
	<i>Member associations should be invited to communicate the decision to relevant national bodies.</i>				

Findings/Comments:

The Due Process in place at the time of the SOI creation was met, although based on the record the level of the consultation between the ISAP 3 task force and commentators on the draft SOI (i.e., step 4 above) might have been unnecessarily restricted. (per November 2012 meeting minutes – “*The IASSC also cautioned the task force about entering into dialog with commentators, encouraging the task [sic] to limit such dialog to clarifications*”). The ASC’s response to this was that it wanted to direct the TF not to be seen to be “negotiating” the content of the SOI or the standard but only to seek clarity as to the intended meaning of what points commenters were intending.

The January 2012 Due Process did not seem to sufficiently address the possibility of the ISAP scope evolving during the development process. This issue was uncovered during the TF review of the ISAP 3 Due Process. Originally this ISAP was reportedly focused on just pension accounting, but was expanded to all employee benefits after a more thorough review of IAS 19 by actuaries from other practice areas. (This expansion of the ISAP scope was also based on feedback from FMAs during the draft SOI consultation, whereby the vast majority of FMAs were in favor of such expansion.) This issue (of potential scope expansion during the ISAP development process) was addressed as part of the interim Due Process review, leading to the June 2014 revision to the Due Process, as well as by additions to the ASC’s ISAP 3 task force.

Exposure Draft		Date	Evidence	Verified (1)	Verified (2)
9.	Develop an Exposure Draft (ASC)	23 October 2013	Minutes of meeting at which final ED approved, plus Posted on Website	Joe Nichols 4 Sept. 2014	R Blanchard 12 Jan. 2015
<i>Any significant revision of scope, compared with final SOI, requires EC approval. Such revisions should be communicated to Council in a timely manner and ratified at the next Council meeting.</i>					
10.	Consult on ED (ASC)	23 October 2013	Memo to all IAA Members – also posted on website	Joe Nichols 4 Sept. 2014	R Blanchard 12 Jan. 2015
<i>Distribute to member associations. Publish on IAA website. Invite comments from member associations, relevant international bodies and other interested parties. Encourage member associations to consult with their own members, actuarial standard-setting bodies in their jurisdictions, legal advisers and applicable national bodies.</i>					

Findings/Comments:

The Due Process in place at the time of the Exposure Draft period was met.

C. - STEPS ACCOMPLISHED UNDER JUNE 2014 DUE PROCESS

		Date	Evidence	Verified (1)	Verified (2)
11.	Carefully consider comments received; prepare a comprehensive report on the comments and the ASC's response(ASC)	11 Sept. 2014	London Meeting Agenda	Joe Nichols 4 Sept. 2014	R Blanchard 12 Jan. 2015
<i>ASC may include in the report, or in its drafting notes accompanying the proposed ISAP, any items that led to significant debates / divergent views.</i>					
12.	Consider whether re-exposure is necessary (ASC)	13 Sept. 2014	ASC Minutes from 9/13/2014 ASC voted 9 to 1 in favor of moving to final review	Joe Nichols 9 Dec. 2014	R Blanchard 12 Jan. 2015, plus in-person attendance for part of this meeting.
<i>(If there is re-exposure: amend this template as necessary).</i>					

Findings/Comments:

The Due Process at the time was met. The comprehensive report provided by the ASC (step 11) was very helpful in documenting the comments that were received and the ASC's consideration and response to those comments.

Development of ISAP

		Date	Evidence	Verified (1)	Verified (2)
13.	Develop "proposed final ISAP"; publish consultation response and proposed final ISAP(ASC)	30 Sept. 2014	30 Sept. 2014 email from IAA Secretariat to Delegates	Joe Nichols 9 Dec. 2014	R Blanchard 12 Jan. 2015
14.	Assess compliance with due process (subject to materiality) (Prof Comm)	➔ this report			

Adoption of ISAP

		Date	Evidence	Verified (1)	Verified (2)
15.	Proposed final ISAP -> EC for approval for submission to Council (ASC)	19 Jan. 2015	19 Jan. 2015 email from IAA Secretariat to EC	R Blanchard 26 Jan. 2015	Joe Nichols 26 Jan. 2015
16.	Approve proposed final ISAP for submission to Council (EC)	Review of compliance with due process precedes these steps, which are noted here only for completeness.			
17.	ISAP -> to Council - 60 day agenda (EC)				

Additional steps (18. – 22.) if any substantive issues arise out of “proposed final ISAP” review (see 13.)

		Date	Evidence	Verified (1)	Verified (2)
18.	Address substantive issues arising from “proposed final ISAP” review (ASC)	19 Jan. 2015	19 Jan. 2015 email from IAA Secretariat to EC	R Blanchard 26 Jan. 2015	Joe Nichols 26 Jan. 2015
19.	Assess compliance with due process in respect of response to “proposed final ISAP” review (subject to materiality) (ProfComm)	→ updated version of this report			
20	Proposed final ISAP (as amended) -> EC for approval for submission to Council (ASC)	Review of compliance with due process precedes these steps, which are noted here only for completeness.			
21.	Approve proposed final ISAP (as amended) for submission to Council (EC)				
22.	ISAP -> Council for approval – 30 day agenda (EC)				

		Date	Evidence	Verified (1)	Verified (2)
23.	Adopt ISAP (Council)	Review of compliance with due process precedes these steps, which are noted here only for completeness.			
24.	ISAP promulgated (EC/Secretariat)				

Overall Comments from Reviewers:

The ISAP Due Process for ISAP 3 was thorough, complete and complied with all Due Process requirements.

NOTE: For ISAP 3, the “proposed final ISAP” review occurred early enough so as to make steps 19-22 unnecessary. This is because step 18 occurred prior to the release of the 60 day Council agenda. Hence for ISAP 3, step 18 occurred prior to step 15.

Also note that the above document replaces the phrase “fatal flaw” review found in the Due Process review template (Appendices A and B) with “proposed final ISAP” review, in order to be consistent with the terminology in the official Due Process document.

APPENDIX A

Summary of Due Process² for ISAPs

The steps involved, and the allocation of responsibilities, in the Due Process for ISAPs may be summarised as follows:

Strategic Action Plan for ISAPs

1.	Consider whether to recommend to Council that development of the ISAP be added to the Strategic Action Plan for ISAPs (“SAP”). If not recommended, process ends here. <i>Executive Committee (EC) should consider whether an IAN would be more appropriate.</i>	Executive Committee (EC)
2.	Approve new SAP, to include development of the proposed ISAP. If not approved, process ends here.	Council

Statement of Intent

3.	Prepare a draft Statement of Intent (SOI). <i>(i) Executive Committee may ask and authorise the ASC to start work on an SOI at any time, but may approve an SOI only if an SOI with (in outline) the same scope and objectives is on the SAP.</i> <i>(ii) SOI should include: reasons why ISAP is desirable; purpose(s) of ISAP; scope of ISAP (including boundaries), roles to which it would apply and high level indication of proposed content; and confirmation that there is no conflict with principle of subsidiarity.</i> <i>(iii) If significant revisions to scope, compared with that in SAP, emerge, the EC should communicate this to Council in a timely manner and should seek ratification at the next Council meeting.</i>	Actuarial Standards Committee (ASC) EC/Council
4.	Consult (for at least 60 days) with member associations, relevant IAA committees and other stakeholders re draft SOI. <i>Member associations will be asked to inform local standard setting bodies.</i>	ASC
5.	Submit proposed final SOI to EC for approval. Include a summary of key issues from consultation process, and the ASC’s responses. Copy to Professionalism Committee. <i>This and other notifications to Professionalism Committee will help the Committee to make the assessment required under 14. below.</i>	ASC
6.	Approve the proposed final SOI. If not approved, re-working will be required. If approved, submit to Council for ratification. <i>As well as an expectation that the ISAP will ultimately be approved by Council, there should be sufficient demand for the ISAP (e.g. from actuaries, actuarial associations and/or users of actuarial services) to justify the work to be done in developing it.</i> <i>The ASC should provide to the EC and the Professionalism Committee a summary of the key issues from the consultation on the draft SOI and the ASC’s responses.</i> <i>(Note: any SOI approved by Council under the previous Due Process will be treated as if it had been produced and approved under this Due Process.)</i>	EC ASC

² i.e. Due Process as revised in June 2014

7.	Ratify approval of SOI (within 9 months). If not ratified, SOI becomes void. <i>Council may invite ASC and EC to submit a modified SOI for ratification. In this case, re-exposure will not be required.</i>	Council
8.	Publicise approval of SOI to member associations and appropriate external bodies, in a form approved by EC. <i>Member associations will be invited to communicate decision to relevant national bodies.</i>	EC & Secretariat

Exposure Draft

9.	Develop an Exposure Draft (ED). <i>(i) To be done in accordance with this due process and the ASC's TOR. (ii) If significant revisions to scope, compared with final SOI, are identified, ASC may recommend the changes for approval by the EC. Such revisions should be communicated to Council in a timely manner and the EC should seek ratification at the next Council meeting. (iii) If questions of interpretation of the SOI arise, the EC will be the key reference point.</i>	ASC EC/Council EC
10.	Consult on ED (min. 120 days for first version, min. 60 days for subsequent versions). <i>(i) Distribute to member associations. Publish on IAA website. Invite comments from member associations, relevant international bodies and any other interested parties. (ii) Member associations will be encouraged to consult with their own members, actuarial standard-setting bodies in their jurisdictions, legal advisers and applicable national bodies.</i>	ASC & Secretariat
11.	Respond to consultation – carefully consider comments received; prepare a comprehensive report on the comments received and the ASC's response. <i>ASC may include in the report, or in its drafting notes accompanying the proposed ISAP, any items that led to significant debates / divergent views.</i>	ASC
12.	Consider whether re-exposure is necessary. <i>If it is, report this to the Executive Committee and the chair of the Professionalism Committee and initiate development and promulgation of a further ED.</i>	ASC

Development of ISAP

13.	Develop proposed final ISAP and issue it for "fatal flaw" review. <i>Publish the report on the consultation (see 11.) and the proposed final ISAP on the IAA website; also send these documents directly to all member associations and commenters on the ED – this will facilitate a "final fatal flaw" review. Documents to be distributed not later than 75 days before the Council meeting at which adoption is sought, with a 30-day comment deadline. Any further revisions to the proposed final standard should appear on the 30-day Council agenda. Inform chair of Professionalism Committee.</i>	ASC
14.	Assess whether due process has been complied with (subject to materiality) in the development of the ISAP and advise Executive Committee accordingly. <i>Chairs of ASC and Professionalism Committee should liaise during development of ED and proposed final ISAP.</i>	Professionalism Committee

Adoption of ISAP

15.	Submit proposed final ISAP to EC for approval for submission to Council on 60-day agenda.	ASC
16.	Approve proposed final ISAP for submission to Council on 60-day agenda. <i>(i) EC must be satisfied that the ISAP conforms to the SOI (which may have been modified, as per 9. above).</i> <i>(ii) EC must have been advised by the Professionalism Committee that the production of the proposed final ISAP conformed to the Due Process (subject to materiality).</i>	EC Professionalism Committee
17.	Submit proposed final ISAP to Council for approval. <i>(i) Include on Council 60-day agenda. EC may make some limited changes afterwards, and changes may be made afterwards on foot of “final fatal flaw” review (see 13.), but not after 30-day agenda is issued; if EC makes changes, must consult with ASC first. See 18. – 22.</i> <i>(iii) Include statement from Professionalism Committee that Due Process has been complied with in all material respects.</i>	EC

Additional steps (18. – 22.) if any substantive issues arise out of “proposed final ISAP” review (see 13.)

18.	Consider responses to “proposed final ISAP” review and address any substantive issues arising – if required, amend proposed final ISAP and ASC’s report on the consultation (see 11.). <i>Latest date for submission of comments is 45 days before the Council meeting. Any changes to proposed final ISAP to be included on Council 30-day agenda, after approval by EC.</i>	ASC
19.	Assess compliance (subject to materiality) with due process in respect of response to “proposed final ISAP” review and advise Executive Committee accordingly. <i>Chairs of ASC and Professionalism Committee should liaise during development of ED and proposed final ISAP.</i>	Professionalism Committee
20.	Submit proposed final ISAP, as amended, to EC for approval for inclusion on 30-day Council agenda.	ASC
21.	Approve proposed final ISAP, as amended, for inclusion on Council 30-day agenda. <i>Proposed final ISAP may not be amended after inclusion on Council 30-day agenda.</i>	EC
22.	Submit proposed final ISAP, as amended, to Council for approval. <i>Include updated statement from Professionalism Committee that Due Process has been complied with in all material respects (see 19.).</i>	EC

23.	Decide whether IAA should adopt the ISAP. <i>Approval requires affirmative vote of at least 80% of the votes cast.</i>	Council
24.	If ISAP is adopted, publicise decision and encourage member associations to take appropriate actions. <i>(i) Member associations will be asked to advise the Professionalism Committee annually regarding actions that they (or relevant standard-setting bodies) decide to take in relation to ISAPs that have been adopted by the IAA.</i> <i>(ii) The IAA will encourage member associations that have not adopted the ISAP to report to the Professionalism Committee on the differences between the ISAP and any relevant standards in their home territory.</i>	EC/Secretariat

APPENDIX B

Compliance with Due Process: required records

The records that the Professionalism Committee will normally require in order to confirm compliance with the Due Process are listed below. Representatives of the Professionalism Committee will review the records below, but at a high level only – their primary focus will be on process; responsibility for content of any SOI / ED / ISAP rests with other parties, i.e. ASC, Executive Committee and Council, as indicated below.

Strategic Action Plan for ISAPs

1.	Consider proposal (EC)	Minutes of meeting at which a decision was made on the proposal
2.	Add to Strategic Action Plan for ISAPs (Council)	Agenda / minutes of meeting

Statement of Intent

3.	Prepare draft SOI (ASC)	Minutes of meeting at which final version of draft SOI was approved
4.	Consult on draft SOI (ASC)	Website link; copy of correspondence with stakeholders
5.	Submit proposed final SOI for approval, together with report on consultation (ASC)	Copy of correspondence with EC (including documents submitted)
6.	Approve proposed final SOI, submit to Council for ratification (EC)	Minutes of meeting
7.	Ratify approval of SOI within 9 months (Council)	Agenda / minutes of meeting or record of email vote, as applicable
8.	Publicise approval (EC/Secretariat)	Website link; copy of correspondence with stakeholders

Exposure Draft

9.	Develop an Exposure Draft (ASC)	Minutes of meeting at which final ED was approved
10.	Consult on ED (ASC)	Website link; copy of correspondence with stakeholders
11.	Carefully consider comments received and prepare a comprehensive report on the comments and the ASC's response (ASC)	Minutes of meeting(s) at which comments were considered; website link to (or copy of) report.
12.	Consider whether re-exposure is necessary (ASC)	Minutes of meeting at which question was considered and decided

Development of ISAP

13.	Develop proposed final ISAP (ASC) Publish consultation response and proposed final ISAP(ASC)	Minutes of meeting at which final version of draft ISAP was approved Website link; copy of correspondence with stakeholders
14.	Assess compliance with due process (Prof Comm)	2 members of Professionalism Committee to keep in touch with ASC and EC and complete Status Report

Adoption of ISAP

15.	Proposed final ISAP -> EC for approval for submission to Council (ASC)	Copy correspondence from ASC to EC
16.	Approve proposed final ISAP for submission to Council (EC)	Minutes of meeting
17.	ISAP -> Council for approval – 60 day agenda (EC)	60 day agenda (and 30 day agenda, if amended – in this event, EC should provide copy of correspondence with ASC re changes)

Additional steps (18. – 22.) if any substantive issues arise out of “fatal flaw” review (see 13.)

18.	Address any substantive issues arising from “fatal flaw” review (ASC)	Minutes of meeting If consultation report is amended: website link to amended report and copy of correspondence to member associations
19.	Assess compliance with due process in respect of response to “fatal flaw” review (subject to materiality) (ProfComm)	Compliance Status Report to be updated
20.	Proposed final ISAP (as amended) -> EC for approval for submission to Council (ASC)	Copy correspondence from ASC to EC
21.	Approve proposed final ISAP (as amended) for submission to Council (EC)	Minutes of meeting
22.	ISAP -> Council for approval – 30 day agenda (EC)	30 day agenda

23.	Adopt ISAP (Council)	Agenda / minutes of meeting
24.	ISAP promulgated (EC/Secretariat)	Website link; copy of correspondence with stakeholders