

## **ISAP 2 - FINANCIAL ANALYSIS OF SOCIAL SECURITY PROGRAMS**

### **IAA Professionalism Committee Review of Compliance with Due Process**

Submitted to the Professionalism Committee and the Actuarial Standards Committee in September 2013.

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***Professionalism Committee Task Force to review compliance with Due Process for ISAP 2***

# **ISAP 2 - FINANCIAL ANALYSIS OF SOCIAL SECURITY PROGRAMS**

## **IAA Professionalism Committee Review of Compliance with Due Process**

### **Introduction**

The ASC published an exposure draft of ISAP 2 - Financial Analysis of Social Security labeled "ISAP nn - Valuation of Social Security Programs" (the ED) – which has been distributed to the member associations and other interested parties for comments. 16 comments were received by the 28 Feb 2013 comment deadline. The ASC revised the draft ISAP, and sent the 6 June proposed final ISAP to the commenters asking them to confirm that their comments had been reflected appropriately. The ASC received 5 responses by the second comment deadline (6 July) and made a few further revisions to complete the 11 July proposed final ISAP which it has submitted to the EC, recommending that the EC endorse it and place it on the 60 day agenda for the Singapore Council meeting..

This report is being submitted to the Professionalism Committee (PC) and the Actuarial Standards Committee (ASC), following the PC task force's assessment of whether the ISAP was prepared in accordance with the Due Process for ISAPs. This report provides supporting evidence for the PC Statement regarding compliance with Due Process provided to the EC and to Council on 23 August 2013. This full report will be made available to the EC for information.

This report forms part of the Due Process.

### **Scope of report**

This report relates only to a review of process and covers actions up to 23 August 2013, 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.

Responsibility for the content of any Statement of Intent, Exposure Draft or ISAP rests with other parties, as indicated in the "Summary of Due Process for ISAPS" in this report. The Professionalism Committee has not carried out a detailed assessment of, or agreed an opinion on, the content of the final ISAP 2.

### **Summary of the Review**

Details of the review and the Due Process itself are set below, with indication of the evidence supporting the completion of the task. The primary focus of the PC is on process. The responsibility for the content of any SOI / ED / ISAP rests with other parties, i.e. ASC, the EC and Council, as indicated below.

## Strategic Action Plan for ISAPs

|    |                                                        |                                                           |
|----|--------------------------------------------------------|-----------------------------------------------------------|
| 1. | Consider proposal (EC)                                 | n/a – work was initiated under previous Due Process.      |
| 2. | Add to Strategic Action Plan (SAP) for ISAPs (Council) | SAP is currently being voted on electronically by Council |

## Statement of Intent

|    |                                                                           |                                                                                                                                                                                                                                                                                                                                      |
|----|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | Prepare draft SOI (ASC)                                                   | <p>The SOI was prepared and approved under the previous due diligence process.</p> <p>The approval can be found in the minutes of the Zagreb Council meeting on 2 October 2011, item B.13.a</p> <p><a href="http://www.actuaries.org/COUNCIL/Minutes/Zagreb_ENG.pdf">http://www.actuaries.org/COUNCIL/Minutes/Zagreb_ENG.pdf</a></p> |
| 4. | Consult on draft SOI (ASC)                                                |                                                                                                                                                                                                                                                                                                                                      |
| 5. | Submit final SOI for approval, together with report on consultation (ASC) |                                                                                                                                                                                                                                                                                                                                      |
| 6. | Approve SOI (EC)                                                          |                                                                                                                                                                                                                                                                                                                                      |
| 7. | Ratify approval of SOI within 9 months (Council)                          |                                                                                                                                                                                                                                                                                                                                      |
| 8. | Publicise approval (EC/Secretariat)                                       |                                                                                                                                                                                                                                                                                                                                      |
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The IASSC (the predecessor to the ASC) produced a specific Statement of Intent, which was presented to Council at Zagreb, after review and approval by the PC. The new Due Process (introduced after work on ISAP 2 was initiated) requires consultation on a draft Statement of Intent.

## Exposure Draft

|    |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| 9. | Develop an Exposure Draft (ASC) | <p>The ED was approved by the IASCC, as documented in minutes of the November 2012 meeting, item 3.b<br/> <a href="http://www.actuaries.org/CTTEES_IASCC/Minutes/Nassaau_EN.pdf">http://www.actuaries.org/CTTEES_IASCC/Minutes/Nassaau_EN.pdf</a></p> <p>and published on the website along with the transmittal letter. Comments letters are also found here<br/> <a href="http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=CTTEES_ASC&amp;ACT=DOCUMENTS">http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=CTTEES_ASC&amp;ACT=DOCUMENTS</a></p> <p>05.10.2012: ED approved 12-0 with 1 abstention by SSTF</p> <p>11.10.2012: ED approved unanimously by IASCC by e-mail</p> <p>12.10.2012: ED distributed to members and other interested parties via blast e-mail</p> <p>15.11.2012: confirmed approval by IASCC at meeting</p> <p>28.02.2013: deadline for comments. 16 comments received</p> <p>Updates discussed at tele-meetings 18.02.2013 and 02.04.2013</p> <p><a href="http://www.actuaries.org/CTTEES_ASC/Minutes/Minutes_ConfCall_18Feb2013.pdf">http://www.actuaries.org/CTTEES_ASC/Minutes/Minutes_ConfCall_18Feb2013.pdf</a></p> <p><a href="http://www.actuaries.org/CTTEES_ASC/Minutes/ConfCall_2April2013.pdf">http://www.actuaries.org/CTTEES_ASC/Minutes/ConfCall_2April2013.pdf</a></p> <p>A working draft of the ISAP was presented to the ASC in the Hague, together with different documentation</p> <p><a href="http://www.actuaries.org/CTTEES_ASC/Agendas/Hague_May25.pdf">http://www.actuaries.org/CTTEES_ASC/Agendas/Hague_May25.pdf</a></p> |
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| 10. | Consult on ED (ASC) | <p>Report on the comment letters can be found here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_2_ISAP2Report2013-06-06.pdf">http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_2_ISAP2Report2013-06-06.pdf</a></p> <p>Was discussed at the meeting in the Hague</p> <p>06.06.2013: revised proposed standard (which was sent to commenters on the exposure draft following the ASC's agreed process) can be found here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_1_ISAP2%20Draft_2013-06-06.pdf">http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_1_ISAP2%20Draft_2013-06-06.pdf</a></p> <p>The second consultation is here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_TransmittalmemotoISAP2commenters.pdf">http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP2_TransmittalmemotoISAP2commenters.pdf</a></p> <p>[11.07.2013 revised proposed standard (revised to reflect comments on consultation with commenters on the exposure draft) is not yet on the website.</p> <p>The comments received to the second consultation are here</p> <p><a href="http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=PUBLICATIONS&amp;ACT=STANDARDS_EXPOSURE-ISAP2">http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=PUBLICATIONS&amp;ACT=STANDARDS_EXPOSURE-ISAP2</a></p> <p>The minutes from the ASC meeting 10.07.2013 is here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC/Minutes/ConfCall_10July2013.pdf">http://www.actuaries.org/CTTEES_ASC/Minutes/ConfCall_10July2013.pdf</a></p> <p>Associations that did not make any comments were not contacted at this stage (consistent with ASC agreed process)</p> |
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| 11. | Publish, on IAA website, a report on the consultation (ASC) | <p>The documentation is found here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP_2_2_ISAP2Report2013-06-06.pdf">http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP_2_2_ISAP2Report2013-06-06.pdf</a></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 12. | Consider whether re-exposure is necessary (ASC)             | <p>Found in the report to the EC, not yet on website but provided in the package from Godfrey. The document following the agenda to the meeting is here</p> <p><a href="http://www.actuaries.org/CTTEES_EX_EC/Documents/ConfCall_July23_2013_Item3_CoverMemotoEC.pdf">http://www.actuaries.org/CTTEES_EX_EC/Documents/ConfCall_July23_2013_Item3_CoverMemotoEC.pdf</a></p> <p>The minutes from the ASC meeting 25.05.2013 in the Hague state that the TF was of the opinion that a full re-exposure was not necessary, but only a limited re-exposure to the commenters</p> <p><a href="http://www.actuaries.org/CTTEES_ASC/Minutes/TheHague.pdf">http://www.actuaries.org/CTTEES_ASC/Minutes/TheHague.pdf</a></p> |

### Development of ISAP

|     |                                         |                                                                                                                                                                                                                                                                                                                                                                                    |
|-----|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13. | Develop final ISAP (ASC)                | <p>06.06.2013: Proposed final ISAP is here</p> <p><a href="http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP_2_1_ISAP2%20Draft_2013-06-06.pdf">http://www.actuaries.org/CTTEES_ASC_SOCSEC/Documents/ISAP_2_1_ISAP2%20Draft_2013-06-06.pdf</a></p> <p>11.07.2013 version, proposed glossary and reformatted ISAP 1 can be found in the agenda for EC 23.07.2013 meeting</p> |
| 14. | Assess compliance with due process (PC) | Will formally be done at the Singapore meeting                                                                                                                                                                                                                                                                                                                                     |

## Adoption of ISAP

|     |                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. | Approve ISAP for submission to Council (EC)       | <p>The EC approved ISAP 2 and the glossary for submission to Council for approval in Singapore. The final version of ISAP 2 with non-substantive editorial changes was circulated to the EC on 7 August 2013, before submission to the 60 day Council agenda.</p> <p>The final documents submitted to EC can be found here:</p> <p><a href="http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=PUBLICATIONS&amp;ACT=STANDARDS_ISAP2">http://www.actuaries.org/index.cfm?lang=EN&amp;DSP=PUBLICATIONS&amp;ACT=STANDARDS_ISAP2</a></p> |
| 16. | ISAP -> Council for approval – 60 day agenda (EC) | <p>13.08.2013: ISAP 2 included in the 60 day Council agenda (item B 9)</p> <p><a href="http://www.actuaries.org/COUNCIL/Agendas/Singapore_EN.pdf">http://www.actuaries.org/COUNCIL/Agendas/Singapore_EN.pdf</a></p>                                                                                                                                                                                                                                                                                                                  |
| 17. | Adopt ISAP (Council)                              | <p>This step has yet to be completed and is noted here only for completeness.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 18. | ISAP promulgated (EC/Secretariat)                 | <p>This step has yet to be completed and is noted here only for completeness.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

## Conclusion

Arising from the review, the Professionalism Committee has reached the conclusion **that ISAP 2 has been developed substantially in accordance with the Due Process for ISAPs.**