From: Yvonne Lynch
Sent: 27 November 2014 17:11
To: 'ISAP3.comments@actuaries.org'
Subject: IAA Proposed Final International Standard of Actuarial Practice 3, Actuarial Practice in relation to IAS 19 Employee Benefits

Thank you for inviting comments on the latest draft of ISAP 3. This response is made on behalf of the Society of Actuaries in Ireland.

Having reviewed the proposed final draft of ISAP 3, which we note was provided to enable us (and other member associations / commenters) to (a) to draw attention to any unintended consequences in the final draft's wording, and (b) to determine whether our comments have been appropriately considered in the preparation of the proposed final draft, we have outlined our observations below.

We recognise and welcome the fact that the detailed amendments between the exposure draft and the proposed final ISAP3 reflect some of our comments on the detailed drafting (specifically on paragraphs 2.1 and 2.6). We have reiterated below our main observations reflecting those comments not reflected in the proposed final ISAP 3.

Paragraph 2.1
In relation to paragraph 2.1, we suggested that, as ISAP 3 is apparently intended to apply only to IAS 19 work, that paragraph 2.1 is changed to make it clear that only work carried out on behalf of the principal in relation to IAS 19, and identified by the principal as such, is covered by ISAP 3.

The revised wording at 2.1 relating to the potential application of other IFRS accounting policies refers to the fact that the actuary should take advice from and place reliance on others (covered in paragraph 2.3 of ISAP 1, Reliance on Others) i.e. the principal, which is helpful. However the wording at 2.1 (b) continues to suggest that the onus is on the actuary in the first instance to identify / 'envisage' whether other relevant IFRS accounting policies apply. As per our comments submitted on the draft, (a) it may not always be appropriate or feasible for an actuary to seek guidance from the principal in relation to the reporting entity's accounting policies and (b) if work other than that covered by IAS 19 is intended to be covered by ISAP 3, we suggest that this be made clear in the ISAP.

Paragraph 2.6
- To the extent that IAS 19 is paraphrased in the final ISAP 3 (e.g. extensively at paragraph 2.6), we would point out that there is a risk of a loss of clarity around IAS 19's overriding requirements, where interpreted by a reader out of the context of the overall IAS19 standard.
- Some of the additional detail included at 2.6.3., while useful for providing indications of alternative approaches to discount rate setting, would appear to constrain the actuary to a narrower set of approaches than permitted by IAS 19. This is mitigated to an extent by the 'any other appropriate approach' comment. As per comments made previously, we believe that ISAP 3 should not provide a further definition or method of calculating the discount rate and that the only reference should be to the definition in the original IAS 19 standard. We would remove this section to the Appendix [Para 2.6.3 including sub-parts (a), (b), and (c)] and replace it in the main body of the ISAP with a generic reference to IAS 19 and the definition therein.

In terms of an additional observation, at 2.6.1 (b) (i), we note that there is a reference to 'market implied expectations', which differs to the IAS 19 requirement (paragraph 76) to use 'best estimates'.

If you have any queries in connection with this response, please do not hesitate to contact me.

Regards,

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