Glossary

Glossary of Defined Terms Used in International Standards of Actuarial Practice

Approved by the IAA Council
13 October 2013

Revision approved by IAA Council
[Day Month Year]

Approved by the IAA Council
Exposure Draft in connection with Exposure of ISAP 3 – Actuarial Practice under IAS 19 Employee Benefits
This document contains the exposure draft of proposed amendments to the Glossary in connection with the Exposure Draft of ISAP 3. Only the amendments (which are marked against the Glossary approved by Council 13 October 2013) are open for comment.

Please review this exposure draft and determine how you wish to address the issues it covers within your association. Comments (from your organization, your members, or other parties to which you forward these exposure drafts) should be addressed to ISAP3.ED.comments@actuaries.org with “ISAP – IAS 19” in the email header. The comment should make clear if it is a personal response or one representing a particular association, standard-setter, or other entity.

The preferred format for submitting comments is email or an MS Word (or equivalent) attachment. If a markup of the exposure draft is submitted we recommend accepting all changes before you start your markup and using the Comment feature liberally, giving reasons for proposing the change. All comments will normally be posted to the International Actuarial Association website identifying the commenter(s). However, in exceptional cases, in response to a request which the IAA Secretariat is satisfied is for a valid reason, comments may be either posted to the website anonymously or withheld from the website.

The deadline for comments to be considered by the drafting committee is 14 March 2014. This document was approved for exposure by the ASC in October 2013.
Amendments to Glossary for ISAP 3

Glossary of Defined Terms Used in ISAPs

This glossary is the single repository of all defined terms used in the International Standards of Actuarial Practice (ISAPs). It is not an ISAP and has no authority of its own. Any defined term used in an ISAP (including any standard created by the adaptation of an ISAP by a standard-setter) takes the authority of that ISAP or adaptation. Defined terms are indicated in ISAPs - in blue text with a dotted blue underline (e.g. defined term) which is also a hyperlink to the definition in this glossary.

Note: Hyperlinks have not been created in the Exposure Draft.

Accepted Actuarial Practice (ISAP 1, 2) – A practice or practices that are generally recognized within the actuarial profession as appropriate to use in performing actuarial services within the scope of an ISAP or the applicable professional standards of practice.

Accounting Policies (ISAP 3) – The specific principles, bases, conventions, rules and practices applied by a reporting entity in preparing and presenting its IFRS report.

Actuarial Services (ISAP 1, 2, 3) – Services based upon actuarial considerations provided to intended users that may include the rendering of advice, recommendations, findings, or opinions.

Actuary (ISAP 1, 2, 3) – An individual member of one of the member associations of the IAA.

Adoption Date (ISAP 1) – The date on which this ISAP was adopted as a final document by the IAA Council.

Communication (ISAP 1, 2) – Any statement (including oral statements) issued or made by an actuary with respect to actuarial services.

Constructive Obligation (ISAP 3) – An obligation that derives from a reporting entity's actions where:

1. By an established pattern of past practice, published policies or a sufficiently specific current statement, the reporting entity has indicated to other parties that it will accept certain responsibilities; and

2. As a result, the reporting entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Employee benefits (ISAP 3) – All forms of consideration given by a reporting entity in exchange for service rendered by employees or for the termination of employment.

Entity (ISAP 1, 2) – The subject, in whole or in part, of the actuarial services, including an enterprise, an insurer, a pensions or benefits plan, a social security scheme, an individual, a government department or agency, a group, etc.

Financial Analysis (ISAP 2) – Any formal actuarial analysis. What constitutes a formal actuarial analysis is a matter for the actuary's judgment but might include work required by law and work requested by the principal to inform decisions. A financial analysis might include but is not limited to:

Comment [Z1]: ISAP 3 should be included here as well.

Comment [Z2]: As we noted in the Exposure Draft the definition of Deep and liquid market should be inserted into the Glossary: "Deep and liquid market (ISAP 3) - participants can rapidly execute large-volume transactions with little impact on prices"
Amendments to Glossary for ISAP 3

Exposure Draft

a. determination of discounted point in time values,
b. projection of cash flows and associated fund values, and
c. determination of future contribution rate(s).

IAA (ISAP 1, 2, 3) – The International Actuarial Association.
IFRS Report (ISAP 3) – Financial statements prepared in accordance with IFRSs.
IFRSs (ISAP 3) – International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

Intended User (ISAP 1, 2, 3) – Any legal or natural person (usually including the Principal) whom the actuary intends at the time the actuary performs actuarial services to use the report.

Law (ISAP 1, 2, 3) – Applicable acts, statutes, regulations or any other binding authority (such as accounting standards and any regulatory guidance that is effectively binding).
Measurement Date (ISAP 3) – The date as of which the fair value of an asset or the present value of an obligation is determined. The measurement date is set by the reporting entity according to the terms of the engagement. It is normally the last day of the reporting entity’s financial reporting period or the date of a special event.

Opinion (ISAP 2, 3) – An opinion expressed by an actuary and intended by that actuary to be relied upon by the intended users.

Principal (ISAP 1, 2, 3) – The party who engages the provider of actuarial services. The principal will usually be the client or the employer of the actuary.
Professional Judgment (ISAP 1, 2, 3) – The judgment of the actuary based on actuarial training and experience.

Report (ISAP 1, 2, 3) – The actuary’s communication(s) presenting some or all results of actuarial services to an intended user in any recorded form, including but not limited to paper, word processing or spreadsheet files, e-mail, website, slide presentations, or audio or video recordings.

Report Date (ISAP 2) – The date on which the actuary issues a report to intended users. It usually follows the valuation date.

Reporting Entity (ISAP 3) – An entity preparing an IFRS report for users who rely on such reports as their major source of financial information about the entity.

Social Security Program (ISAP 2) – a program with all the following attributes regardless of how it is financed and administered:

1. Coverage is of a broad segment, or all, of the population, often on a compulsory or automatic basis;
2. Benefits are provided to, or on behalf of, individuals;
3. The program, including benefits and financing method, is prescribed by law;

Comment [Z3]: We recommend leaving out this sentence.

Comment [Z4]: In many jurisdictions financial statements following different frameworks are also prepared and the IFRS financial statements are additional. Why should the IFRS report be the users’ major source of financial information? Should not it be right in all cases?
4. The program is not financed through private insurance;
5. Program benefits are principally payable or delivered upon old age, retirement, death, disability, and survivorship, and the following benefits (if provided) are only ancillary to the principal benefit(s):
   a. unemployment benefits;
   b. medical expenses;
   c. benefits provided due to work-related injuries, work-related death or occupational diseases;
   d. short term social assistance benefits (e.g. food stamps);
   e. benefits provided for disaster relief (e.g. insurance, or recovery funding, for flood, drought, hurricane/typhoon, earthquake/tsunami); and
   f. financial insurance or financial guarantees (e.g., for loans, bank deposits, pension payments, financial securities, insurance payments from insolvent insurers).

SSP (ISAP 2) – Social Security Program

Subsequent Event (ISAP 1, 2) – an event of which the actuary becomes aware after the valuation date (or date to which the actuarial services refer) but before the actuary’s communication on the results of these actuarial services is delivered.

Valuation Date (ISAP 2) – The effective date of the analysis by the actuary. It usually precedes the report date.

Work (ISAP 1, 2, 3) – All actuarial activities performed by an actuary related to actuarial services. It usually includes acquisition of knowledge of the circumstances of the assignment, obtaining sufficient and reliable data, selection of assumptions and methodology, calculations and examination of the reasonableness of their result, use of other persons’ work, formulation of opinion and advice, documentation, reporting, and all other communication.