



Deadline: 14 March 2014

Please use this template to comment on the [Exposure Draft of ISAP 3 Actuarial Practice under IAS 19 Employee Benefits](#), and the [ISAP 3 Glossary \(ED\) markedup](#).

	Identification and instructions	
Name of Individual:	Please indicate if your comments are personal, or represent your organization:	These comments represent the organization.
Name of organization		The Institute of Actuaries of Australia
Disclosure of comments:	Please indicate if your comments should be treated as confidential, and if so why:	We do not require that these comments be treated confidentially.
Instructions for filling in and sending the template	<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not write in the yellow shaded cells ⇒ Write in the white cells ⇒ When commenting on a specific paragraph: <ul style="list-style-type: none"> ○ Please use a separate row for each paragraph, sub paragraph, or bullet. ○ Please include the full reference in the first column such as “Introduction 3rd paragraph 2nd bullet” or “2.6.1.b.ii” ○ Please insert/append extra rows as needed. <p>Please send the completed template, renamed with the organization’s or individual’s name, attached in <u>Word Format</u>, to</p> <p>ISAP3.ISAP.comments@actuaries.org.</p>	



	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	<p>We note that there are a number of areas where the draft ISAP informs actuaries that they should exercise “professional judgment” (see, for example, paragraphs 2.5.1, 2.6.1 (b) (ii), 2.6.3(c) (i) and 2.6.6). However, the ISAP does not provide any guidance on how that judgment should be exercised nor does it set a standard for the exercise of that judgment.</p> <p>The Institute recognises and acknowledges that, given the diverse circumstances that may be relevant (as well as other factors), it can be difficult to frame the considerations relevant to the exercise of such judgment with reasonable specificity. The definition of “professional judgment” in the Glossary – “the judgment of the actuary based on actuarial training and experience” – speaks to such difficulty and, on one view, could be argued as redundant.</p> <p>However, the Institute is also mindful that, absent more specificity, the ISAP may be less than helpful “guidance”.</p> <p>In the Institute’s view, there are three possible ways in which its concerns regarding the phrase “professional judgment” could be addressed (in no particular order of preference):</p> <ol style="list-style-type: none"> 1. removing the phrase entirely: for example, the following marked up change to paragraph 2.6.1 (b) (ii) of the Exposure Draft would resolve the Institute’s concerns without changing the substance of the paragraph: <p style="text-align: center;">“With respect to demographic assumptions, the actuary should review information that, in the actuary’s professional judgment, is relevant to the population covered by the reporting entity’s employee benefits.”</p> 2. specifying documenting requirements: requiring the actuary to document how he or she undertook the particular task, what was taken into account (or not) and, if not, why. Such requirements, when read in conjunction with paragraphs 3.13.2, 4.1 and 4.2 of ISAP 1 (General Actuarial Practice), are, in the Institute’s opinion, more helpful to a user of relevant actuarial services. This is because the user is provided with information upon which the user can assess (or



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		<p>have assessed) the reasonableness of the approach taken by the actuary (that is, the judgment exercised), rather than simply being presented with a statement to the effect that the actuary “exercised reasonable judgment in [deciding what to take into account]”.</p> <p>For ease, the relevant portions of the paragraphs of ISAP 1 cited above are repeated below:</p> <p>(a) paragraph 3.13.2: “Documentation is sufficient when it contains enough detail for another actuary qualified in the same practice area to understand the work and assess the judgments made.”;</p> <p>(b) paragraph 4.1: “Any communication should be appropriate to the particular circumstances and take the skills, understanding, levels of relevant technical expertise, and needs of the intended user into consideration to allow the intended user to understand the implications of the actuary’s communication”; and</p> <p>(c) paragraph 4.2: “The actuary should present all information with sufficient detail that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary’s work”.</p> <p>3. explicit minimum requirements: this approach would involve replacing all references to “professional judgment” with statements of what the actuary must do in order to meet the minimum standard expected by the ISAP. In the case of paragraph 2.5.1 for example, it may be that the actuary must familiarise him or herself with the terms of the particular plan and the categorisation scheme imposed by IAS 19 before providing his or her advice.</p>
Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>We note there are a number of issues in this area that may be specific to particular geographies and where the draft ISAP does not provide guidance. Examples of such include tax on employee benefits plans and hybrid plans.</p> <p>It may be appropriate to add a paragraph that requires actuaries to: (1) be familiar with any specific</p>



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		regional issues not covered elsewhere in the ISAP and that affect the treatment of the plan on which they are advising; and (2) establish the appropriate treatment of those regionally-specific features under IAS 19.
Q3.	Is it clear how the guidance in the proposed ISAP relates to the guidance in ISAP 1? If not, how should it be changed?	We consider that the requirement to comply with both ISAPs is clear.
Q4.	Is the guidance at the right level of detail? If not, what text should be omitted because it is too detailed? In what areas do actuaries need more detailed guidance?	Please refer to our response to Q1 above. We believe that more detail will be required relating to the exercise of "professional judgment".
Q5.	The proposed ISAP does not currently provide specific guidance to actuaries advising the reporting entity on the information that should be included in the IFRS report to meet IAS 19's disclosure objectives (the appendix contains educational material on these disclosures). Should the ISAP be expanded to provide guidance in this area? If so, what should the guidance be?	<p>As the ISAP is a standard, we do not consider that it is necessary for guidance to be provided in all areas. The approach of including educational material outside the main body of the ISAP is reasonable.</p> <p>If there is a desire to include more on disclosure, the ISAP could be amended so that it requires actuaries who are providing information for disclosure purposes to familiarise themselves with the requirements of IAS 19. However, we note that paragraph 2.1 already includes the general requirement for the actuary to have or obtain sufficient knowledge and understanding of IAS 19 and accounting policies.</p>
Q6.	Are there other matters that should be included in this standard on actuarial work in connection with IAS 19 Employee Benefits? Are there some included here that should not be?	We note that the ISAP includes guidance on the definition of a "deep market". We believe that the role of the ISAP is to set minimum standards for actuaries and it should not include any information that could be misconstrued as an interpretation of an accounting standard. The definition of a deep market could be seen as providing interpretation of that term from IAS 19.



General Comments on the Exposure Draft	
	In many instances, the ISAP paraphrases, rather than directly quotes, the requirements of IAS 19. Although the Institute notes that there are advantages and disadvantages with both approaches, its preference is for the ISAP to quote directly from, rather than paraphrase, IAS 19, to the extent reasonably practicable. This approach lessens the possibility of misinterpretation or confusion.

Comments on specific paragraphs of the Exposure Draft		
Full paragraph reference	Change proposed to the paragraph (markup preferred)	Reason the change is needed (can be kept very brief or left blank if obvious from the change)