



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 \(ED\) markup](#).

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



	Specific Questions asked by the ASC	Response
Q1.	Is the guidance clear and unambiguous? If not, how should it be changed?	<p>The Exposure Draft is clearly written and easy to understand as a whole.</p> <p>For example, 2.1 states that the actuary should seek guidance from the principal when a or b is applicable, and 2.3 states that this guidance does not impose additional duties beyond the scope of the actuarial services to search for or analyse errors, omissions, or failures to conform to IFRSs or accounting policies. These two paragraphs clarify the scope of actuarial duties, and are easy to understand.</p>



Q2.	Is the guidance sufficient and appropriate? If not, how should it be changed?	<p>The following points are not appropriate. For proposed changes, please see the below-mentioned “change proposed to the paragraph”.</p> <p>(2.6.3. a) According to the guidance, the purpose of determining a single discount rate is to use it for disclosures in the IFRS report and other calculations, and net interest cost and service cost are described in parallel as examples for other calculations. This point is not appropriate.</p> <p>A method of calculating service cost directly using a yield curve is one of the conventionally used methods, but if net interest cost and service cost are described in parallel, a misunderstanding may arise, such that the said method is not the conventionally used method.</p> <p>(2.6.3. b) The description of market depth refers to the Bank for International Settlements (BIS) to exemplify the item. This example should be deleted.</p> <p>As described in the footnote of the Exposure Draft, this example was extracted from the BIS Committee Report. However, it is not an opinion of the BIS or an interpretation of IAS19 issued by the said Committee. In addition, the Exposure Draft does not state that the actuary should, or may, make judgments based on this example. IAA’s position on this example is not shown either. If IAA is trying to include it in ISAP as an interpretation of IAS19, it is beyond the scope of ISAP. This example is useful as a practical reference, but should not be included in the main text of ISAP. It should be included as an</p>
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		<p>appendix or in IAN as educational information. In that case, it is desirable to gather an extensive range of interpretations from many other reliable organizations and professionals because the said BIS Committee's statement is not considered special.</p>
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?	ED for ISAP 3 is clearly related to the guidance in ISAP 1.



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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?	<p>A more detailed description is necessary for the following point. Regarding a proposed change, please see the below-mentioned "change proposed to the paragraph".</p> <p>(2.2.) As for materiality, the guidance differentiates between materiality with respect to actuarial services and materiality with respect to the IFRS report. This is appropriate. However, the correlation between them is not easy to understand. It should be clarified in the guidance. By doing so, the descriptions in 2.9. Proportionality can also be clarified, and problems that may arise from them may be eliminated.</p>
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>No specific guidance is needed to describe relevant standards in this area.</p> <p>The explanation contained in the appendix is useful as educational material.</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?	<p>Since a roll forward is part of actuarial work, and there are points that actuaries should consider, they should be included in ISAP 3.</p> <p>Regarding a proposed change, please see the below-mentioned "change proposed to the paragraph".</p>



	<b>General Comments on the Exposure Draft</b>	
	<p>When terms are used, consistency with IAS19 should be confirmed.</p> <p>For example:</p> <p>2.6.1. employment data -&gt; employment market data</p> <p>APPENDIX balance sheet -&gt; statement of financial position</p> <p>Income statement -&gt; profit or loss</p>	



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)
2.2	<p><u>2.2.3 Materiality with respect to the actuarial services is equivalent to, or stricter than, materiality with respect to the IFRS report. This is because material matters with respect to the IFRS report may be otherwise omitted from those with respect to the actuarial services for the reason that they are not material. As a result, the ISAP1 guidance on materiality (2.4. of the ISAP1) may not be satisfied.</u></p> <p>2.2.4 <del>2.2.3</del> In the remainder of this ISAP, any use of “material” or “materiality” is with respect to the IFRS report unless stated otherwise.</p>	Clarify the correlation between materiality with respect to actuarial services and materiality with respect to the IFRS report.
2.6.3 a. iv.	Determine a single weighted-average discount rate that produces substantially the same present value of the defined benefit obligation for disclosures in the IFRS report and other appropriate calculations (for example, net interest or service cost <u>(a single weighted-average discount rate may not be used depending on the method used)</u> ).	In addition to the calculation of service cost using a single weighted-average discount rate, a calculation method directly using a yield curve is one of the conventionally used methods. Accordingly, this portion should be changed to avoid misleading interpretations.
2.6.3 b. i. Market Depth	<del>A market is considered by the Bank for International Settlements, for example, to be deep and liquid when “participants can rapidly execute large volume transactions with little impact on prices.”</del>	The description referring to the Bank for International Settlements should not be included in the main text of ISAP.
2.X (Addition)	<u>When giving advice to the principal regarding a roll forward, the actuary should determine the appropriate formula and data used based on the actuary’s professional judgment so that a sufficient approximation can be achieved with respect to materiality considering that a roll forward is a means of obtaining an approximate result that can be calculated at the measurement date.</u>	



**INTERNATIONAL ACTUARIAL ASSOCIATION**

**Comments Template on Exposure Draft of ISAP 3**

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