

Review of ISAP 3 – IAS 19 Employee Benefits
Actuarial Standards Committee Report
29 September 2020

Background:

ISAP 3 was adopted by the IAA Council on 11 April 2015.

Paragraph 8.4. in the Due Process for International Standards of Actuarial Practice states: *The Professionalism Committee will ensure that ISAPs that have been adopted are reviewed regularly, and will work with the ASC to have the review carried out. Normally, an ISAP should be reviewed every five years; however, the Professionalism Committee may request more frequent review of an ISAP if it believes such review to be advisable.*

ASC Review:

At the meeting in Tokyo in 2019, the ASC decided that it is an appropriate time to consider the review of ISAP 3.

An ASC task force comprising of Jim Verlautz, Toshihiro Kawano and Lisa Wade was tasked to do an initial review and make recommendations to the ASC.

A report of the task force's review was submitted to the ASC for discussion (see [Appendix](#)).

The ASC, at their virtual meeting on 29 September 2020, discussed the report and recommendation made by the task force and voted unanimously on the ASC's conclusion.

ASC's Conclusion and Recommendation:

- a. Based on the comprehensive review, and the recommendation made by the task force, the ASC does not recommend changes to ISAP 3 at this time.
- b. ISAP 3 could probably have some revisions, but none of these revisions are substantial enough to make it advisable to re-open ISAP 3 for a formal review at this time. Under this course of action, the ASC would maintain a list of potential changes that would be addressed when more critical matters mandated a formal review.
- c. The ASC's conclusion and recommendation will be posted on the website, on the ISAP 3 Webpage.

By this report the ASC wishes to formally communicate their recommendation to the Professionalism Committee and the Executive Committee.

This activity addresses the requirement in paragraph 8.4 in the [Due Process for ISAPs](#).

Actuarial Standards Committee
29 September 2020

Appendix

Report of the ASC Task Force

Members: Jim Verlautz, Toshihiro Kawano and Lisa Wade

The Task Force re. need for revisions to ISAP 3 met in February 2020. Our assignment was to come to a recommendation for the broader ASC as to whether:

- a. No changes to ISAP 3 should be made,
- b. ISAP 3 needed to be revised and a task force should be created to do so, or
- c. ISAP 3 should probably have some revisions, but none of the revisions is of such import as to make it advisable to create a new version that local associations might feel a need to review and start a new adoption process. Under this course of action, the ASC would maintain a list of potential changes that would be addressed when more critical matters mandated a rewrite.

The following FMAs adopted or asserted substantial consistency with ISAP 3, based on the survey by PC in 2018:

Australia, Canada, Germany, Indonesia, Japan (IAJ/JSCPA), Portugal, South Korea and Pakistan (Have modified or becoming consistent)

We discussed two topics:

1. The [comparison of differences between ISAP 3 and ISAP 4](#) that Toshihiro put together. While we believe it is fair to say that we were not all of one mind on whether each of the differences needed reconciling, or to the extent they did, whether the ISAP 3 or ISAP 4 version was preferable, we were all of the opinion that to the extent the differences eventually should be reconciled, none of the differences were of significant import.
2. The extent to which any changes in IAS 19 resulted in any of the guidance in ISAP being outdated and needing changing, and the extent to which any changes in IAS 19 created a gap in guidance in ISAP 3 that should be remedied by adding to the ISAP. When the IASB adopted the revised IAS 19 just under a decade ago, certain IASB members commented that they would be quite happy to not hear the word “pension” for 20 years. Despite the fact that those changes were only supposed to be part 1 of the revisions, and that part 2, which would address measurement considerations, would follow on its heels, IASB has issued very little additional guidance.
 - A. They “clarified” guidance (many of us thought it was a revision) regarding which types of significant events required remeasurement, and which did not. This is a topic that is purely accounting in nature, and as such was not addressed in ISAP 3.
 - B. They were asked to elaborate on the establishment of discount rates, but they declined to do so. They do have a long-term project to examine the underlying basis for discount rates across all of IFRS, and should that project result in changes, those changes will need to be reflected in ISAP 3. However, we have seen no meaningful action on this front in a number of years.
 - C. They were asked by IFRIC to approve a limited scope project dealing with certain measurement issues under IAS 19. They did not approve.
 - D. They subsequently began thinking about a project related to “Pension Benefits that Depend on Asset Returns”. As of January 20, they heard a presentation as to what

- type of research might be necessary for this project. There has been no action since then.
- E. They proposed specific language as to how, in certain circumstances that are primarily UK relevant only, to assess whether excess pension assets could have an economic benefit to the plan sponsor. This proposal was rescinded, however, with an indication that broader language will need to be developed at some point. Even if revised language on this topic is re-proposed, I suspect it would be considered accounting only and outside the scope of ISAP 3. Obviously, though, that decision must be left to the future.

Based on the above, the Task Force concluded that we should recommend to the ASC that we follow course of action (c) above.