

Standard Setters' Roundtable
15 November 2012
Nassau, Bahamas
Minutes

Attendance:

Members:

Godfrey Perrott Chair

Thomas Béhar

Peter Doyle

Paul Kennedy

Ad Kok

David Martin

Yosuke Nakano

Dave Pelletier

Observers:

Avi Bar-Or [Past President, Israel Association of Actuaries]

Al Beer [Vice Chair, Actuarial Standards Board, United States]

Mary Downs [Executive Director, American Academy of Actuaries]

Keith Jones [Legal Counsel, Actuarial Standards Board (United States) and General Counsel
American Academy of Actuaries]

Ben Kemp [Institute and Faculty of Actuaries]

Amali Seneviratne IAA Secretariat

Apologies

Chris Daykin

Hansjörg Furrer

Thomas Karp

Michael Rosenberg

Jesús Alfonso Zúñiga San Martin

1. Welcome and introductions

The chair conducted round table introductions and informed the SSRT that his term as chair will end in December 2012.

2. Appointment of a minute taker

The chair thanked Emil Boeke for preparing draft minutes of the previous SSRT meetings. Emil will no longer attend SSRT meetings. Amali Seneviratne of the IAA Secretariat will prepare draft minutes of the meeting.

3. Approve agenda

The agenda for the meeting was approved without amendment.

4. Documentation of e-mail votes

The following two items approved by e-mail vote were noted.

- a. The interested person list is open to anyone who requests to be added. Secretariat will notify the SSRT of additions as and when they happen.
- b. Minutes of the SSRT meeting in Los Angeles.

5. Abandoning the general (P&C) project on assumption setting as unworkable

A motion to abandon the project was proposed, seconded, and approved unanimously.

6. Discuss the ISAP 1 process

The Chair started the discussion informing the group that ISAP1 has been submitted for approval by the IAA Council. The Chair invited comments, especially from non IASSC members, on the following areas:

- a. What appeared to work well?

The TF contacting the commenters to clarify certain issues and providing feedback on how their comments were addressed was appreciated.

Peter Doyle, Chair of the Professionalism Committee (PC), gave a brief overview of the PC's involvement in the development process and stated that the PC was happy with the way the due process was followed. He believed that PC's involvement was constructive and added value to the whole process. It would help the PC to be involved in the monitoring process as early as possible.

- b. What could have been improved?

- i. There appeared to be a big leap from the SoI stage to the Exposure Draft (ED). Some commenters felt that the ED stage was too far down the process to change some things. It would be helpful to have a slightly more expansive SoI.
- ii. In the UK there is a lot more discussion and analysis including an impact assessment to accompany the ED as well as the SoI. This helps respondents, including non-actuaries, develop meaningful responses.
- iii. Time allowed in the second round of consultations (limited to commenters only) was too curtailed and didn't allow sufficient time for some commenters to consult with their governance bodies for their views.

- iv. It was noted that only the FRC had commented as a non-actuarial association. More comments from non-actuarial associations should be sought.
- c. What advice do we have for the IASSC?

It is important for the IAA as a whole and the IASSC to have feedback on what is being done with the ISAPs. Generally there tends to be less enthusiasm after a project to follow up. The annual survey of the Accreditation Committee will include a question to the associations asking what they have done with ISAPs. Adoption/ adaptation of an ISAP may happen over a number of years after it is approved by the IAA. Therefore, a reasonable time period should be allowed before reaching any conclusions.

7. IASSC

Dave Pelletier gave an oral report on the activities of the IASSC since May 2012.

The key activities reported were:

- a. ISAP1 has been finalised and is due for approval by Council. The PC has confirmed that ISAP 1 been developed in compliance with the due process.
- b. An ED of the Social Security ISAP has been published for consultation with a deadline of 28 February 2013 to submit comments.
- c. A draft Sol on IAS 19- Employee Benefits was published for consultation. The comment period ended on 1 October 2012. Comments received are being considered by the task force and the IASSC will discuss the recommended final Sol at its meeting on Saturday.
- d. After considering the comments received on the Sol published on Enterprise Risk Management (ERM), the IASSC recommends the Enterprise and Financial Risk Committee develop an International Actuarial Note (IAN) on ERM. The IASSC hopes this will be a first step, which will lead to an ISAP on ERM in time
- e. The IASSC developed and adopted a Style guide and template for ISAPs
- f. The IASSC is also in the process of streamlining some communication procedures

8. Professionalism Committee (PC)

Peter Doyle gave an overview of the activities of the PC.

The key activities reported were

- a. ISAP1 – a two member task force appointed by the PC monitored the development process of ISAP1 and confirmed that the process followed was satisfactorily compliant with the due process for development of ISAPs.
- b. The PC has appointed two member task forces to monitor the implementation of the due process in developing the Social Security ISAP and the IAS 19 ISAP. The task forces will establish contact with the relevant parties and get involved in monitoring the due process.
- c. The PC has on-going discussions on governance of international actuarial work and PC will discuss the proposed implementation of recommendations made by the task force
- d. The PC will discuss the proposed criteria for the strategic plan for ISAPs

- e. The PC has initiated discussion on Business Ethics and will make some recommendations in due course.

In response to the question whether the due process is workable, Peter stated that it is workable, but clarifications were required in a few areas and that there was room for refinement. The IASSC was of the view that the due process is time consuming and convoluted in some aspects and that there is room for improvement and the possibility of condensing a few steps.

9. Discussion of standards for actuarial work concerning ERM

- a. US exposure draft of standard on risk evaluation

Al Beer provided an update and stated that the US Actuarial Standards Board (ASB) issued first exposure draft of standard on risk evaluation about 18 months ago. A Second exposure draft was also issued with a comment period that ended on 30 June 2012. The final ASOP on Risk Evaluation was approved by the ASB in September.

- b. US exposure draft of standard on risk treatment (comments close 10 Sept),

The comment period for the exposure draft of a standard on risk treatment ended on 10 September 2012. The ASOP is being finalised considering the comments received. The final ASOP on risk treatment is expected to be approved by the ASB in December 2012.

- c. IASSC ERM SOI and IASSC decision to recommend an IAN.

The IASSC, after discussion, concluded that it should recommend proceeding with an IAN rather than an ISAP, given the responses to the draft SOI.

10. Any Council topics we wish to discuss.

It was noted that a discussion paper on the Strategic plan for ISAPs will be presented to Council by Fred Rowley. He will also provide an overview of this discussion paper at the IASSC meeting on Saturday and have a discussion on the contents of his paper.

11. If ISAP 1 is approved by the IAA Council, what actions are national standard-setters considering taking?

The chair asked those around the table if their jurisdictions are likely to adopt/adapt ISAP1.

The responses indicated that some countries will try to make their existing standards substantially consistent with ISAP1 and some will study ISAP1 and decide whether to adapt or adopt ISAP1.

A discussion followed on how ISAPs will impact individual actuaries. In time, actuaries may be questioned as to why they have not followed ISAPs. ISAPs are not binding unless the actuary states that some or all of the work has been performed in compliance with a particular ISAP. Paul Kennedy raised the question whether compliance with national standards that have been confirmed as 'substantially consistent' with ISAP 1 could be treated as compliance for the purposes of ISAP 1. This followed an earlier discussion on the proposed social security ISAP which concluded that work which asserted compliance with that ISAP would be required to comply either with ISAP 1 or with national standards which were substantially consistent with ISAP 1.

12. SSRT membership

What are our criteria? In particular should some level of involvement be expected of members?

The Chair reported that two members, Hansjörg Furrer (Schweizerische Aktuarvereinigung, Switzerland) and Michael Rosenberg (Deutsche Aktuarvereinigung (DAV), Germany) have not (as far as he could recollect) attended any meetings. The membership requested the chair to communicate with the relevant entities and ask them if they wish to continue with the same representatives or nominate alternate names.

There are five FMAs (Ireland, South Africa, Belgium, Brazil and Spain) with 3 or more votes at Council, who are not represented on the SSRT. It appears that Ireland and South Africa are active standard setters, whereas Belgium, Brazil and Spain are not.

A motion to invite South Africa and Ireland to join the SSRT was approved. The Chair will follow up with the relevant associations and invite each to appoint a suitable representative.

13. Election of SSRT chair for 2013.

Paul Seymour, Jim Sutcliffe, Dave Pelletier, Tom Karp, and Godfrey Perrott have chaired the SSRT. The term of chair of the SSRT is one year. The current chair is ineligible to run for the immediately following year.

No member at the meeting volunteered. The Chair announced that Chris Daykin (not present) had offered to Chair the SSRT for 2013, if no one else put their name forward. Chris' offer was accepted with hearty thanks.

14. Brief country reports

Members were invited to comment only on significant actions since the LA meeting.

Canada

- Updating of standard on calibration criteria for stochastic models used in valuing variable annuity guarantees.
- Initiation of process of revision of life valuation standards to narrow the range of practice in certain areas.
- Improvement of due process for development of standards.
- Work nearing completion on revisions to several other standards, including post-employment benefits other than pensions, life insurance policyholder dividends, and actuarial evidence work.

Groupe Consultatif

- The Groupe Consultatif has put out for comment an exposure draft of GCASP2 – Actuarial Function Report under Directive 2009/138/EC. A copy has been sent to the Standard-Setters Round Table and any comments or suggestions will be welcome.

- The Groupe will be considering whether to formally adopt ISAP1 as a Groupe Consultatif model standard. No other standards are currently under development, although some are being considered.

South Africa

- The Actuarial Society of South Africa has recently implemented both a new Code of Conduct and a new Disciplinary Process. The new Code can be found at the following link:
- <http://www.actuarialsociety.org.za/Portals/1/Documents/4d5e3151-ca9d-4c77-8629-8fbe5fe89270.pdf>
- The Professional Matters Board (PMB) is currently reviewing the nomenclature and wording of all standards in order to standardize the approach to mandatory standards and educational notes.
- The PMB is currently considering the Society's response to the IAA's ISAP1.
- Draft supplementary guidance notes on whistle-blowing and peer review have been distributed to members for comment.
- The PMB is currently considering the implications of the findings of the research commissioned into CPD.

UK (FRC)

- Restructured in July so that the FRC Board (rather than a separate Board for Actuarial Standards) will now approve technical actuarial standards (TASs) on the advice of an Actuarial Council. Is undertaking a post-implementation review of its TASs starting with the impact on pensions actuarial work. Expects to publish the results in 2013. Considering a joint review with the IFoA of the wider approach to actuarial regulation in the UK.
- Has decided to extend the scope of its specific pensions TAS to include actuarial work in support of pension incentive offers. These are offers by employers to DB scheme members to give up their existing benefits in return for an enhanced transfer value to a personal pension, or to give up escalating benefits in return for an enhanced flat pension. The changes have been co-ordinated with an industry code following Government concerns that scheme members are giving up valuable benefits without understanding the implications.
- Has concluded, subject to consultation, that it should remove the 7% pa maximum accumulation rate in its standard on illustrations for annual statements on DC benefits to pension scheme members. DC pension providers will instead be required to exercise their judgement as to expected future rates based on the

investment strategy adopted, and be prepared to disclose their rationale on request. This follows a decision by the statutory regulator (FSA soon to become FCA) to reduce the maximum rate for point-of-sale illustrations from 7% pa to 5% pa. [Since confirmed].

US

- **Adoption of Actuarial Standards of Practice (ASOP):**

- ASOP No. 46, *Risk Evaluation in Enterprise Risk*

At its September meeting, the ASB adopted ASOP No. 46, *Risk Evaluation in Enterprise Risk Management*. The ASOP provides guidance to actuaries when performing professional services with respect to risk evaluation systems used for the purposes of enterprise risk management, including designing, developing, implementing, using, maintaining, and reviewing those systems.

- ASOP No. 47, *Risk Treatment in Enterprise Risk Management*

At its December meeting, the ASB adopted ASOP No. 47, *Risk Treatment in Enterprise Risk Management*. The ASOP focuses on four aspects of risk treatment: determining risk tolerance, choosing risk appetites, setting risk limits, and performing risk mitigation activities.

- **Approval of Exposure Drafts**

- Exposure Draft of a Revision of ASOP No. 4

At its September meeting, the ASB approved a second exposure draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*.

- Exposure Draft of a Revision of ASOP No. 25

At its December meeting, the ASB approved an exposure draft of a revision of ASOP No. 25, *Credibility Procedures*.

- **Establishment of Task Forces**

- Modeling Standards Task Forces

At its December Meeting, the ASB agreed to form a new multi-disciplinary task force to oversee the development of exposure drafts of Modeling Standards addressing i) a General Modeling Standard and ii) "Catastrophe Modeling" for all disciplines. An oversight task force will create two separate task forces to address these issues individually, with the oversight task force having the responsibility to coordinate these efforts regarding scope, definitions, and consistency. The task forces will operate under the direction of the ASB's General Committee.

The members thanked the Chair for his leadership during 2012 and called on his continued support and participation in the SSRT in the coming year.

The meeting adjourned with the Chair thanking all those who attended.