

Minutes of SSRT meeting of 30 September 2011

1. In Tom Karp's absence Godfrey Perrott chaired the meeting.

The chair welcomed the 13 attendees

Member	Representing	Present
Thomas Karp	Australia	
Thomas Béhar	France	Yes
Christopher Daykin	Groupe Consultatif	Yes
Hansjörg Furrer	Schweiz	
Paul Kennedy	BAS (UK)]	Yes
David Martin	Institute and Faculty of Actuaries (UK)]	Yes (part)
Yosuke Nakano	Japan	Yes
Dave Pelletier	Canada	Yes
Godfrey Perrott	United States	Yes
Michael Pomery	IAA	Yes
Michael Rosenberg	Deutsche	
P.J.M. Van Meel	Netherlands	
Jesús Alfonso Zúñiga San Martin	Mexico	

Observers	Country
Al Beer	US
Mary Downs	US
Peter Doyle	South Africa (incoming PC Chair)

Ryoichi Nakamura	Japan
Emil Boeke (Secretary)	S Africa,
Cisca Venter	S Africa

Peter Doyle is the incoming chair of the Professionalism Committee, replacing Michael Pomery who is stepping down. He attended as the IAA is represented by the chair of its professionalism Committee.

The **agenda** was accepted unchanged.

2. The Sydney **minutes** were approved unchanged.
3. Chris Daykin introduced the topic of producing **a document of mortality guiding principles** for standard setters, and what could be learnt from specific member associations. He recommended that the SSRT should not spend more time on the exercise, and to “leave the document on the table” and view it as lessons learnt. Chris was requested to make one more update and send it to the SSRT members as the final version for email approval. He would also capture the main issues raised by bodies who had commented, even though it did not necessitate any changes to the main document. The final document will be sent to the Professionalism Committee and the IASSC for information.
4. Thomas Behar distributed a proposed survey of standards on general/P&C actuarial work. It was aimed at determining the degree of disparity/homogeneity between the standards of different associations. Al felt that answering the questions by a plain “yes/no” would be difficult. Members were invited to suggest adjustment of the wording of the questions if the language presented difficulties.

Decision: All members to suggest any changes to the questions by 15 October - and then to answer the questions by 1 December 2011. (Reminders of deadlines will be sent by Godfrey.)

5. Definition of the **objectives of international actuarial standards**: GP had distributed the complete draft report on objectives for ISAPs which was presented to the IASSC on 29 September. The one paragraph objective wording - as revised and adopted by the IASSC - was read out and discussed. The three aspects of public interest, the users of actuarial services and work, and the quality of actuarial work are the main ideas. The listing of users, indirect users, beneficiaries, regulators etc caused problems for some readers. The IASSC will present the wording to Council on 2 October, but it will not be voted on at that time. The IASSC will finalize the report around the agreed objective and submit it to the EC. Presumably EC will take the proposal to Council for approval. The document will be sent to the SSRT as soon as it goes to the EC.

6. Report- on the **Due Process** Task Force: Michael Pomery introduced the topic. The new (interim) due process is designed to fit the new interim standard setting approval structures in the IAA. A Zoomerang went out to Associations and IAA committees after the Sydney meetings, and comments are still being addressed. The roles of the various bodies are key:
 - a. Council sets strategy and decides on need for a standard;
 - b. The EC will implement Council strategies.
 - c. The IASSC is a sub-committee of the EC which does the heavy lifting and has the broad shoulders;
 - d. . The Professionalism Committee has a governance and oversight role, and has responsibility for making suggestions for changing due process.

The latest draft of the due process encapsulates some of the comments received. Some aspects are:

- A Statement of Intent (SOI) must:
 - o be approved by IASSC;
 - o submitted to the Professionalism Committee to certify it meets due process;
 - o approved by EC; and then
 - o ratified by Council.
- The role of the Professionalism Committee has been clarified
- Time scales drew some responses, but cutting down on response periods for comments was not deemed advisable

Three ISAPs have (possibly) passed the SOI stage: ISAP1 (General Practice), ISAP 2 (Financial reporting under IFRS) and ISAP 3 (Pensions accounting under IAS 19). The Social Security SOI is going to Council at the Zagreb meeting. ERM does not have an SOI yet.

USA: The USA has a more streamlined process with a semi-autonomous standard board (the ASB). Exposure is usually for 45, 60 or 90 days. Legal review is always involved. The exposure and adoption process are very similar to the IAA, but involving only the ASB and its committees. Members of the five US based organizations are required to follow the ASOPs by their codes of conduct (which are identical)

The 5 USA presidents rely on the ASB to review any new standards – such as the IAA ISAPs. “Conformance” between any new ISAP, Code of Conduct and current USA standards of practice will have to be determined. The ASB is very impressed with ISAP 1.

UK: The BAS has two consultation processes. One on the need for a standard, and one on the details of the standard itself. Comments are published on the website. An impact assessment is done.

Canada: Input is widely requested on the need for any standard. The Actuarial Standards Oversight Council (ASOC, pronounced eh-sock) consists of ex-regulators and others drawn from industry, labour, and related professions (law and accounting, in particular), and is intended to represent the public interest with respect to the general direction of standards and that due process is appropriate and observed.

What options do member associations have when the IAA brings out a standard? What associations do with new IAA standards has not been defined. It should probably not be part of the IAA due process, but be set out in writing somewhere. Some options already identified are:

- Adopt: One aim of the ISAPs is for small associations to just adopt and use it.
- Modify: Associations may adopt it after wording changes (hopefully only a few).
- Endorse: Associations may have regulators who issue standards, so having no standard setting powers themselves, but would like their actuaries to use it, so they can “endorse” it.
- Do nothing: This covers a number of cases – e.g. where other country standards exist, where no country standards exist (or are sought), or where the IAA standard conflicts with existing country standards.

7. Report on TF on a Permanent Structure for International Actuarial Standards (PSIASTF)

This TF is proposing the permanent structure for developing future standards to replace the current interim structure. Paul Thornton is the chair. Structure, and particularly funding, are issues to be determined. ISAPs will continue to be models that may be adopted by the local standard setting bodies in different countries. Responses on the way standard setters in different countries are structured have been asked, received and included in a document. It is currently getting input on the International Auditing and Assurance Standards Board (IAASB) structuring, since it is part of the International Federation of Accountants (IFAC), and so is very parallel to the IASSC. .

The first report will be a discussion document setting out a range of practices – and not come with a definitive proposal. The permanence of the process means that consultation is very important. The TF was asked to have their paper on the 60 days agenda, although it is aiming

for a preliminary document by yearend. Funding may become a major issue. (In the UK the actuarial profession only pays 10% of the standard setter's costs; 90% is paid by insurance companies and pensions funds.)

8. **IASSC report-** (by Dave Pelletier):

- The adoption of the objective paragraph has already been discussed.
- The exposure draft of ISAP 1 is out for comment by 1 December 2011.
- IAS 19 task force – 2 issues are (1) what should be in education notes, and what should be in standards, and (2) how much should be specific to pensions, and how much could be of a general nature together with insurance . A common task force is being set up under Irene.
- Social Security Task Force – Adequacy of SOI being debated. There appear to be strong needs expressed by ISSA and ILO.
- ERM Task Force: Waiting for SOI. A number of iterations is expected. There may be some push-back.

The UK standard-setters will comment on ISAP 1. The UK differentiates between professional standards for the conduct of individual actuaries and technical standards for actuarial work. Other associations do not have that division. Professional standards are set by the profession (the Institute and Faculty) and are binding on all members worldwide; technical standards are set by an independent standard-setter (Board for Actuarial Standards) and apply to work performed in the UK. The latter are mandatory for actuaries, but can also be applied to non-actuaries and regulated entities such as insurers and pension funds. Some technical standards are set by the profession in respect of work performed for entities outside UK.

The Groupe Consultative is considering consulting on GCASP 1 which is their version of an “ISAP1” or general standard.

9. **Future role of the SSRT:** It was suggested that a task force be formed (out of non- IASSC members of the SSRT) to revisit the SSRT terms of reference. Until the IAA has a long-term permanent process in place, the SSRT has a role to play. From a Canadian point of view, the SSRT may have a role even after that. Only 4 SSRT members are IASSC members (Dave, Godfrey, Jesus, and Tom). The UK (Paul Kennedy) also sees a continuing role for the SSRT. Some objectives may have been taken over by other IAA bodies. Uses could remain:

- Benchmarking for standard setters, and sharing experiences/concerns/successes,
- Obtaining stakeholder views for the IAA, and

- Drawing in outside (non-IAA) people/entities.

We agreed to do nothing further in this area for the moment, but reconsider the question when the PSIASTF has a draft proposal

10. **Sharing experiences of last 6 months (Nation specific):**

- Canada brought out a new standard for calculations made at breakdown of marriages. The standard was appealed to ASOC on the grounds due process was not followed. ASOC upheld the ASB.
- Canada has adopted IFRS and link between actuarial standards and accounting standards (the former Canadian GAAP) will be lost. The standing of actuarial standards must be revisited. A meeting with accounting bodies has been scheduled.
- USA: Pension issues – Public pension plans used aggressive assumptions in calculating liabilities. This is being challenged – and any actions are causing controversy. A major debate on economic theory is to follow. Exposure drafts are already out. (In the UK use is made of the real growth rate of the economy as a discount rate.)
- USA: A “discussion draft” is out for ERM standards. This is a precursor to a possible exposure drafts. Committees can put out “discussion drafts” to draw comments, without being endorsed to the same level as an “exposure draft”.
- Groupe Consultatif (Chris Daykin): Papers to be discussed soon are on the criteria for setting the purpose for a standard, due process, a range of actions which members may take with any standards issued. The first standard may be a mix of technical and professional matters. Two standards are being written for Solvency 2 Directives: A standard on the quality of actuarial work. The actuarial function reporting standard. A further 4 standards may be justified by the Solvency 2 Directive and will follow in due course, subject to reviewing what the regulator (EIOPA) is intending to issue in the way of actuarial guidelines.
- Japan: Revising the Standard of Practice for Appointed Actuaries because the confirmation of appropriate calculation of solvency margin ratio is added to the work for Japanese appointed actuaries.
- UK (BAS): The BAS is not planning to issue any new standards. The last three of a total of seven standards came into effect on 1 October 2011; the existing more prescriptive standards are being withdrawn. The BAS has been engaging with practitioners in the pensions field to understand the impact of its standards on their work. The BAS is also working on a revised standard for member illustrations in money purchase pension schemes. The Financial Reporting Council (which includes the BAS as well as the UK regulators for accounting, audit and corporate governance) is currently reviewing its

structure and whether it will need to have separate standard-setting bodies, as accounting and other standards are increasingly being set internationally. Areas for attention are role of actuaries in audit, risk management, and materials provided to members being offered incentives to leave DB schemes.

- France: Gearing up to assess standards being generated internationally. Assisting Groupe Consultatif to produce standards. Thomas worked on a TF to report on regulation of the private sector for the G20.
- UK (Profession): Two new pensions conduct standards came into effect (mandatory peer review in pensions, advising schemes) in April, and two further life conduct standards on 1 October to coincide with the new BAS standards. The profession is looking at producing a guide on conflicts of interest to follow two existing guides on whistle-blowing for actuaries and their employers.
- South Africa: Since 2010 moving to own standard setting. Working on a new Code of Conduct. Peer review and whistle blowing may be separate documents. The profession still sets its own standards – although there is an Actuarial Governance Board with oversight.

11. **New Chair for SSRT**: The term of the chair is one year, so a new chair is required. Members who are eligible should indicate their willingness to stand or not to stand. By a show of hands it was determined that most members are not willing to stand. Two members present are thus willing and eligible. Dave is to take this forward with Tom, in particular reaching the other members of the SSRT not present at the meeting.

12. **Attendance**: We noted that five members could not be present (because they were either not in Zagreb or had conflicting meetings) and one member could only attend a short part of the meeting. Where possible meetings should be scheduled not to clash with other IAA meetings. The secretariat does its best. We should consider whether we are willing to travel an extra day so that we could meet the day before or after the IAA meeting. It was agreed that standard-setters should be able to send alternates if their main representative was unable to attend.

13. **Next meeting**: at the Los Angeles IAA meeting unless there is need for a conference call before then..

14. **Adjournment**: The meeting adjourned at 12:30