



CARIBBEAN ACTUARIAL ASSOCIATION



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IAS 19 – ACTUARIAL UPDATE

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Outline

- New IAA Exposure Draft ISAP 3
 - Actuarial Practice under IAS 19 Employee Benefits.
- Discussions on Practical Discount Rate Issues
- Q&A

IAA Exposure Draft – ISAP 3

- “Actuarial Practice under IAS 19 Employee Benefits”
 - Issued Oct 2013
 - Comments due by 14 March 2014
 - Expected completion 2015
- This is a “model” standard.
 - CAA has to decide how to adopt / adapt etc
 - Individual actuaries are not bound unless you state that you are.
- It invokes ISAP1

CAA Options

- Adopt with appropriate modifications
- Endorse as an alternative standard
- Modify existing standards to be consistent
- Confirm that existing standards are already consistent

IASP 3 Highlights

- Any actuary who asserts compliance with this ISAP (as a model standard) must also comply with ISAP 1. [1.4]
- Materiality [2.2]
 - For actuarial services – see ISAP 1. Principal = user.
 - For IFRS report – ask client.
- Any unresolved material issues or non-compliance with IAS 19 must be included in report. [2.3]
- Disclose reliance on management representations on constructive obligations [2.4]

Materiality – Actuarial Services – IAPS1

- Will omissions, over / under statements significantly affect intended user's decision making or reasonable expectation?
 - YES = Material
- Materiality threshold determined by actuary
 - Unless imposed by e.g. auditor / principal.
- Considerations:
 - Purpose & nature of actuarial services and entity
- Consult with the principal if necessary. [3.4]

Materiality – IFRS Report (IASP 3 2.2)

- IFRS Report Materiality
 - Ask client / reporting entity.
 - Affects:
 - Obligation measurement
 - Choice of actuarial assumptions and methods
 - Level of detail for presenting results.

Actuarial Assumptions

- Responsibility of entity, but actuary may advise.
- Must allow for future mortality rate changes [2.6.2]

Discount Rate (2.6.3)

1. Project future cash flows
2. Identify an appropriate spot-rate yield curve
3. Calculate PV of DBO
4. Determine single discount rate that produces same result.

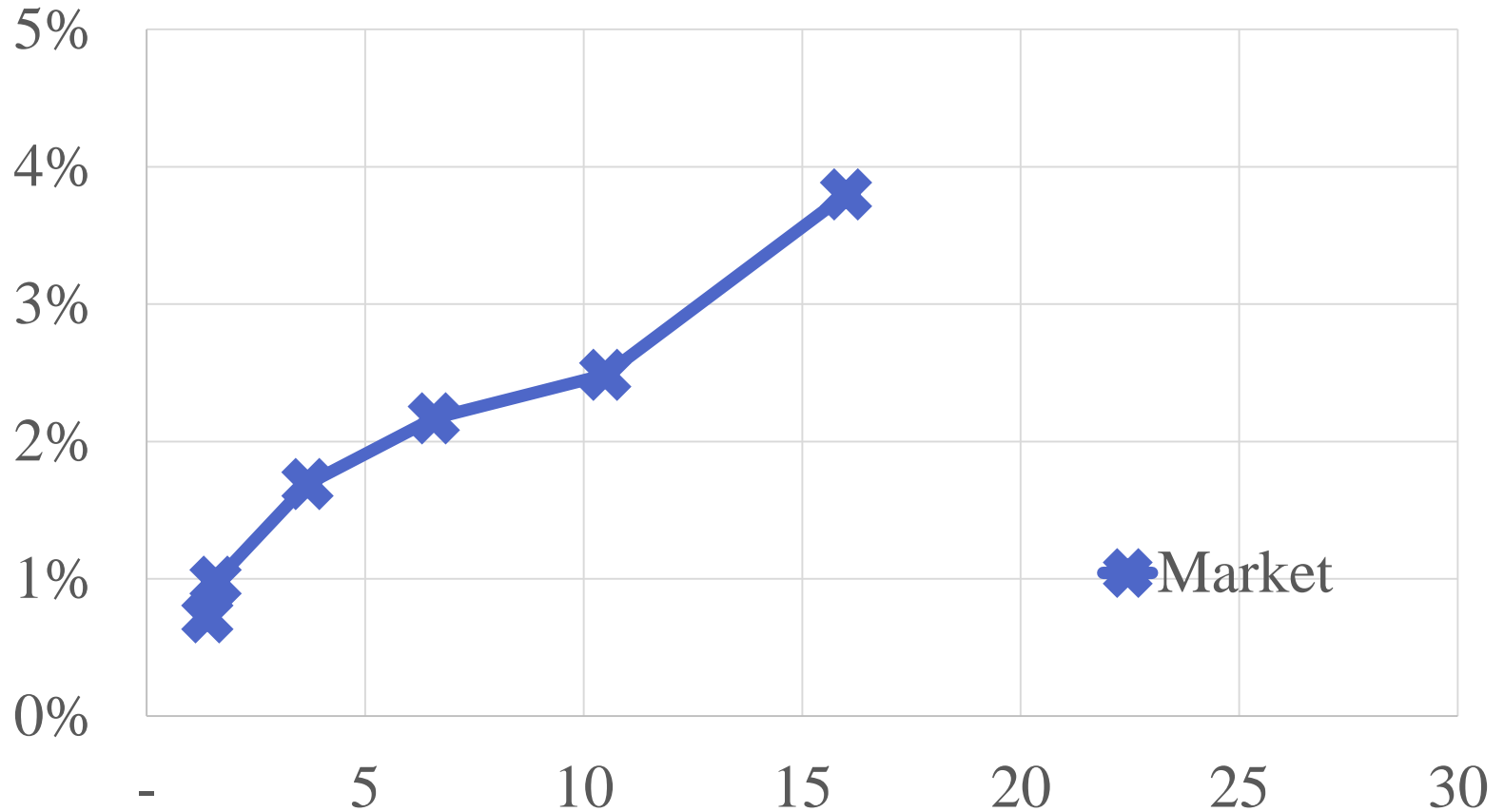
OR

- Use professional judgement to select single discount rate that materially approximates this.

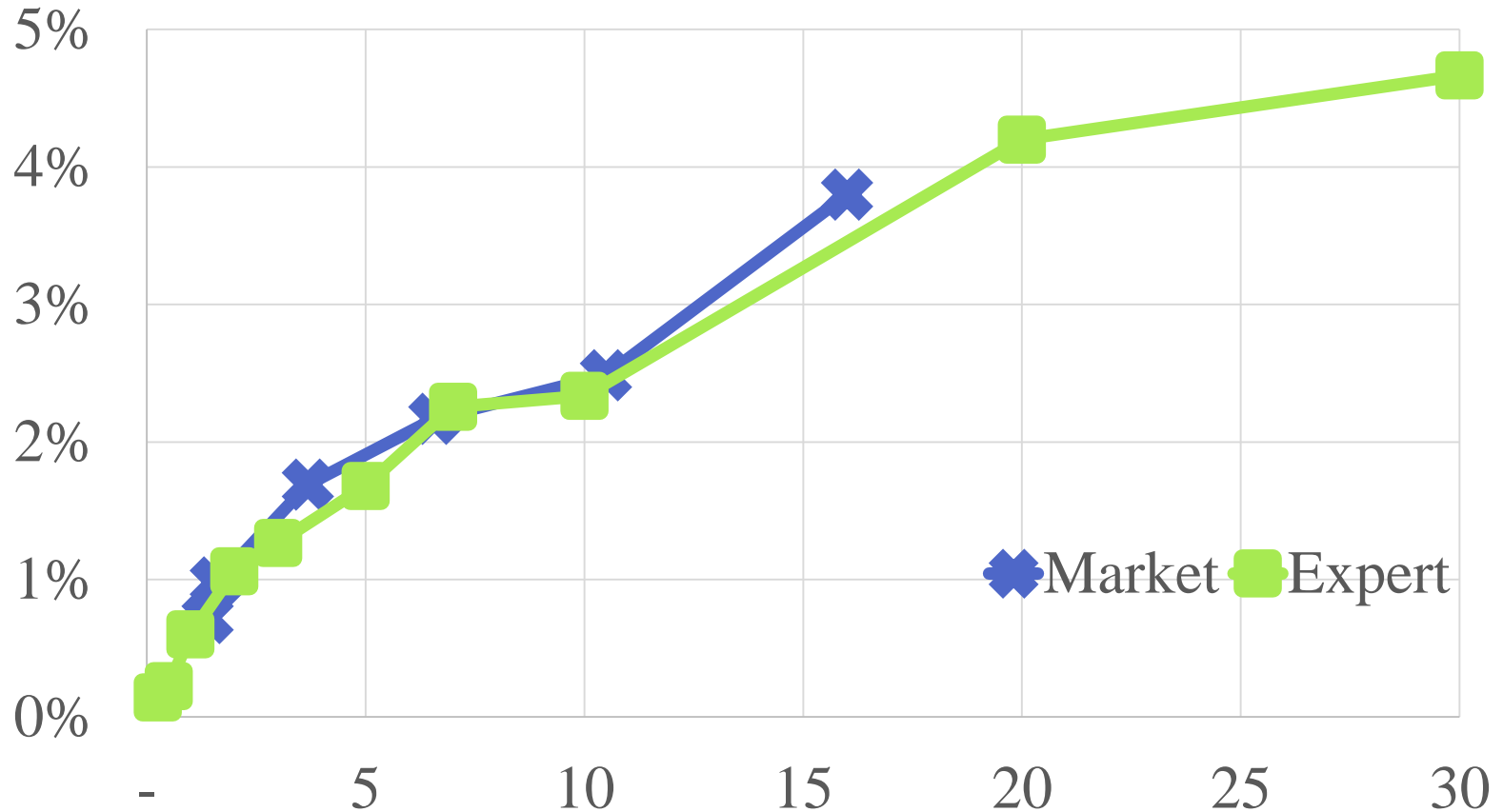
Practical Issues

- Subjective Extrapolation
- Sensitivity of Spot Yield Curves
- Unreasonable Results
- Example

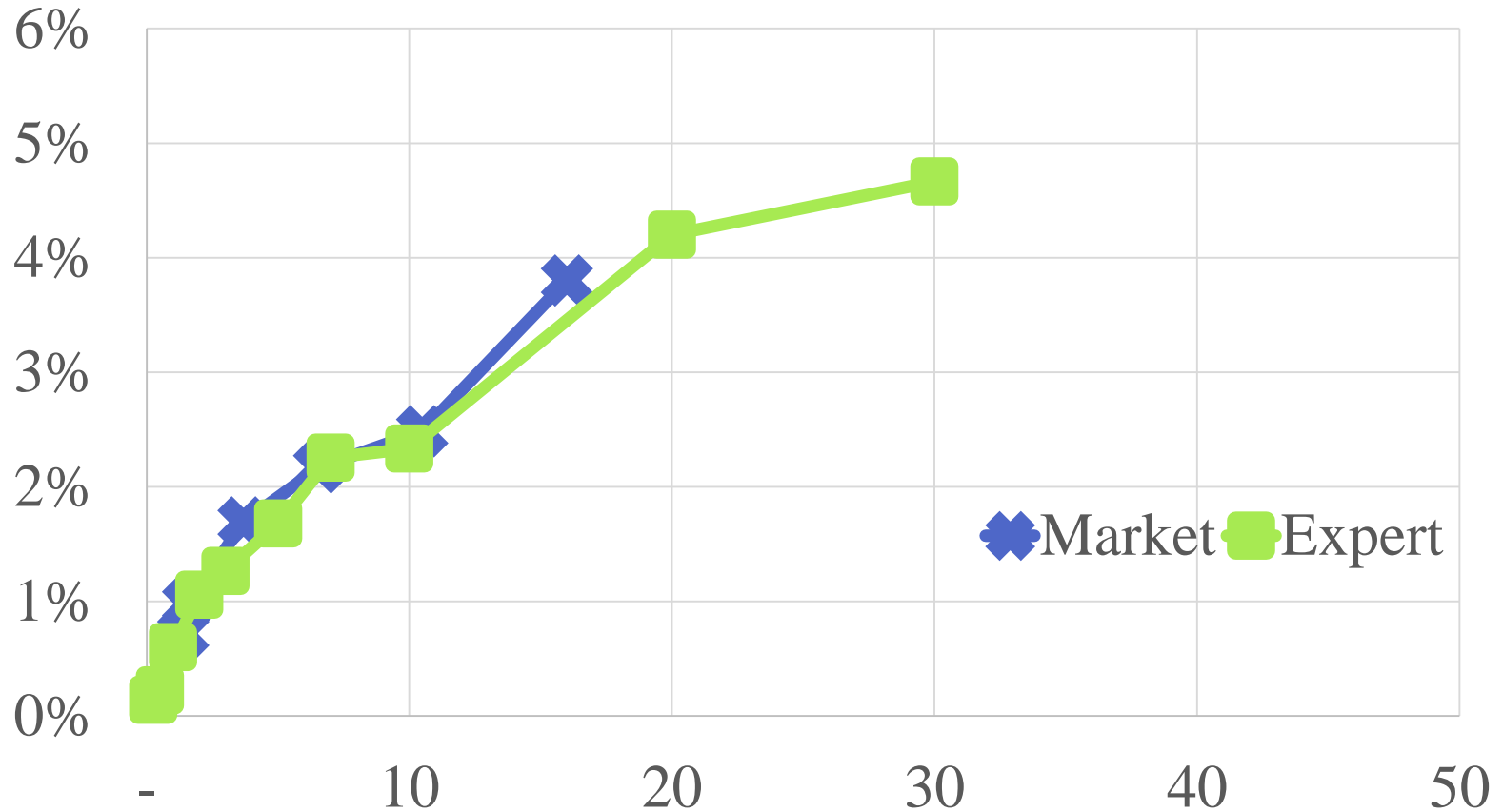
Yield Curve – Trinidad Q3 2013



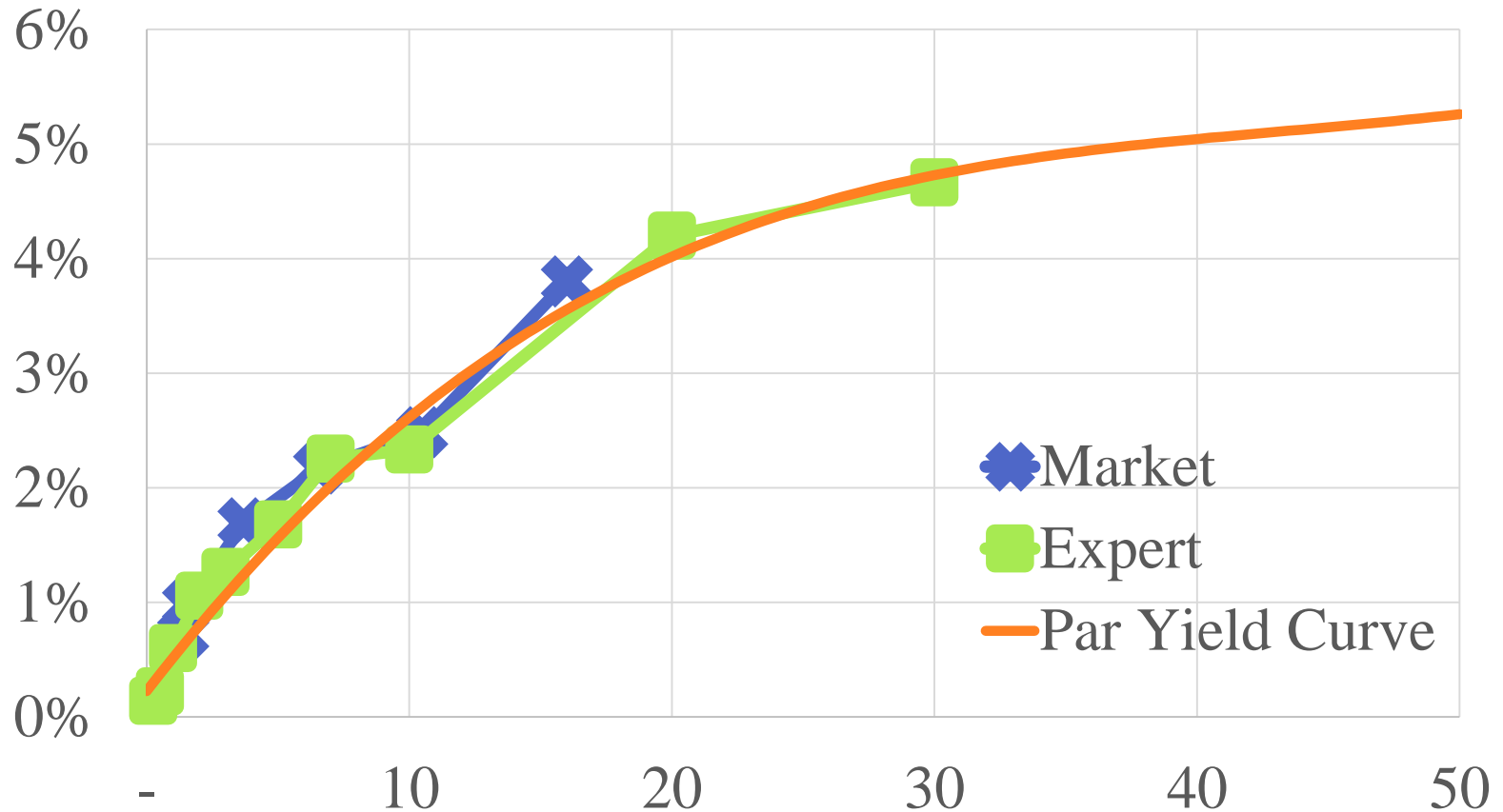
Yield Curve – Trinidad Q3 2013



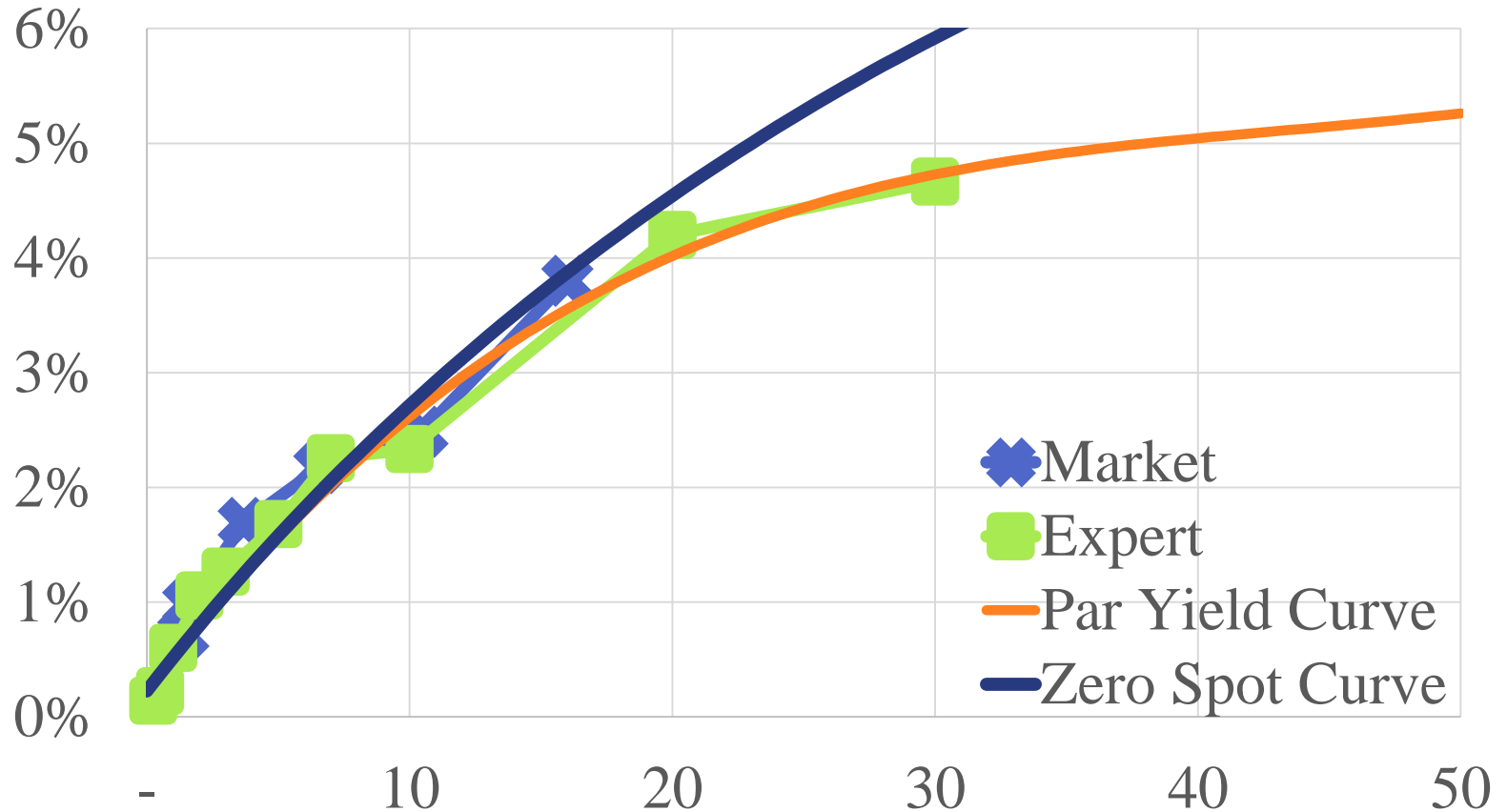
Yield Curve – Trinidad Q3 2013



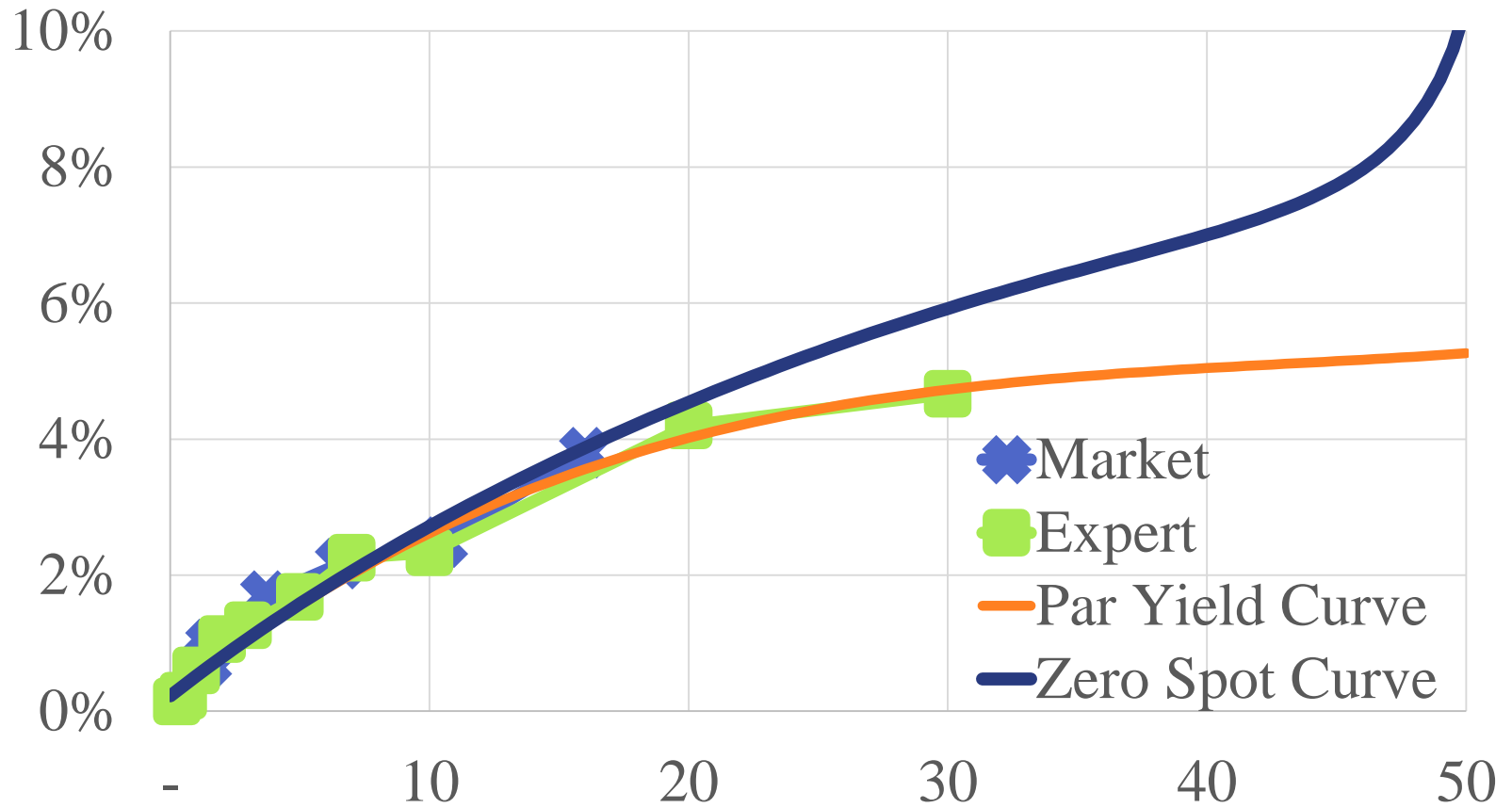
Yield Curve – Trinidad Q3 2013



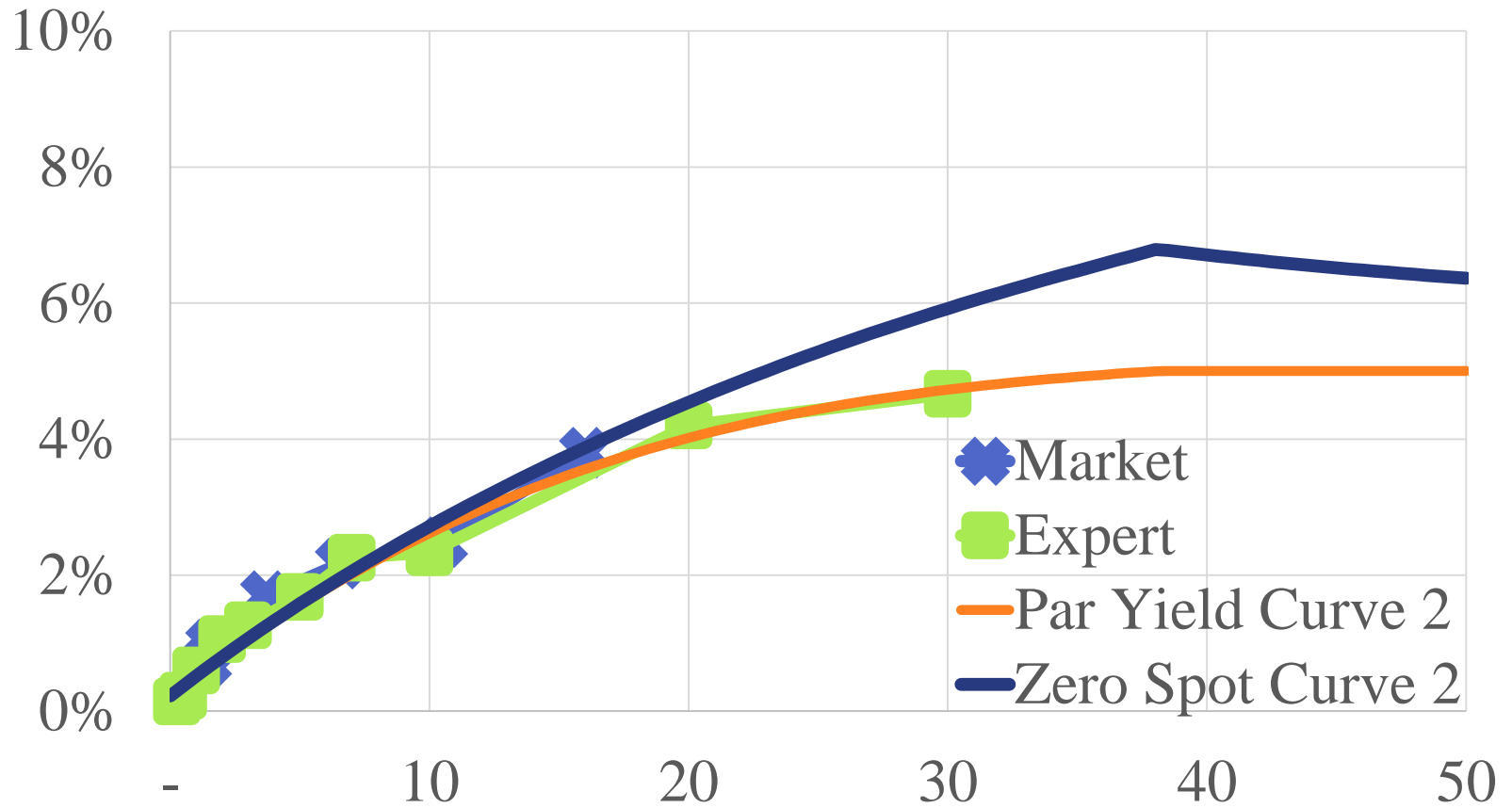
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Yield Curve – Trinidad Q3 2013



Example – Pension For Life

- Male Aged 65, GAM94 Static

Guarantee (years)	0	10
Expectation of “Life”	17.8	18.9
IRR	3.4%	3.3%

- 18 year par yield – 3.9%

Example – Active Member

- Male Aged 40, Retirement Age 65, GAM94 Static
- Fixed Pension (Deferred Pension or i=e), 10 Year gtee
- No decrements before 65

Guarantee (years)	10
Expectation of “Life”	43.9
IRR	6.0%

- 43 year par yield – 5.0%

Recommendations

- CAA to review and organize comments on ED
- CAA to provide practical guidance on implementation issues
 - Yield curves
 - Other assumptions

Discussions



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