



ACTUARIAL STANDARDS OVERSIGHT COUNCIL CONSEIL DE SURVEILLANCE DES NORMES ACTUARIELLES

Memorandum

To: The 83 Individual Petitioners
The Members of the Canadian Institute of Actuaries
The Actuarial Standards Board

From: The Actuarial Standards Oversight Council

Date: June 3, 2011

Subject: **Actuarial Standards Oversight Council Response to the Petition for the Actuarial Standards Oversight Council to Review the Due Process followed in Adoption of the Standards of Practice for Capitalized Value of Pension Benefits for a Marriage Breakdown (section 4300)**

1. Introduction

This constitutes the response of the [Actuarial Standards Oversight Council](#) (ASOC) to the Petition for the Actuarial Standards Oversight Council to Review the Due Process followed in Adoption of the Standards of Practice for Capitalized Value of Pension Benefits for a Marriage Breakdown (section 4300) (“the Petition”)—click [here](#).

The ASOC was established by the [Canadian Institute of Actuaries](#) (CIA) as an independent body to serve the public interest by overseeing and providing input to the activities of the [Actuarial Standards Board](#) (ASB), which establishes actuarial standards of practice for the members of the CIA. The ASB has a [Policy on Due Process for the Adoption of Standards of Practice](#) (“Due Process Policy”).

The ASOC has a [Policy on the Review of the Due Process followed in the Adoption of a Standard of Practice](#) (“Due Process Review Policy”) to ensure that an appropriate process is established and maintained that will enable members of the CIA to request the review of a standard of practice adopted by the ASB.

On March 16, 2011, the ASOC received a petition signed by 83 Fellows of the CIA requesting a review of the due process followed in the adoption of the Standards of Practice for Capitalized Value of Pension Benefits for a Marriage Breakdown (section 4300) (“the MB-SOP”). The ASOC asked the ASB to provide a report outlining the steps taken in the process that led to the adoption of the MB-SOP. On May 18, 2011, the ASOC received the following report from the ASB (“ASB Report”):

- (a) [May 17, 2011 majority report of the ASB](#);
- (b) [May 17, 2011 ASB response to specific comments made in the Petition](#);
- (c) [May 17, 2011 dissenting report of Michael Banks](#); and
- (d) [May 17, 2011 partial dissent of Dave Pelletier](#).

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In accordance with section 5 of the Due Process Review Policy, the ASOC met on May 27, 2011 in order to reach one of the following conclusions: a) due process has been followed in the adoption of the MB-SOP in accordance with the Due Process Policy; or b) due process has not been followed in the adoption of the MB-SOP in accordance with the Due Process Policy.

2. The Petition

The Petition states that the petitioners are not convinced that it is in the public interest to adopt the MB-SOP. The ASOC's principal responsibility is to serve the public interest by overseeing and providing input to the activities of the ASB. Accordingly, the ASOC has been overseeing the activities of the ASB in relation to the development of all Standards of Practice, including the MB-SOP, to ensure that the ASB holds the duty of the actuarial profession to the public above the needs of the actuarial profession and the members of the CIA. The ASOC finds that the adoption of the MB-SOP serves the public interest.

The Petition states that the ASB did not approach the Committee on Actuarial Evidence ("AEC") to discuss or obtain information regarding the AEC's concerns with exposure drafts on proposed changes to the MB-SOP. Section 4 of the ASB Report clearly outlines the numerous steps taken by the ASB to discuss the proposed changes to the MB-SOP with the AEC and the communication activities that took place with the members of the CIA, which included members of the AEC.

The Petition states that the exposure drafts and the MB-SOP did not include or make mention of comprehensive testing of the consequences of the prescribed assumptions. There is no established protocol with respect to testing that was not followed in the case of the MB-SOP.

3. ASOC Response to the Petition

The ASOC has determined that due process has been followed in the adoption of the MB-SOP in accordance with the ASB's Policy on Due Process for the Adoption of Standards of Practice.