

**Canada: Actuarial Assumptions Development - deepening the
expertise and enhancing the independence of the Chief Actuary**
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Office of the Chief Actuary - Canada

- The Office of the Chief Actuary (OCA) is an independent unit within Office of the Superintendent of Financial Institutions (Canada) that provides a range of actuarial valuation and advisory services to the Government of Canada.
- **Mandate: conduct statutory actuarial valuations on the**
 - Canada Pension Plan (CPP) – **19M members**
 - Old Age Security Program (OAS) - **5M beneficiaries**
 - Federal public sector pension and insurance plans (Canadian Forces, Royal Canadian Mounted Police, Public Service, Members of Parliament, Federally Appointed Judges) – **0.8M members**
 - Canada Student Loans Program – **0.5M loans**
 - Employment Insurance Program – **17M workers**

Actuarial assumption development is a vital part of the actuarial work

- Upcoming ISSA-ILO Guidelines for Actuarial Work for Social Security provide guidance on assumptions development highlighting the key role of actuaries.

- In particular, it is stated, that with respect to the development of assumptions

“ The social security institution should guarantee the independence of the actuary”

- Actuarial professional standards assign to actuaries high responsibility for assumptions.

Expertise and independence are interrelated

The OCA follows a well-documented and clear assumptions development process

STEP 1

- Inter-disciplinary seminar is held at the beginning of a valuation cycle.
- Independent experts provide their view on near- and long-term demographic, economic and investment perspectives for Canada.
- This seminar is attended by the OCA staff as well as by CPP stakeholders (including officials from federal, provincial and territorial governments).
- All information is made public.



Being independent doesn't mean working in isolation and without controls

STEP 2

- All assumptions are documented.
- The documentation contains social context relevant to the assumptions development, as well as justifications of the chosen assumptions.
- These can be provided to Canadian public on request.

STEP 3

- During the valuation process, the OCA presents assumptions to and seeks inputs of the relevant organizations.



External peer review is a crucial part of the valuation cycle

STEP 4

- Following the completion of the report, the OCA commissions an external peer review. The report of the review is available on the OCA website.
 - Terms of reference: the assumptions are reasonable, both individually and in the aggregate.
- Six independent peer reviews of the CPP Actuarial Reports opined that the assumptions used by the Chief Actuary are reasonable.
 - the reviews praised the OCA's competence, commitment and professionalism.

Openness and cooperation are the best ways to ensure professionalism and independence

- The openness of the assumptions development process makes political interference as well as undue influence on the Chief Actuary judgement impossible.
- Considering a wide range of opinions, being open and transparent, and maintaining internal and external controls allow the Chief Actuary to fulfill his/her mandate in a professional and independent manner.



The professionalism and independence of the Chief Actuary has been recognized in several ways

■ **The 2014 Federal Budget** : *“The Office of the Chief Actuary provides vital and independent actuarial advice with respect to the Canada Pension Plan, public sector pension arrangements, and other social programs for which the Canadian taxpayer is a stakeholder.”*

■ **The Auditor General of Canada’s Spring 2014 Report to Parliament** : *“The OCA determines the demographic and economic assumptions for funding valuations, which occur every three years, in an independent manner. All actuarial assumptions used are best-estimate assumptions made by the OCA. We found that the Secretariat, National Defence, and the RCMP [various government agencies] respected the independence of the Chief Actuary.”*



Conclusion

- Professionalism and independence are enhanced by open and transparent processes.
- Canadian experience will be beneficial to other social security institutions responsible for assessing financial status of social security programs.
- It could also assist social security institutions in compliance with ISSA-ILO Guidelines on Actuarial Work for Social Security Institutions, especially with guidelines on
 - Assumptions,
 - Communication and disclosure, and
 - Independence of actuary.

Please visit our website



The screenshot shows the OSFI website's 'Office of the Chief Actuary' page. The header includes the Government of Canada logo and navigation links for 'Canada.gc.ca', 'Services', 'Departments', and 'Français'. The main navigation bar lists 'Financial Institutions', 'Private Pension Plans', 'Office of the Chief Actuary', and 'About OSFI'. The page content is organized into a sidebar with links like 'Mission and Mandate' and 'Actuarial Reports', a main section titled 'Office of the Chief Actuary' with descriptive text, and a 'Recently Posted' section with links to reports such as 'RRQ Seminar Program 2015' and 'Actuarial Report on the Pension Plan for the Public Service of Canada'. A right-hand sidebar offers options to 'Subscribe to OCA News' via email or web feeds, and to 'Learn More' about the 'Accountability Framework' and 'Business Plan'.

<http://www.osfi-bsif.gc.ca/eng/oca-bac/Pages/default.aspx>



Q & A

