



**Remarks by the Chief Actuary of Canada  
Jean-Claude Ménard**

**Office of the Chief Actuary  
Office of the Superintendent of Financial  
Institutions Canada (OSFI)  
to the  
House of Commons Stranding Committee on  
Public Accounts**

**Ottawa, Ontario  
May 28, 2014**

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Good afternoon, Mr. Chairperson, Honourable members of the Committee.  
Thank you for the opportunity to appear before you today.

**Mandate and Activities of the Office of the Chief Actuary**

The Office of the Chief Actuary (OCA) is an independent unit within the Office of the Superintendent of Financial Institutions that provides a range of actuarial valuation and advisory services to the Government of Canada. While I report to the Superintendent of Financial Institutions, I am solely responsible for the content and actuarial opinions reflected in the reports prepared by my office. The OCA plays an important role in helping the decision-makers, the Parliamentarians and the public understanding some of the risks associated with the public sector pension arrangements by providing checks and balances on the future costs of the different pension plans under its responsibilities.

As part of its mandate, the OCA conducts statutory actuarial valuations on the pension plans covering the federal Public Service (PSSA), the Canadian Forces (CFSA), the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament. These actuarial valuations are conducted every three years, or whenever an amendment is made that has a significant impact on the financial status of a plan. The purpose of these actuarial valuations is to determine the financial position of the plans and to assist the President of the Treasury Board in making informed decision regarding the financing of the

government's pension benefit obligations. The actuarial assumptions used in the actuarial valuations are determined independently by the OCA and they represent the OCA's best estimate of expected future events. The actuarial assumptions are revised every time a new valuation is performed based on economic trends and demographic experience. The actuarial valuations are conducted in accordance with accepted actuarial practice in Canada.

### **Recent Amendments to the Statutes Governing the Public Sector Pension Plans**

With the amendments introduced in 2012, contribution rates for public service employees and Members of Parliament are being increased to bring their share of the plans' current service costs to 50% by 2017, thereby splitting the cost 50-50 between the members and the Government. In addition, the age at which Members of Parliament and public servants entering the plan after 1 January 2013 may receive an unreduced pension is being increased to 65. Actuarial reports presenting the effect of these amendments on the Pension Plan for the Public Service of Canada and on the Pension Plan for the Members of Parliament were prepared by the OCA and tabled before Parliament on 25 March 2013 and 31 May 2013, respectively. It was estimated that these measures will reduce the cost to the Government by \$2.6 billion by 2017 and subsequently by \$900 million per year.

### **Remarkable Gains in Life Expectancy**

Back in 1965, average life expectancy at age 65 was another 15 years, with women living slightly longer than men. Today, retirees at 65 can expect to live for another 20 years on average, again with women living slightly longer. If we project into the future, taking into account future assumed mortality improvements (that is, further future gains in life expectancies due to decreasing mortality rates), we could expect an additional three-to-four-year gain in life

expectancy at age 65. These expected future mortality improvements are embedded in our actuarial valuations of the pension plans. If the future improvements in mortality were not taken into account, the total actuarial liability of the three largest public sector pension plans (PSSA, CFSA and RCMP) as at 31 March 2013 would be reduced by \$7.7 billion or 3.4%.

In closing, I am pleased to quote the 2014 Spring Report of the Auditor General of Canada: “We found that the Treasury Board Secretariat, National Defence and the RCMP respected the independence of the Chief Actuary”.

Thank you for the opportunity to appear before this Committee. I would be pleased to answer any questions that you might have.