



Accountability Framework of the Office of the Chief Actuary

MISSION

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. The Office of the Chief Actuary (OCA) has a vital and independent role to play in this process. The OCA provides checks and balances on the future costs of the different pension plans and social programs under its responsibilities.

MANDATE

The mandate of the OCA is to conduct statutory actuarial valuations of the CPP, Old Age Security (OAS) Program, the Canada Student Loans Program (CSLP), Employment Insurance (EI) and federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans and programs as required by legislation.

Whenever a bill is introduced before Parliament that has a significant impact on the financial status of the CPP or an amendment is made to a public sector pension plan or social program falling under the statutory responsibilities of the Chief Actuary, the OCA must submit an actuarial report valuing this impact to the appropriate minister. The Chief Actuary submits these reports to the Ministers of Finance, Employment and Social Development (ESDC), and to the President of the Treasury Board.

The OCA also provides the relevant government departments, including the executive arm of provincial and territorial governments, who are co-stewards of the CPP, with actuarial advice on the design, funding and administration of these plans. OCA clients include ESDC, Finance, Treasury Board Secretariat, Public Works and Government Services, National Defence, Veterans Affairs, the Royal Canadian Mounted Police, Justice Canada and Canada Employment Insurance Commission.

PROFESSIONAL ACCOUNTABILITY

Under the *Canada Pension Plan* section 115, the “Chief Actuary of OSFI” has the responsibility to conduct a triennial actuarial review of the CPP. In addition, the Chief Actuary shall, whenever a Bill is introduced in the House of Commons that may have a significant impact on the financial status of the CPP, submit an actuarial report valuing this impact on the results of the most recent triennial actuarial report.



As defined in the *Public Pensions Reporting Act*, the Chief Actuary means the “Chief Actuary of OSFI”. Under section 6 of that Act, the Chief Actuary also has the responsibility to conduct a triennial actuarial valuation of the pension plans established under the following acts:

- (a) *Canadian Forces Superannuation Act*;
- (b) *Members of Parliament Retiring Allowances Act*;
- (c) *Public Service Superannuation Act*;
- (d) *Royal Canadian Mounted Police Superannuation Act*;
- (e) *Judges Act*; and
- (f) *Old Age Security Act*.

Section 19 of the *Canada Student Financial Assistance Act* provides that the Chief Actuary of the Office of the Superintendent of Financial Institutions shall prepare a triennial report on the financial assistance provided under this Act. Such report includes a forecast of the costs and revenues of the Program for the next 25 years. The purpose of the actuarial review of the CSLP is to provide an evaluation of the Program’s overall financial costs and increases the level of information provided to the Minister of Employment and Social Development, Parliament and the public.

In accordance with section 66 of the *Employment Insurance Act* and section 28 of the *Department of Employment and Social Development Act*, an actuary, who is both a Fellow of the CIA and an employee of the Office of the Superintendent of Financial Institutions, should prepare annual actuarial forecasts and estimates necessary to set the Employment Insurance premium rate. The OCA assumes this statutory responsibility.

The OCA was created to provide actuarial and other services to the Government of Canada and provincial governments who are CPP stakeholders. The OCA serves the public interest by ensuring good governance of the plans and programs, appropriate disclosure in actuarial reports and contributing to the overall accountability to plans and programs participants.

The OCA was established within the Office of the Superintendent of Financial Institutions as an independent unit. By being outside of the departments that use its services, the Chief Actuary can exercise independent and impartial professional judgment in discharging its mandate.

The current environment for the retirement income system puts an additional onus on the OCA to be, and perceived to be, fully accountable and professionally independent. While the Chief Actuary reports to the Superintendent, the OCA staff is solely responsible for the content and actuarial opinions in reports prepared by the OCA and solely responsible for the actuarial advice provided to the relevant government departments, including the executive arm of provincial and territorial governments, who are co-stewards of the CPP.

The OCA maintains its credibility and the quality of its work by adhering strictly to professional actuarial standards. The Chief Actuary and his or her staff, who are Fellows and Associates of the Canadian Institute of Actuaries (CIA), are subject to the CIA Rules of Professional Conduct. The statutory actuarial reports are co-signed by the OCA actuaries who are Fellows of the CIA to enhance the internal quality control process.

As part of its policy of ensuring that it is providing sound and relevant actuarial advice to Members of Parliament and to the Canadian population, the OCA commissions external peer reviews of its Actuarial Reports on the Canada Pension Plan. The external peer review process has been in place since 1999 and has generated a number of valuable recommendations that have been a source for continued improvements in the quality and transparency of actuarial reports. To ensure impartiality and to enhance the credibility of the peer

review process, the globally recognized social security experts at the United Kingdom Government Actuary's Department (GAD) selects the panel members and provides an independent opinion on the work done by the reviewers.

In order to audit the Government of Canada's liabilities related to pensions, severance benefits, student loans, health and dental post-retirement benefits, workers' compensation benefits and Veterans' future benefits shown in Public Accounts, the Auditor General uses the actuarial work of OCA as audit evidence. In particular, the Chief Actuary is to confirm to the Auditor General that the Chief Actuary and his or her staff are members in good standing with the CIA and the work performed is in accordance with the standards of the CIA.

CLIENT LIAISON

The Consultation Committee of the OCA, which is composed of several client department representatives, discusses and reviews the OCA's plan and priorities, business plan, human resources plan and operating budget. This Committee provides a means whereby the Superintendent of Financial Institutions can consult and discuss issues pertaining to the relationship management of the OCA with client departments using the actuarial services of the OCA.

The Chief Actuary enters into a Memorandum of Understanding (MOU) with each client department. The purpose of an MOU is to define the principles governing the costs of services to be charged to the program and/or client department by OSFI for the work done by the OCA and to provide the Chief Actuary, in a timely manner, with the data needed for actuarial studies to ensure that all data provided is reliable, complete and accurate.

The MOU, signed by federal, provincial (except Québec) and territorial governments in January 1999, established principles for the provision of actuarial services relating to the CPP to executive branches of the federal, provincial and territorial governments by the Chief Actuary.

In the interest of fostering informed public commentary on the CPP, a policy for supplying actuarial information and services on the CPP was developed for the public and third party organizations, outside of the executive arm of government, to provide special information or actuarial work related to the CPP on a fee for service basis. This policy brings transparency to the existing practice since information provided to requestors is publicly available.

The Superintendent will, as necessary, consult with other departments about the performance of the OCA in meeting their needs under the MOU and factor that into assessing the performance of the OCA.

REPORTING CONTROLS

The housing of the OCA within OSFI, which is the primary regulator of federally chartered financial institutions and federally administered pension plans, allows the two Offices to share certain administrative costs. It also allows for greater coherence between the work of the Superintendent and the Chief Actuary. As a public servant, the Chief Actuary serves the executive arm of government with objectivity and impartiality. The current arrangement ensures the timely provision of actuarial services and enhances the ability of the OCA to fulfill its mandate in a cost-effective manner.

As part of OSFI, the OCA adopts management processes that are followed by OSFI, such as Enterprise Risk Management, preparation of an annual strategic plan for the next three years, and development/maintenance of performance measures. The OSFI Internal Audit unit includes the OCA in its audit universe and includes the

OCA in generic audits it conducts. OSFI's Internal Audit unit may conduct targeted audits covering the OCA's operations, as it does for other areas of OSFI. Any such audits take into account the extensive audit processes that OCA is already covered by, such as peer review of the CPP and audits by the Office of the Auditor General. As is normal practice, results of audits directed by OSFI's Internal Audit unit are reported to OSFI's Audit Committee that is comprised in majority from external members and, ultimately, posted on OSFI's web site.

As per the Treasury Board of Canada Policy on Internal Control, the Superintendent, as Accounting Officer, along with the CFO, sign the *Statement of Management Responsibility Including Internal Control over Financial Reporting* that the effectiveness and adequacy of OSFI's system of internal control has been reviewed.

OCA BUSINESS PLAN

The OCA's Business Plan covers its strategic objectives, business environment, enterprise risk management, demographic and economic environment, business activities, as well as the priorities over a three year planning period.