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Work Plan for IAA Social Security Committee

The IAA Social Security Committee (hereafter, “the Committee”) was established in 1997. Its terms of references are proposed to be updated in November 2003 as referenced below in section 1.

The IAA is organized into committees and sections each focusing on their specific fields of work. The need for the IAA Social Security Committee was discussed and it was concluded that there is need for a committee focusing on actuarial issues in social security and to promote actuarial profession in that field. However, it is essential that the Committee will work in close cooperation with other relevant IAA committees and sections.

1. Terms of Reference

1. To seek to reflect the views of the world-wide actuarial community, as expressed by the member associations of the IAA, in discussions and debates at the international level on social security issues.
2. To support actuaries working in the social security field by, among other things, developing actuarial guidance and promoting best practice
3. To raise the profile of the actuarial role in relation to social security organizations.
4. To promote the public interest through the role actuaries can play in social security.
5. To coordinate as needed with the Committee on Pensions and Employee Benefits.
6. To liaise with the International Social Security Association (ISSA) and with other relevant organizations on matters of mutual interest.

2. The definition of field of the Committee

“Social security” or “social protection”, as would be more accurate in some countries, can be defined in many different ways. An applicable definition for the use of the Committee is the definition given in the scope of the IAA Guidelines of Actuarial Practice for Social Security Programs although the Committee need not restrict to that definition. In the Guidelines the social security programs are defined to have following attributes:

1. Prescribed by legislation,
2. covering a defined wide population, generally on a compulsory or automatic coverage basis and
3. the benefits provided by the program are generally payable in respect of one or more of the following: old age, retirement, death, disability, invalidity, survivorship, health, sickness, maternity, unemployment, work-related injuries.

The Guidelines apply to the above-mentioned programs irrespective of the manner in which they are managed or financed.

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The scope of the Guidelines is defined based on the types of risk, since the social security programs are arranged in very different ways regarding, for example, to the structure, the coverage, the use of private/state entities to provide the benefits and the financing of the program. Hence a wide set of different types of social security programs will fall into the definition.

Social security does not include private benefit plans and supplementary occupational plans.

A lot of differences exist between the social security and the private programs both in terms of aims and objects but also actuarially. For example, the funding methodology can be different especially if a pay-as-you-go or partial funding is used instead of the full funding techniques applied to pension funds. Furthermore different problems apply in social security system such as difficulties in collecting the contributions, dealing with several employers, and many other problems related to the nature of social security. Also, some social security organizations offer other benefits such as unemployment and health coverage, work injury benefits, and other benefits not so common in the developed countries such as grants for sisters or mothers etc.

The Committee focuses on social security, as defined above. The scope of the Committee covers also general public policy issues in design and financing of programs and arrangements. The Committee aims to support and promote the role of actuaries in this field.

3. The role of actuarial profession in social security

The roles of actuaries in the social security and in the private sector are different. The social security actuaries are, in many cases, working in the planning section of the government or other public bodies. In the private sector actuaries work in insurance enterprises, investment institutions or consulting firms. Only in rare cases However, social security programs may also be managed by private institutions.

The role of the social security actuary is to provide the discipline of insurance principles and a long term financial perspective in assessing and managing these programs. This will often mean that the actuary plays an important role in the design of the benefits themselves and of the financing arrangements. Actuaries may therefore possess a role to influence the public policy. Although working in many cases in a position under a political direction, an actuary should give an independent and objective opinion and consultation.

The actuarial associations and organizations possess also an important role as independent professional bodies to ensure the competence and credibility of the profession and to support actuaries in their practice.

4. Relations with other IAA bodies

The Committee will cooperate with other IAA bodies on the matters of common interest. The relevant bodies include:

- Pensions and Employee's Benefits Committee
- 2. Professionalism Committee
- 3. Education Committee

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4. Committee on Supranational Relations
5. Pensions, Benefits and Social Security Section
6. Health Section

The Committee will agree the means of cooperation with each committee or section.

5. Relations with other organizations

The Committee will also work to establish and maintain good relationships and cooperation with other international organizations in order to promote the interests of the IAA and the actuarial profession. The relevant organizations include:

1. IMF
2. ILO
3. ISSA
4. OECD
5. WHO
6. World Bank

6. Operational model

The Committee meets twice a year. Most of the work will then be performed between the meetings. The Committee work is divided into task forces. For each task the Committee chooses among itself a group of 2-5 members but also other actuaries can be invited to participate in the work. In its meetings the Committee discusses the subjects under work and gives guidance as to how to proceed. In addition to the intended greater efficiency, the purpose is also to have all the committee members involved with committee work.

7. Actions for next years

The appendix of the action plan will be updated on regular basis.

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Actions for next years

1. Follow up the IAA Guidelines of Actuarial Practice
 - to raise the awareness of the Guidelines
 - to prepare a questionnaire as to how the member associations have implemented the guidelines, what experience they have on their applicability and what needs for changes might have arisen and revise the Guidelines
2. Create the Social Security Actuaries Network
 - under way
3. Finalize the project of publication ICA-2002 presentations
 - under way
4. Promote the role of social security actuary and support actuaries in their practice
 - to prepare a paper on the role of actuaries; first draft prepared
 - to prepare more technical papers on best practices on different issues
5. Arrange sessions in conferences
 - to support the IAA Pensions, Benefits and Social Security Section in organizing the 1st Colloquium in October 2004
6. Prepare discussion papers on current issues of actuarial interest in social security
7. Coordinate work of common interest with the Pensions and Employee Benefit Committee, as well as with IAA Health Section
8. Cooperation with the ISSA on issues of mutual interest
9. In cooperation with the Committee on Supranational Relations
 - continuing the discussion with the ILO on cooperation

Possible subjects for seminars, research and/or discussion papers

- the role of actuaries in social security
- the role of actuaries in developing social security programs
- guidance on benefit design
- case studies and learning process of identifying and achieving reform
- financial governance in social security
- mortality assumptions including mortality improvement assumptions
- retirement age assumptions
- labour productivity growth assumptions
- policy process case studies