

February 25, 2013

International Actuarial Association
150 Metcalfe Street, Suite 601
Ottawa, Ontario K2P 1P1
Canada

To whom it may concern:

The Canadian Institute of Actuaries (CIA) is the national organization of the actuarial profession in Canada. The CIA follows its Guiding Principles, including Principle 1, which holds the duty of the profession to the public above the needs of the profession and its members.

We are pleased to offer the following comments on the International Actuarial Association exposure draft of a model international standard for social security programs.

Scope

The item that most concerns us is the scope of the document. As it currently reads, the standard could be interpreted to include Canadian plans such as Old Age Security, the Canada/Québec Pension Plan, Employment Insurance, and provincial healthcare, workers' compensation, and auto insurance plans. The standard should be clear as to what programs and plans are included or excluded. As it stands, there are a number of instances where this information is subject to interpretation, or is conflicting:

- The introduction states that this standard “is not written with benefits provided in connection with unemployment and work-related incidents (e.g., work-place injury) as the primary focus.” Rather than saying this, it would be better to have a clear statement as to whether these plans are included or excluded.
- A similar comment would apply to the final paragraph of the introduction.
- As well, this final paragraph seems to conflict with 2.12, which includes programs “regardless of how they are financed and administered”.
- Paragraph 2.12.3 would seem to exclude some programs from the scope, but this could be interpreted in different ways.

We suggest that the definition of “social security” programs be rewritten so as to more clearly describe those programs that are intended to be covered and those that are intended to be excluded. If it is not feasible to clearly define “social security programs”, then perhaps the standard should allow each country’s professional organization to identify what it considers to be a social security program in that country. Once the definition of social security programs is finalized, the standard should be adjusted and terms generalized so that they appropriately apply to all programs that fall under the scope.

With regards to workers' compensation programs, we suggest that these be specifically excluded from the standard. These programs are much closer to traditional insurance schemes, as opposed to other social security programs. In addition, the issues associated with workers' compensation (data requirements, reporting considerations, etc.) are different enough to warrant separate treatment. In Canada, we already have standards that apply to workers' compensation programs, but not for social security programs providing old age or retirement benefits, for example.

An additional issue related to scope is the level of specificity included in the draft standard. In particular, section 4.1 addresses reports concerning the projected financial status of a social security program. It should be made clear whether this section is intended to apply to actuarial reports on other topics, and if not, what requirements would apply in those instances.

General

Sub-paragraph 1.3.3, which discusses departures from the guidance, is perhaps too general. We suggest adding conditions that would justify the departure, such as more specific standards at the jurisdictional level, or some other specific characteristic of the program, or the nature of the work.

In sub-paragraph 1.4.4.a, we suggest highlighting other circumstances where limiting the content of the report may not be appropriate. Examples could include:

- If the valuation or work performed is required by law or regulations; or
- If the valuation or work performed is disclosed or perceived as a professional independent exercise.

Definitions

The definition of "independent expert review" (2.6) should be broadened to encompass a wider range of reviews, including a review of assumptions only, and possibly a review of other financial matters within the domain of actuarial practice. We would also suggest the reference to "this report" in paragraph (a) be replaced with "the work that is subject to review". The reference to "the SSP or its sponsoring agencies" should also appear again at the very end of paragraph (b).

The reference to "analysis" in the definition of "valuation" (2.14) should be restricted to analysis done within the domain of actuarial practice. If so, then the reference to "financial" can be removed from paragraph 3.3.

Our concerns with the definition of "social security programs" were discussed in the preceding section.

Appropriate Practices

In paragraph 3.1, it should be clarified whether the policies of the sponsoring entity are included, or whether they are assumed to be part of the other items mentioned. We also suggest changing the last sentence to read "the actuary should take into account, but not necessarily limit himself to, the stated intentions of the SSP sponsor".

A reference to "national" is made in paragraph 3.2 and elsewhere. We suggest that this be changed to "jurisdictional", since in Canada many programs operate at the provincial or territorial level.

The "experience analysis" discussed in paragraph 3.3 should be limited to the more significant assumptions, as opposed to all assumptions.

Paragraph 3.4 should be generalized, as actuaries working in Canada typically do not prepare the balance sheet. The guidance may be useful if the actuary is estimating liabilities only. As well, the reference to “participants’ working years” should be generalized. In sub-paragraph 3.4.2, we note that the open group approach would conflict with Canadian standards for a public personal injury compensation plan if an actuary is preparing the balance sheet.

In sub-paragraph 3.6.1, we suggest adding a clause such as “if the terms of the actuary’s engagement so permit”. This would be consistent with Canadian standards.

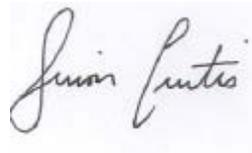
Communication

We would suggest that the relevant legislation governing the SSP be included in paragraph 4.1 as a required disclosure item. We also believe that the reference to “material” in sub-paragraph 4.1.5 is unnecessary, as the materiality requirement should apply throughout.

Conclusion

The Canadian Institute of Actuaries hopes its comments herein will be of value. We thank you for offering us the opportunity to present our thoughts, and we remain available to answer questions and provide additional information if required.

Respectfully submitted,

A handwritten signature in black ink, reading "Simon Curtis". The signature is written in a cursive style with a large initial 'S' and 'C'.

Simon Curtis
President