

## **Comments by the OCA to the Interim Actuarial Standards Subcommittee of the Executive Committee on the October 2012 Exposure Draft of an International Standard of Actuarial Practice (ISAP) on the Valuation of Social Security Programs**

The Office of the Chief Actuary, Canada (OCA) strongly supports the October 2012 Exposure Draft of an ISAP on the Valuation of Social Security Programs (October 2012 ED ISAP SSP) with the suggested edits as presented below.

Social security actuaries play an important role in carrying out financial analyses of social security programs. Since the policy decision-making relies heavily on such analysis, it is important that it is done by actuaries in a highly professional and responsible way. However, few existing professional standards and guidelines specifically apply to social security programs. In this context, the October 2012 ED ISAP SSP addresses the need of social security actuaries for professional guidance, and its release is very timely.

By their nature, social security programs cover a wide segment of the population, and, as such, nationwide economic and demographic assumptions are often needed in order to prepare actuarial valuations. Valuation methodologies used in social security valuations are dependent upon the financing methods of these programs and upon the sustainability measures used. Finally, communication is increasingly becoming an integral part of social security actuaries' mandate: they need to effectively convey their findings and recommendations to policymakers in order for responsible public policies to be developed. These considerations are addressed in the October 2012 ED ISAP SSP through discussion of appropriate practices as well as communication and disclosure requirements.

Canada has significant experience in the area of social security valuations. The OCA is pleased that some of the best Canadian practices were reflected in the October 2012 ED ISAP SSP: the guidelines with respect to the independent expert review process and the acknowledgement that a balance sheet for pay-as-you-go or partially funded social security programs should be prepared using an open group approach, under which contributions and benefits of both current and future participants are considered.

In Canada, although the Canadian Institute of Actuaries has a comprehensive set of actuarial practice standards that cover a majority of actuarial practice fields, there are no practice-specific standards for social security programs. Subsequent to approval of the ISAP SSP by the IAA, the OCA intends to follow the standard conditional on acceptance of the ISAP SSP by the Canadian Actuarial Standards Board.

The OCA suggests the following edits to section 3.4.3 (indicated as highlighted below) of the October 2012 ED ISAP SSP:

3.4.3. Where [law](#) requires adoption of an approach for production of a balance sheet that is not in line with either section 3.4.1 or 3.4.2 as applicable, the [actuary](#) should communicate the effects of the approach required **by law as well as the approach the actuary would have otherwise chosen** for the program in question to the [intended users](#).

The OCA confirms its support of the October 2012 ED ISAP SSP in its current form, with suggested edits as indicated. The OCA considers that in the standard's current form: 1) the guidance is clear and unambiguous, 2) the guidance provides the correct amount of detail, and that 3) the guidance is relevant and complete by including only and all important matters for an international standard on social security.

---