Social Security Committee
Terms of Reference (1)

- Membership
  - open to all IAA Full Member associations
  - having liaison representation from the ISSA and the ILO
Purpose

- To support actuaries working in the social security field by, inter alia, developing actuarial guidance and promoting best practice
Role
- To seek to reflect the views of the worldwide actuarial community, as expressed by the member associations of the IAA, in discussions and debates at the international level on social security issues
- To raise the profile of the actuarial role in relation to social security organizations
- To promote the public interest through the role actuaries can play in social security
- To liaise with the International Social Security Association (ISSA), the International Labour Office (ILO), the World Bank and other relevant organizations on matters of mutual interest
- To encourage the development of the actuarial profession within the social security context by facilitating meetings and sessions at meetings focused on social security topics
- Working Group Reporting to the Committee
  - Population Issues Working Group
  - To identify population issues of particular interest to actuaries and in respect of which the actuarial profession, at an international or national level, could make a useful contribution in the public interest
Memorandum of Understanding between the ISSA and the IAA (1)

* Joint Programme of Cooperation
  - Organisation of joint ISSA/IAA events
  - Exchange of information and publications
  - Participation in events organised by one of the parties
  - Organisation and publication of joint studies etc.
  - Representation in the relevant committees
Activities covered by the MOU

1. Undertake studies and provide general information to social security actuaries:
   One or more IAA representatives as observers on the Steering Committee meetings of the ISSA Technical Commission on Statistical, Actuarial and Financial Studies and vice-versa for the IAA Social Security Committee

2. Organise meetings and seminars to interested parties:
   Participation by IAA representatives in ISSA events and vice-versa

3. Contribute to improve social security systems around the world:
   Providing web site information and other communications

4. Providing social security actuaries with guidelines and standards:
   Provision by the IAA of a model international actuarial standard for social security calculations and provision by the ISSA of guidelines and good practices re actuarial activities in social security organisations

5. Assist in examining sustainability challenges caused by demographic changes:
   Liaising with the IAA Population Issues Working Group and providing the results of the relevant ISSA projects
Social Security Committee Activities

- Making of the International Standard of Actuarial Practice
- Making of the position paper on various issues
- Cooperation with supranational organisations
- Population Issues Working Group
* ISAPs being prepared
  - ISAP 1: generic <<< to be finalized at the Nassau Council?
  - ISAP 2: IFRS 4
  - ISAP 3: IAS 19
  - IASP 4: social security
  - ISAP 5: ERM
* ISAP 4
  - being discussed at the Interim Actuarial Standards Subcommittee
  - 30 iterations (about to go to ED)
  - originated in “IAA Guidelines of Actuarial Practice for Social Security Programs” adopted by the Council of the IAA October 21, 2002
  - principles common to all actuarial practices going to ISAP 1
  - many new elements being introduced
    * defining the terminology
    * elaborating the situations such as balance sheet methodology, reliance on experts from other professions
    * independent expert review
Stochastic Projections of the Financial Experience of Social Security Programs: Issues, Limitations and Alternatives

- being finalized
  * based on the IAA publication: “Stochastic Modeling: Theory and Reality from an Actuarial Perspective” (2010)
  * the skeleton was presented as a personal paper by Bruce Schobel at the IAA Mini-Congress in Hong Kong in May 2012

- advantages of stochastic projections, if properly made:
  * when analyzing tail risks

- limitations of stochastic projections:
  * when it is difficult or impossible to determine the appropriate probability distribution
  * when credible historical data or observable conditions are not available
  * when it is difficult or impossible to validate the model
  * stochastic projections tend to be favoured because of technical sophistication, but actuaries should clarify these limitations
  * the similar limitations as deterministic projections

- additional approaches:
  * sensitivity tests, stress tests, tail-event tests (as shown in the actuarial report on the CPP in 2010)
Next subject

- to be decided at the IAA Social Security Committee meeting in Nassau in November 2012

- three candidates:
  * How should economic assumptions be determined?
  * How to deal with data, for example in developing countries?
  * Change of contribution period, from the actuarial point of view.
Co-operations with Supranational Organizations (1)

- The ISSA
  - Participation in the IAA Social Security Committee meetings by Jean-Claude and Florian
  - Participation in the ISSA International Conference of Social Security Actuaries and Statisticians and in the meeting of the Steering Committee of the ISSA Technical Commission on Statistical, Actuarial and Financial Studies by Chris, Ken and Junichi
Co-operations with Supranational Organizations (2)

* The ILO
  - MOU between the ILO and the IAA
  - volunteers for technical co-operations
The Inter-American Development Bank
- Its consultant asked for clarification of IMF staff discussion note “A Fiscal Indicator for Assessing First and Second Pillar Pension Reforms”
- A task force headed by Martin was formed
  *The note presents a method to recognize, from the national finance perspective, the unfunded obligations of social security pensions schemes when a country totally or partially return the funded part to the PAYGO part as happened in Hungary and several other Central and Eastern European countries.
  *Martin showed issues to be considered with care.
The C.I.PRES
- A federation of social security institutions of several French-speaking African countries
- The headquarter is in Togo.
- The Secretary General observed the IAA Social Security Committee meeting in Los Angeles in May 2012.
  * He showed interest in the ISAP.

Others
- the OECD
- regional banks
Thank you very much for your attention!