



Government Actuary's Department
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The Office of the Chief Actuary commissioned an external peer review of its 21st Actuarial Report on the Canada Pension Plan as at 31 December 2003 (21st Report). The United Kingdom Government Actuary's Department (GAD) was asked to select the independent Canadian actuaries who will perform the peer review and to provide an opinion on the work done by the reviewers.

First, I assisted the Chief Actuary in the choosing of the review panel. I received the applications directly and examined the resumes through a weighted selection criteria based on the experience of the reviewer in social security and pensions, as well as the reviewers qualifications and status with the Canadian Institute of Actuaries.

In July 2004, I provided the Chief Actuary a Peer Review Marking Schedule of the ten candidates ranked by their mark for his consideration. The Chief Actuary subsequently proceeded to negotiate the contract starting with the highest ranked candidates. The Chief Actuary successfully entered into an agreement with the top three highest ranked candidates.

Secondly, I am commenting generally on the reviewers' report and set out my opinion in the following section under the heading **Opinion on the reviewers' report**.

Opinion on the reviewers' report

1. I have considered the "Review of the twenty-first actuarial report on the Canada Pension Plan" dated 17 March 2005 prepared by Messrs R Brown, M Campbell and J Paterson. The review is of the twenty-first actuarial report on the Canada Pension Plan as at 31 December 2003 prepared by the Office of the Chief Actuary and signed by the Chief Actuary, Jean-Claude Menard and two of his colleagues, Michel Montambeault and Michel Millette.
2. In my view, the reviewers' were suitably qualified to carry out the review.



3. The terms of reference for the Review were

The panel will “review the work of the Chief Actuary in completing the Twenty-First Actuarial Report on the Canada Pension Plan as at 31 December, 2003 (21st Report) and, following the review, provide a report to the Chief Actuary and the United Kingdom Government Actuary’s Department (GAD). GAD will then provide its opinion of the peer review to the Chief Actuary.

The review report should contain opinions on the following questions:

- (i) Is the professional experience of the Chief Actuary and his staff who worked on the report adequate for carrying out the work required?
- (ii) Has the work been completed in compliance with the relevant professional standards of practice and statutory requirements?
- (iii) Did the Chief Actuary have access to the information required to perform the valuation, and were relevant tests and analysis on the data completed as might be expected?
- (iv) Were the actuarial methods and assumptions used in completing the report reasonable?
- (v) Does the 21st Report fairly communicate the results of the work performed by the Chief Actuary and his staff?

In providing opinions on the questions listed above, the panel will also provide such recommendations as the panel deems appropriate with respect to future actuarial reports on the Canada Pension Plan prepared by the Office of the Chief Actuary.”

4. I consider the terms of reference of the review to be appropriate so that it addressed all the relevant issues necessary to perform an in depth review of the actuarial work underlying the twenty first report and the contents of the report itself.

5. The review runs to 64 pages and includes the following sections

- Executive Summary
- Introduction
- Professional Experience
- Professional and statutory requirements
- Data
- Methodology
- Assumptions
- Communication of results
- Other actuarial issues

6. I consider that the work carried out for the review and the review document adequately addresses the issues set out in the terms of reference. The three reviewers were able to reach agreement on all of the opinions and recommendations set out in the review report.



7. Throughout the review, the reviewers have given detailed opinions on many of the issues that arise in the twenty first actuarial report. Section 9 of the executive summary gives a summary opinion as follows:

“Following an in-depth review of the Twenty-First Actuarial Report on the Canada Pension Plan, we have set out our opinions in the various sections of this report in response to the questions asked in our terms of reference. These opinions are summarized below.

In our opinion, the professional experience of the Chief Actuary and the staff who worked on AR21 was adequate for carrying out the work required, the work was completed in compliance with the relevant professional standards of practice and statutory requirements, and the Chief Actuary had access to the data he required to perform the valuation. He and his staff completed such tests and analyses on the data as might be expected. The data on which this report is based are sufficient and reliable.

Also, in our opinion, the Twenty-First Actuarial Report fairly communicates the results of the work performed by the Chief Actuary and his staff.

Regarding the assumptions used, we found that all but four assumptions were near the centre of the reasonable range, while two were at the higher-cost end and two were at the lower-cost end of their reasonable ranges. The total effect, in our opinion, is a set of assumptions well within the reasonable range, but a little on the conservative, or higher cost, side than we would have selected.

We believe that the Twenty-First Actuarial Report on the CPP was competently prepared and presents a reasonable set of results.”

8. I have not been requested to independently review the twenty first actuarial report. That is the role of the three reviewers. Nor have I been requested to independently review the opinions of the reviewers. I do not therefore agree or disagree with the opinions that the reviewers set out. However, I consider that the opinions of the reviewers:

8.1 Adequately cover all the main issues; and

8.2 Confirm that in their opinions, the twenty first actuarial report is fit for purpose.

9. As the reviewers comment, many of the parameters are not open to accurate prediction and therefore it is unsurprising that the reviewers have set out some differences of view on some of the best estimate assumptions. However, where the reviewers have a different view of a best estimate assumption they give the opinion that the assumption used in the twenty first actuarial report is within a reasonable range. They also give the view that considering all the assumptions, they are reasonable in the aggregate.



10. The reviewers set out 12 recommendations to be considered when preparing future actuarial reports on the CPP. Again, I have done no independent assessment of the recommendations made and therefore do not specifically agree or disagree with them. However, the nature and scope of the recommendations appear to be reasonable for the reviewers to make based on the work that they done.

Yours sincerely

A handwritten signature in blue ink that reads "D. Lewis". The letter "D" is enclosed in a circle.

David Lewis