



OPENING REMARKS - Jean-Claude Ménard CPP Seminar - 24 March 2006

Good morning and welcome.

It is my pleasure to act as your host today. For those of you who don't know me, I am Jean-Claude Ménard, Chief Actuary of the Canada Pension Plan, the Old Age Security Program and the public sector pension plans.

It has been three years since our last seminar and while this may seem like a long time, it is nothing when you consider the 75-year projection period for the Canada Pension Plan actuarial report! As you well know, our aim today is to learn from each other as we prepare the assumptions for the next CPP Actuarial Report. That is why we have invited some leading experts to share with us their research and ideas. I think you would agree with me that consulting with demographers, economists, actuaries and investment managers before setting the assumptions is a wise approach.

This is the fourth seminar of its kind. The first two were held in March and November 2000 and the last one in May 2003. In previous seminars, other distinguished speakers gave excellent presentations and reports focussing on one of the most important challenges facing Canada in the coming decades: the aging of the labour force.

I am pleased to say that some of these individuals, in particular Alain Bélanger, Louis Adam, Bill Robson and Rob Brown, accepted our invitation to join us today. I hope that you will have a chance to meet them.



Our last actuarial report as at 31 December 2003 was the first one after the full implementation of the amendments agreed upon by the federal and provincial governments in 1997. What has happened since the release of the 21st actuarial report in December 2004?

As you know, the federal and provincial finance ministers endorsed plans to establish regular peer reviews of actuarial reports on the CPP. It is of utmost importance that the credibility of the information presented in such reports be indisputable.

To further increase the independence of the peer review of the 21st Report, the Auditor General of Canada suggested using an actuarial organization from another country to oversee the peer review. The United Kingdom Government Actuary's Department or "GAD" was selected, which is internationally well known for its work and research in the field of social security. GAD selected the independent Canadian actuaries who performed the peer review, and provided an opinion on the work done by the reviewers once the peer review was completed.

The peer review was made public in May 2005, as was done for the previous reviews of the 17th and 18th triennial CPP actuarial reports; they are all available on our website. In the most recent independent peer review of the statutory actuarial report on the CPP, the reviewers state that they found each of the major actuarial assumptions to be within a reasonable range. Five of the assumptions were found to be near the centre of the range, while two assumptions were found to be more conservative and two assumptions less conservative than what the reviewers would have chosen. Overall, the best-estimate assumptions in aggregate were found to be within the reasonable range, but a little more conservative than what the peer reviewers would have chosen.

The last review was prepared by a panel of three independent actuaries, Robert L. Brown of the University of Waterloo, Mark Campbell of Towers Perrin in Calgary, and James G. Paterson of Paterson Pension Management Inc. in Vancouver, all Fellows of the Canadian Institute of Actuaries. I invited them to attend this seminar for further discussions with you. I'm pleased to see them with us today.

To ensure we maintain the highest levels of quality in our process, we will continue to consult with experts in the fields of long-term demographic, economic projections in the preparation of future actuarial reports. Today's seminar is held specifically for the purpose of obtaining input that will assist me and my team in establishing the assumptions for the next Canada Pension Plan actuarial report at the end of this year. It is important, when developing demographic and economic assumptions, to keep a long-term view and not be unduly swayed by short-term trends. However, the final assumptions must also take into account the short and mid-term trends so as to properly project the financial status of the plan over the next few years.

Our first speaker today is Alice Wade, Deputy Chief Actuary from the Social Security Administration in the United States. Ms. Wade will discuss the applicability of stochastic processes on the long-term financial status of the OASDI Program. Also in attendance is my U.S. counterpart Stephen Goss, Chief Actuary from the Office of the Chief Actuary within the same organization.

Our second speaker is Adrian Gallop who is from the U.K. Government Actuary's Department. He will address mortality trends in the 20th and 21st centuries and evolution of life expectancies.

This afternoon, our two speakers are economists: Andrew Sharpe from the Centre for the Study of Living Standards will discuss future Canadian productivity and its implications for the Canada Pension Plan followed by Don Coletti from Bank of Canada who will discuss inflation perspective.

The actuarial work that we do for the Canada Pension Plan is increasingly of interest to more and more Canadians, particularly as they grow older. For that reason, we decided for the first time to invite media representatives who because of their important and privileged role can help explain the main findings presented in various actuarial reports. Feel free to interact with them during this seminar as they may have questions.

In my view, there are two things that make a seminar productive: firstly, the quality of our speakers and their particular expertise; and secondly your active participation. That is why I encourage your questions and welcome your contributions. The success of this seminar is already guaranteed by the quality of our speakers. But we can all benefit further by interacting with them.

Before we start, some additional information for everyone:

- Lunch will be served in the contiguous room of the conference, which is where we will also take our breaks.
- Another room is available throughout the day for those with phone calls to make.

I encourage you to express yourself in the language of your choice. , interpretation and headsets are available. When you ask questions or make comments, I would ask you

to give your name and your affiliation. During the day if you need anything, please don't hesitate to ask my assistant, Lyse Lacourse, or you can speak to me. Thank you