



Accountability Framework of the Office of the Chief Actuary

MISSION

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. The Office of the Chief Actuary (OCA) has a vital and independent role to play in this process. The OCA provides checks and balances on the future costs of the different pension plans and social programs under its responsibilities.

MANDATE

The mandate of the Office of the Chief Actuary is to conduct statutory actuarial valuations of the CPP, Old Age Security (OAS) program, the Canada Student Loans Program (CSLP), and federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans and programs as required by legislation. Since 2012, the OCA is responsible for preparing the statutory actuarial report on the Employment Insurance premium rate. Hereinafter, this actuarial report will be tabled before Parliament by the Minister of Human Resources and Skills Development Canada (HRSDC).

Whenever a bill is introduced before Parliament that has a significant impact on the financial status of the CPP or amends a public pension plan or social program falling under the statutory responsibilities of the Chief Actuary, the OCA must submit an actuarial report valuing this impact to the appropriate minister. The Chief Actuary submits these reports to the Ministers of Finance, Human Resources and Skills Development Canada, and to the President of the Treasury Board.

The OCA also provides the relevant government departments, including the executive arm of provincial and territorial governments, who are co-stewards of the CPP, with actuarial advice on the design, funding and administration of these plans. OCA clients include Human Resources and Skills Development Canada, Finance, Treasury Board Secretariat, Public Works and Government Services, National Defence, Veterans Affairs, the RCMP, Justice Canada and Canada Employment Insurance Commission.

PROFESSIONAL ACCOUNTABILITY

Under the *Canada Pension Plan* section 115, the “Chief Actuary of OSFI” has the responsibility to conduct a triennial actuarial review of the CPP. In addition, the Chief Actuary shall, whenever a Bill is introduced in the House of Commons that has a significant impact on the financial status of the CPP, submit an actuarial report valuing this impact on the results of the most recent triennial actuarial report.



As defined in the *Public Pensions Reporting Act*, the Chief Actuary means the “Chief Actuary of OSFP”. Under section 6 of that Act, the Chief Actuary also has the responsibility to conduct a triennial actuarial valuation of the pension plans established under the following acts:

- (a) *Canadian Forces Superannuation Act*;
- (b) *Members of Parliament Retiring Allowances Act*;
- (c) *Public Service Superannuation Act*;
- (d) *Royal Canadian Mounted Police Superannuation Act*;
- (e) *Judges Act*; and
- (f) *Old Age Security Act*.

Section 19 of the *Canada Student Financial Assistance Act* provides that the Chief Actuary of the Office of the Superintendent of Financial Institutions shall prepare a triennial report on the financial assistance provided under this Act. Such report includes a forecast of the costs and revenues of the Program for the next 25 years. The purpose of the actuarial review of the CSLP is to provide an evaluation of the Program’s overall financial costs and increases the level of information provided to the Minister of HRSDC, Parliament and the public.

In accordance with the sections 65 and 66 of the *Employment Insurance Act* and section 28 of the *Department of Human Resources and Skills Development Act*, an actuary who is an employee of the Office of the Superintendent of Financial Institutions should prepare annual actuarial forecasts and estimates necessary to set the Employment Insurance premium rate. The Office of the Chief Actuary assumes this statutory responsibility.

The OCA was created to provide actuarial and other services to the Government of Canada and provincial governments who are CPP stakeholders. By housing the Office of the Chief Actuary in the Office of the Superintendent of Financial Institutions, it is independent and outside of the departments that use its services, thereby ensuring that the Chief Actuary can exercise independent and impartial professional judgement in discharging its mandate.

The OCA must be supportive to plan members, thereby serving the public interest, by ensuring good governance of the plan, appropriate disclosure in the actuarial report and contributing to the overall accountability of the plan sponsor to members.

The current environment for the retirement income system puts an additional onus on the OCA to be, and seen to be, fully accountable and professionally independent. While the Chief Actuary reports to the Superintendent, he is solely responsible for the content and actuarial opinions in reports prepared by the OCA and solely responsible for the actuarial advice provided to the relevant government departments, including the executive arm of provincial and territorial governments, who are co-stewards of the CPP.

The OCA maintains its credibility and the quality of its work by adhering strictly to professional actuarial standards. The Chief Actuary and all Fellows and Associates are members of the Canadian Institute of Actuaries (CIA) and are subject to the CIA Rules of Professional Conduct. The statutory actuarial reports are

prepared by OCA Fellows of the CIA and co-signed with the Chief Actuary to enhance the internal quality control process.

The Auditor General, in accordance with Generally Accepted Auditing Standards (GAAS), is required to obtain sufficient and appropriate audit evidence to support the content of the Chief Actuary's work. In connection with the audit of the summary of financial statements of the Government of Canada, the Chief Actuary is asked every year to confirm that the Government is relying on his work as audit evidence for reporting its liabilities relating to pension, severance benefits, health and dental post-retirement benefits, workers' compensation benefits and Veterans' future benefits.

The Chief Actuary is also to confirm to the Auditor General that the work performed is in accordance with the Rules of Professional Conduct of the CIA and that the Chief Actuary and his associates are in good standing with the CIA, the Chief Actuary had adequate access to data and he is satisfied that the data used to estimate the pension obligation was sufficient and reliable for valuation purposes.

CLIENT LIAISON

The Consultation Committee of the OCA, which is composed of several client department representatives, discusses and reviews the OCA's plan and priorities, business plan and operating budget. This Committee provides a means whereby the Superintendent of Financial Institutions can consult and discuss issues pertaining to the relationship management of the OCA with client departments using the actuarial services of the OCA.

The Chief Actuary enters into a Memorandum of Understanding (MOU) with each client department. The purpose of an MOU is to define the principles governing the costs of services to be charged to the program and/or client department by OSFI for the work done by the OCA and to provide the Chief Actuary, in a timely manner, with the data needed for actuarial studies to ensure that all data provided is reliable, complete and accurate.

The MOU, signed by federal, provincial (except Québec) and territorial governments in January 1999, established principles for the provision of actuarial services relating to the CPP to executive branches of the federal, provincial and territorial governments by the Chief Actuary.

In the interest of fostering informed public commentary on the CPP, a policy for supplying actuarial information and services on the CPP was developed for the public or third party organizations, outside of the executive arm of government, to provide special information or actuarial work related to the CPP on a fee for service basis. This policy brings transparency to the existing practice since information provided to requestors is publicly available.

The Superintendent will, as necessary, consult with other departments about the performance of the OCA in meeting their needs under the MOU and factor that into the performance of the OCA.

REPORTING CONTROLS

The housing of the OCA within OSFI, which is the primary regulator of federally chartered financial institutions and federally administered pension plans, allows the two Offices to share certain administrative costs. It also allows for greater coherence between the work of the Superintendent and the Chief Actuary. As a public servant, the Chief Actuary serves the executive arm of government with objectivity and impartiality. The current arrangement ensures that the executive arm of the federal and provincial governments is able to move forward rapidly with the work required and seek the consensus necessary. The current arrangement also ensures that the OCA is able to fulfil its mandate in a cost-effective manner.

As part of OSFI, the OCA would adopt management processes that are followed by OSFI, such as Enterprise-Wide Risk Management, 360 degree feedback on managers, preparation of an annual strategic plan looking out 3 years, and development/maintenance of performance measures. As well, OSFI has an Internal Audit unit, and an Audit Committee. OSFI has external members appointed to its audit committee who serve with the Superintendent. The independent members also represent a majority of the members of the Committee. OSFI's Internal Audit unit has a risk-based audit plan which is posted on OSFI's web site. The Internal Audit unit includes the OCA in its audit universe and includes the OCA in generic audits it conducts (such as audits of hiring practices across OSFI). OSFI's Internal Audit unit may conduct targeted audits covering the OCA's operations, as it does for other areas of OSFI. Any such audits take into account the extensive audit processes that OCA is already covered by, such as peer review of the CPP and audits by the Office of the Auditor General. As is normal practice, results of audits directed by OSFI's Internal Audit unit are reported to OSFI's Audit Committee and, ultimately, posted on OSFI's web site.

As per the proposed Treasury Board Policy on Internal Control, going forward, the Superintendent, as Accounting Officer, would sign the *Statement of Internal Control* that the effectiveness of the system of internal control for the OCA has been reviewed. The CFO would confirm the effectiveness of Financial Controls.

OCA BUSINESS PLAN

The Office of the Chief Actuary's Business Plan covers its strategic objectives, business environment, enterprise risk management, demographic and economic environment, business activities, as well as the priorities over a three year planning period.