

**INTERNATIONAL ACTUARIAL ASSOCIATION**  
**Social Security Committee**

**Minutes of the meeting held in Cape Town, South Africa**  
**Friday, March 5, 2010 – 14:00 to 17:00**

**Attendees**

**Members**

Robert L. Brown	Chairperson
Emil Boeke	Actuarial Society of South Africa
Barbara D' Ambrogio-Ola	Suomen Aktuaariyhdistys
Bozenna Hinton	Institute of Actuaries of Australia
Mary Frances Miller	Casualty Actuarial Society
Takashi Mizukami	Japanese Society of Certified Pension Actuaries, Institute of Actuaries of Japan
Bruce D Schobel	American Academy of Actuaries
Aldona Skucaite	Lietuvos aktuariju draugija

**Observers**

Dmitry Denisov	Russian Federation
Gary Hibbard	Chairperson, Accounting Standards
Esko Kivisaari	Chairperson, Pension and Employees Benefits Committee
Jean-Louis Massé	Past President
Junichi Sakamoto	Institute of Actuaries of Japan
Anna Selivanova	Russian Federation

**Apologies**

Jānis Bokāns	Latvijas Aktuaru Asociacija
Rosa Maria Farell Campa	Colegio Nacional de Actuarios A.C.
Maria Hablicsek Magyar	Aktuárius Társaság
Jan Hagberg	Svenska Aktuarieföreningen
Ana Haramija Hrvatsko	Aktuarsko Društvo
Klaus Heubeck	Deutsche Aktuarvereinigung e. V. (DAV)
Martin Kosztolanyi	Slovenska Spolocnost Aktuarov
Christoph Krischanitz	Aktuarvereinigung Österreichs (AVÖ)
Jan B. Kuné	Het Actuarieel Genootschap
Jean-Claude Ménard	Canadian Institute of Actuaries/Institut Canadien des Actuaire
Anders Paulsboe	Den Norske Aktuarforening
Thierry Poincelin	Institut des Actuaire
George M. Psaras	Cyprus Association of Actuaries
Luis Maria Sáez de Jáuregui Sanz	Instituto de Actuarios Españoles
Jagadish Sadashiv Salunkhe	Institute of Actuaries of India
Fructueux Tétiali	Institut des Actuaire de Côte d'Ivoire
Wilma Gomes Torres	Instituto Brasileiro de Atuária (IBA)
Andrew Young	Institute of Actuaries (UK)

## **1. Introduction of attendees and guests**

The Chair, Rob Brown, opened the meeting and welcomed the participants including members and observer non-members of the Committee.

## **2. Approval of the Agenda**

The agenda was approved as presented.

## **3. Approval of the minutes of the previous meeting in Hyderabad**

The minutes of the previous meeting held in Hyderabad on November 3, 2009 were approved without a formal vote.

## **4. Sessions at the Cape Town ICA (Five)**

The IAA Social Security Committee managed five sessions at the ICA 2010:

- Social security reforms as a result of the financial markets crisis
- Social security accounting
- The balance between social security and private pension plans
- Problems and Issues in Social Security
- Automatic Balancing Mechanisms

The ICA got 136 papers in response to their request for papers on a wide variety of topics and it took a great effort to go through all of them and divide them by topic. Participants should not be surprised if all of the presented papers don't precisely fit the given topic.

## **5. Upcoming Society of Actuaries meeting with the World Bank and PROST**

Many efforts have been taken to improve our liaison with the WB. What we are particularly interested in is their PROST model. We know that this model is used to evaluate the liabilities of many social security systems around the world, particularly in less-developed nations. We have been told that there is often no actuary evaluating the results they get.

The Social Security committee and the IAA have been working to arrange participation of the WB in a session at the upcoming Society of Actuaries meeting in New York (October 2010). The topic would be "Modeling of Social Security Systems". There will be three presentations:

- Jean-Claude Ménard of the Canada Pension Plan
- Steve Goss from the Social security administration, US (OASDI)
- Richard Hinz of the WB to talk about their PROST model.

Another organization that is becoming more and more important internationally is the IMF especially given that the focus is changing from macro economics to micro economics.

Since there is only one actuary working in the WB and he is not even working in Social Security, it is quite difficult to find a good contact person at the WB.

One other reason for the difficulties we have encountered might be that there is some competition between the WB and the ILO. As we all know, they have competitive valuation models. It is also important to remember that they have different mandates.

Junichi Sakamoto responded to a Request for Proposals for an Assignment with the Italian government. The terms of reference required the use of the PROST model. Junichi's bid was not accepted but four actuaries from different companies have been accepted. Maybe if we get in touch with those who will use PROST, we will find out more about it.

## **6. Action Items in Review**

### **a. Updates to web site (SSA link and Workers Compensation)**

A few years ago it was decided to collect useful actuarial information about the social security systems in different countries. For this purpose, a questionnaire was sent to the actuaries of several countries. We got some answers but they quickly got out of date.

In Tallinn it was proposed to collaborate with the ILO and the US Social security administration. They each have their own web site with a lot of information and they send questionnaires to the countries involved every 3 years. The idea was to add a few questions to the ISSA's questionnaire for our particular purposes.

This work was proceeding somewhat slowly, so in Hyderabad, it was suggested that we link it to an existing website. Rob has gotten approval to link to the United States SSA web site. The access to this website is open to everybody and the information therein should be the same as on the ISSA's web site.

In the meantime, Barbara has thought about some different questions for the template to add to the ISSA's questionnaire. The idea is to find out some key information from the actuarial point of view that is not available on the existing questionnaires.

Action: Barbara will check the SSA's web site and prepare a draft of an extended template for the next meeting.

About three years ago, we wrote three papers describing the Workers Compensation programs in South Africa, Canada and the United States and placed them on our web site. In Hyderabad, it was decided to try to publish more national reports. In the CT meeting, Emil B. told us that with regard to South Africa the report that is published on the internet is still good. Mary Frances said the same for her US report. And we have received a new report from Canada that has been posted. Adona told us that Latvia is going to change their WC system, so if they were to write a report now, it would soon be out of date.

Action: It was decided, that each member will contact Rob and provide a report on their country's Workers Compensation system.

## **b. The draft Social Security Guidelines (IAN 1)**

As reported in Hyderabad, the Guidelines of Actuarial Practice have been sent to the Professionalism Committee and are still on their agenda. The Professionalism Committee is still working on a Template for all IANs and, once completed, this would be applied to our IAN 1. They are now working on IAN 3 and then they will proceed to IAN 1.

## **c. Concerns about Stochastic Projections of the Financial Experience of Social Security Programs**

In Hyderabad, everyone on our committee agreed on the fact that we are far from sure what the future of the stochastic modeling in social security is. A draft of the paper “Concerns about Stochastic Projections of the Financial Experience of Social Security Programs” has been sent to committee members for comments.

In Cape Town, we had a very useful discussion on this topic. Many different points of view arose:

- The IAA is publishing a book to encourage actuaries to use stochastic modeling. Our paper should not discourage actuaries from using stochastic modeling.
- In the paper there could be some examples about the use of stochastic or deterministic modeling within Social Security as to the mortality projections. It could be interesting to also discuss fertility projections.
- Positive and negative aspects of the deterministic and stochastic approach when modeling social security could be discussed.
- It could be interesting to discuss the appropriateness of the often-used normal or lognormal distribution when modeling social security.
- A deeper analysis related to implicit assumptions could also be of great interest. The variables that are usually used in short-term modeling, may have a small impact. However the impact can play a major role in 75-year projections.

Action: Bruce and Rob will review the new IAA (Milliman) book and focus on the critical points with respect to stochastic modeling as it applies to systems like social security and long-range projections. They will rewrite our note and send a new draft to the committee for comments.

## **7. IAA Social Security Committee draft response to the EEC Ageing Report**

Jean-Claude Menard and his colleagues at the Canada Pension Plan created the response paper to the EEC Aging Report. In Hyderabad, the response paper was cleared (without objection) to be sent to the Professionalism Committee for delivery to the EEC authors.

## **8. Population Issues Working Group**

In Hyderabad, we agreed to form and supervise a Population Issues Working Group. Our committee has approved (without objection) the Terms of Reference for the PIWG.

Prior to the Cape Town meeting, Rob recruited Alvaro Castro Gutierrez to Chair the WIPG with Andrew Young being the suggested Vice Chair.

People outside our committee will also participate. For example Andrew Bryans (the Chair of the UK Ageing Population Interest Group) and John Martin, a retired UK actuary will be involved. The Social Security committee will not do the work of the PIWG, only coordinate it. The final goal is to produce a database, a network center and maybe some publications on population issues.

### **9. Activity Report for November 2009 to March 2010**

The Chair gave an oral summary of the Social Security Activity Report as presented to the IAA.

### **10. Other items of Business**

We have been without vice-chair for a while. Rob invited volunteers to offer their services for this position by e-mail. Rob is willing to chair the social security committee for three more meetings (i.e., through 2011).

### **11. Next Meeting: Vienna, Austria – October 10-13, 2010**

Rob thanked all those present and invited all members to meet in Vienna, Austria, in October 2010.

The meeting was adjourned at 4:06 pm.

Respectfully submitted,

Robert Brown  
Chairperson

Barbara D'Ambrogi-Ola  
Note-taker