



International  
Labour  
Organization

# Actuarial Services Unit

Good Financial Governance is all about  
finding the right balance between



Actuarial Services Unit  
Social Protection Department  
International Labour Organization

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# The Unit

The ILO has been providing actuarial services to create or improve its Member States' social security systems since the 1940s.

**i** As a tripartite organization involving representatives of the government and of workers' and employers' organizations, the ILO benefits from a unique position to deliver technically sound and neutral advice recognized by all social partners based on an internationally accepted framework of ILO Conventions on social security. The ILO is trusted as a neutral and technically-competent specialized agency of the United Nations. **ILO's findings and recommendations arising out of technical cooperation advisory services are highly respected in member States for providing guidance for national social policy-setting.**

## The Actuarial Services Unit (ASU)

Actuarial valuations and investment policy and management structure analyzes are highly technical products and should include all the necessary activities and disclosures in order to comply with national, if any, or IAA actuarial standards of practice (ISAP-2), the ILO-ISSA guidelines on actuarial work for social security as well as CFA Institute standards and ISSA guidelines on investments. To ensure such compliance, actuarial valuation projects should be properly managed and cleared by a qualified actuary, as defined in national actuarial standards of practice or ISAP-2.

With the objective of better supporting the Social Protection Specialists and ensure that ILO constituents receive high quality advisory services in a timely manner, a unit dedicated to deliver these services, the **Actuarial Services Unit**, has been created, composed of three staff, **1 P5, 1 P3 and 1 G4**.

### **ASU MANDATE:**

*Support TC projects requiring quantitative and actuarial inputs, including policy and legal recommendations*

# What ASU has to offer

Services	<p>ASU has the proper expertise and management tools to:</p> <ul style="list-style-type: none"><li>✓ Respond to TC requests in a timely manner</li><li>✓ Shorten the implementation process of projects by optimizing the use of available resources</li><li>✓ Improve supervision of TC projects status, activities and available resources</li><li>✓ Monitor efficiently the project budgets on a regular basis to ensure full delivery of the requested outcomes</li><li>✓ Improve TC products quality by ensuring systematic peer reviews</li><li>✓ Develop capacity and ensure ILO visibility in the regions</li></ul>
Expertise	<p>ASU can rely on an significant roster of more than 30 seasoned experts:</p> <ul style="list-style-type: none"><li>✓ Social security qualified Actuaries and Modelling Specialists</li><li>✓ Policy and Legal Specialists</li><li>✓ Other experts such as Investment Specialists (CFAs) or Chartered Accountants</li></ul> <p>The Unit is led by André Picard, FSA, FCIA, supported by Alexandre Landry, ASA, ACIA and can count on the expertise, as needed, from the other units of SOCPRO, the Policy, PFACTS and PPKS units</p>
Commitments	<p>ASU is committed to:</p> <ul style="list-style-type: none"><li>✓ Respond to TC requests by issuing a draft PRODOC within 5 working days of reception of the project background and details</li><li>✓ Have the best Experts starting to work on the project within 3 weeks of the reception of Funds by the Government/Institution</li><li>✓ Standardize the clearance processes to ensure an harmonized quality among every TC actuarial products, including producing actuarial reports templates</li></ul>
Other objectives	<p>Other objectives of ASU, in collaboration with the Policy, PFACTS and PPKS units, include:</p> <ul style="list-style-type: none"><li>✓ Consolidation of reference material &amp; guidebooks</li><li>✓ Database on actuarial valuations (assumptions, results, recommendations)</li><li>✓ Improvement of ILO actuarial tools and setting-up of additional specialized tools to improve investment analysis and to ensure coherent approaches and outputs in health, maternity and unemployment insurance</li><li>✓ Development of the actuarial standards and guidelines by active participation to IAA and ISSA forums</li></ul>

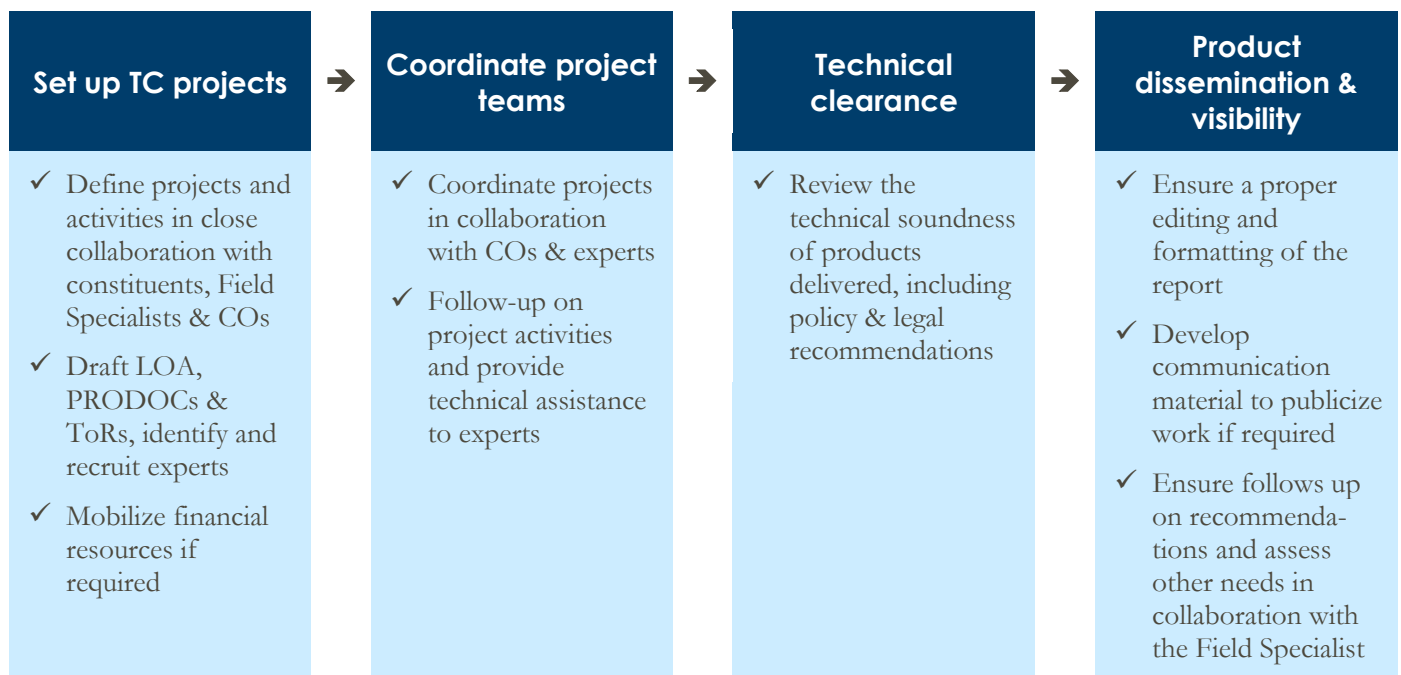
# ASU Services

Regardless of the type of actuarial TC projects involved, **ASU works in close collaboration with the Country Offices, Social Protection Specialists and other Technical Experts.**

To support country TC activities requiring quantitative and actuarial inputs, as well as policy and legal recommendations, ASU can work either on centralized or decentralized budget projects.

## 1. CENTRALIZED BUDGET PROJECTS

For centralized budget projects, ASU offers **Administrative backstopping, including setting up of TC projects, Coordination of activities, Technical clearance and Product dissemination**.



**Monitor continuously the project with the *Workflow Management Tool***  
**Deliver the agreed outputs within the agreed budget and timeframe**

# Administrative backstopping, including setting up of TC projects

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**The following administrative tasks must be carried out in an efficient and timely manner by the Administrative Backstopping Unit:**

- Acknowledge receipt of the official project request
- Communicate the request to Field specialist and Country Office director
- Contact the Institution and request any additional information to precise the scope of the project
- Define the activities and establish the budget
- Draft the PRODOC and LOA for discussion/negotiations with the Social Partners
- Work in close collaboration with PARDEV, BUD/TC and JUR to ensure the project's conformity with the ILO regulations, rules and procedures
- Submit the final LoA and PRODOC to the Institution
- Draft the ToRs for the Experts in line with the specific project objectives
- Identify and recruit Experts
- Enter the outcomes, output and activities in IRIS
- Issue external collaborators contracts
- Monitor the project budgets on a regular basis to ensure full delivery of the requested outcomes, including budget revision when necessary
- Issue and submit annual Financial Reports showing the funds received and expended during the prior calendar year to the Institution
- Edit and format the report
- Print and submit hard and soft copies of the final report



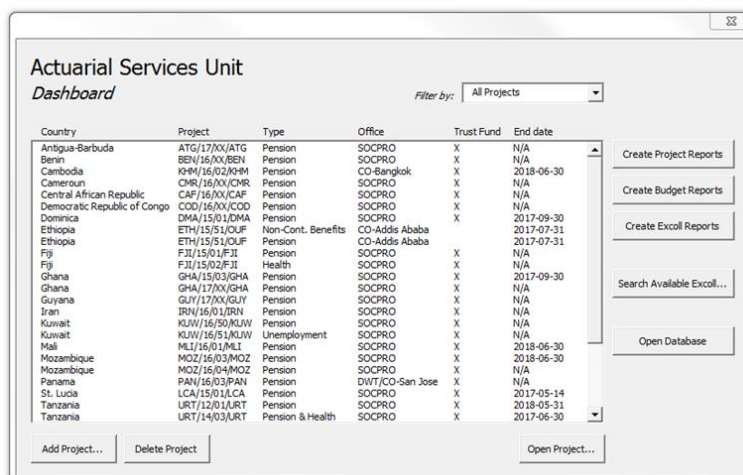
**Actuarial valuations as well as investment policy and management structure analyzes are highly technical products and should include all the necessary activities and disclosures in order to comply with national, if any, or IAA actuarial standards of practice (ISAP-2), the ILO-ISSA guidelines on actuarial work for social security as well as CFA Institute standard and ISSA guidelines on investments.**

- ✓ **The PRODOC should clearly define the context and problematic of the scheme and suggest activities, outputs and outcomes, based on sound actuarial principles, which will strengthen the financial governance and facilitate social partners consensus on reforms**
- ✓ **The ToRs should detail each specific activities to be carried out and outputs to be delivered by qualified actuaries and other experts**

## Coordination of activities and technical work

With its staff totalizing more than 36 years of experience in the actuarial field and project management, ASU is in a position to coordinate efficiently the projects activities and guide the experts' teams, either on the ILO standards, international actuarial standards and ILO tools and methodologies. ASU staff can also assist experts facing specific technical issues in the course of a project, or directly conduct various technical work such as actuarial valuations.

The monitoring of the TC projects is made possible by the *ASU Projects Management Tool*. The tool uses workflow inputs (Asana), financial inputs (IRIS) and resource inputs (Excolls and TC Staff databases) to improve the delivery of the outputs within the agreed budget and timeframe.



Country	Project	Type	Office	Trust Fund	End date
Antigua-Barbuda	ATG/17/XX/ATG	Pension	SOCPRO	X	N/A
Benin	BDN/16/XX/BDN	Pension	SOCPRO	X	N/A
Cambodia	KHM/16/02/KHM	Pension	CO-Bangkok	X	2018-06-30
Cameroun	CMR/16/XX/CMR	Pension	SOCPRO	X	N/A
Central African Republic	CAP/16/XX/CAP	Pension	SOCPRO	X	N/A
Democratic Republic of Congo	COD/16/XX/COD	Pension	SOCPRO	X	N/A
Dominica	DMA/15/01/DMA	Pension	SOCPRO	X	2017-09-30
Ethiopia	ETH/15/51/OUF	Non-Cont. Benefits	CO-Addis Ababa		2017-07-31
Ethiopia	ETH/15/51/OUF	Pension	CO-Addis Ababa		2017-07-31
Fiji	FJI/15/01/FJI	Pension	SOCPRO	X	N/A
Fiji	FJI/15/02/FJI	Health	SOCPRO	X	N/A
Ghana	GHA/15/03/GHA	Pension	SOCPRO	X	2017-09-30
Ghana	GHA/17/XX/GHA	Pension	SOCPRO	X	N/A
Guyana	GLY/17/XX/GLY	Pension	SOCPRO	X	N/A
Iran	IRN/16/01/IRN	Pension	SOCPRO	X	N/A
Kuwait	KUW/16/30/KUW	Pension	SOCPRO	X	N/A
Kuwait	KUW/16/51/KUW	Unemployment	SOCPRO	X	N/A
Mali	MLI/16/01/MLI	Pension	SOCPRO	X	2018-06-30
Mozambique	MOZ/16/03/MOZ	Pension	SOCPRO	X	2018-06-30
Mozambique	MOZ/16/04/MOZ	Pension	SOCPRO	X	N/A
Panama	PAN/16/03/PAN	Pension	DWIT/CO-San Jose	X	N/A
St. Lucia	LCA/15/01/LCA	Pension	SOCPRO	X	2017-05-14
Tanzania	URT/12/01/URT	Pension	SOCPRO	X	2018-05-31
Tanzania	URT/14/03/URT	Pension & Health	SOCPRO	X	2017-06-30

## Technical clearance

Technical clearance includes among other things:

- ✓ Assessing the relevance of assumptions and methodologies used and its compliance with the national, if any, or IAA actuarial standards of practice (ISAP-2), the ILO-ISSA guidelines on actuarial work for social security as well as CFA Institute standard and ISSA guidelines on investments
- ✓ Reviewing the actuarial models and its compliance with the scheme provisions and the suggested reform options
- ✓ Reviewing the provisions of the scheme and reform options recommendations for their compliance with the applicable ILO Conventions and Recommendations
- ✓ Making policy recommendations



Each actuarial activities should be properly managed and cleared by qualified actuaries and legal experts to ensure the products meets the highest standards of quality.

## Products dissemination & Visibility

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ASU, in close collaboration with the Programming, Partnerships and Knowledge-sharing Unit, ensures that the final products will follow the highest editing and formatting standards of the ILO. The Unit also ensures printing and dissemination of the reports to the Governments and relevant social security institutions.

With the authorization of the Government or Institution, the reports and their recommendations are posted on the Social Protection Web Platform, ensuring the ILO a constant international visibility and credibility in Social Protection.

**i** Due to its efficient administrative processes and management tools, as of March 2017, the **Actuarial Services Unit is managing 16 centralized budget projects, mobilizing 18 international experts with 31 external collaborators contracts.**

## 2. DECENTRALIZED BUDGET PROJECTS

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Regardless of the administrative backstopping approach used, an appropriate technical clearance by qualified actuaries and legal experts is required.

Moreover, in order to ensure the delivery of actuarial outputs that meets the highest quality standards in all regions and countries and in order to achieve an optimal use of resources, **the ASU is in position to recommend the most experienced actuaries, modelling experts and investment specialists thanks to its significant roster of External Collaborators.**

Same as for centralized budget projects, decentralized budget projects require a close collaboration between the Country offices and the Actuarial Services Unit.

**i** As of March 2017, the Actuarial Services Unit is supporting 4 decentralized budget projects mobilizing 8 international experts with 10 external collaborators contracts.



# ASU products

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**Actuarial valuation:** highly technical product enabling the stakeholders to improve the financial governance of a scheme

Political support is facilitated when the extent of the problem is quantified and, very importantly, the cost of inaction is made clear to those who will find the needed solutions painful in the short-run. Making these problems and costs clear requires regular long-term projections of scheme financing, namely actuarial valuations. Actuarial valuations are moreover compulsory exercises done every 3 to 5 years in most social security institutions. Actuarial valuations are highly technical procedures enabling the stakeholders to improve the long term balance between benefits and contributions (i.e. the benefits and funding policies) and are part of the good financial governance of a social security institution. The ILO makes available to its constituents various actuarial services enabling the governments to gradually build up in-house knowledge while working with a universally recognized and accepted partner.

**Investment policy and management structure analysis:** can have a major impact on the long term cost and/or benefits of a scheme

The investment policy and management structure can play a significant role on the sustainability of a partially funded social security scheme. Actuarial valuations often focus mainly on the financial equilibrium between contribution and benefits (the funding and benefit policies) and provide only general recommendations on asset allocation (the investment policy). An in-depth investment policy and management structure analysis can highlight the risks related to the current investment strategies of the institution and provide recommendations on the optimal asset allocation of the Fund, taking into account various factors such as the investment options available to the Institution at the national, regional and international level, the risk/return profile of the assets portfolio or the cost/benefit of rebalancing the portfolio. Depending on the availability of data, the analysis can be limited to the optimization of the risk/return profile of the assets portfolio or can use a stochastic model to optimize the asset allocation based on the impact of various options on the distribution of selected indicators such as the projected contribution rates or reserve ratios. The analysis can also make recommendations on the governance and management structure of the investments in order to optimize the implementation and monitoring of the investment policy.

## Budget estimates

Actuarial valuation of a contributory pension scheme	Duration: 9 to 15 months	Type of work	Centralized	Decentralized
	✓ Data collection and tripartite consultation mission	Administrative backstopping, including setting up of TC project and products dissemination	- 0.5-1.0 w/m P5	Activities organized by the Social Protection Specialist and the CO
	✓ Projection of general demographic and economic assumptions		- 0.5-1.0 w/m P3	
	✓ Experience review and reconciliation with the last actuarial valuation	Coordination of TC activities and technical work	- 0.5-1.0 w/m G4	
	✓ Complete statistical analysis and of the scheme's specific data and establishment of assumptions relative to the scheme		- Excolls (USD 75k-125k)	
	✓ Actuarial projections, including analysis of sensitive parameters and projection of reform options	Technical clearance	- 0.5-1.0 w/m P5	
	✓ Compilation of findings, results and recommendations, drafting of report and mission		- 0.5-1.0 w/m P3 - 0.5-1.0 w/m P2 (USD 25k-50k)	
Additional project costs			13% of the total project cost for Programme Support Cost, plus an additional 5% provision for cost increase	
Grand total			USD 100k-175k, plus cost applicable to Administrative Backstopping, PSC and any provision for cost increase	

Investment policy and management structure analysis	Duration: 4 to 8 months	Type of work	Centralized	Decentralized
	✓ Data collection and preliminary analysis of the investment environment	Administrative backstopping, including setting up of TC project and products dissemination	- 0.50-0.75 w/m P5	Activities organized by the Social Protection Specialist and the CO
	✓ Fact-findings mission to assess the feasibility of using the data collected to develop a quantitative model		- 0.50-0.75 w/m P3	
	✓ Optimization of the asset allocation based on either an efficient frontier or a stochastic model	Coordination of TC activities and technical work	- 0.50-0.75 w/m G4	
	✓ Researches and analysis of possible benchmarks for the different asset classes		- Excolls (USD 20-50k)	
	✓ Analysis of the in-house and external investment management capacity	Technical clearance	- 0.25-0.75 w/m P5	
	✓ Compilation of findings, results and recommendations, drafting of report and mission		- 0.25-0.75 w/m P3 - 0.25-0.50 w/m P2 (USD 15k-35k)	
Additional project costs			13% of the total project cost for Programme Support Cost, plus an additional 5% provision for cost increase	
Grand total			USD 35k-85k, plus cost applicable to Administrative Backstopping, PSC and any provision for cost increase	





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