

February 17, 2021

Deputy Prime Minister and Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Minister of Middle Class Prosperity and Associate Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Subject: Pre-budget Consultations 2021

The Canadian Institute of Actuaries (CIA) is pleased to participate in the 2021 pre-budget consultations.

We acknowledge that the COVID-19 pandemic has absorbed the attention of the government, and will continue to do so until the virus has abated. However, there are two additional topics that we would like to bring to your attention:

National drug insurance framework

The CIA has recently released a public statement on the issue of national pharmacare, entitled “Pharmacare: Is There a Pill for That?” This statement outlines the opinions of the actuarial profession on this topic, which the federal government has previously identified as an item of importance. Our statement calls for a national framework that involves both private insurance and government-sponsored programs, in order to meet the immediate needs of Canadians without coverage.

The fiscal aspects of our proposed framework deserve consideration as part of the pre-budget exercise. We believe that a single-payer solution to pharmacare comes with a higher cost than other possible solutions. In our proposal, private plans and provinces/territories would act as primary insurers and cover up to a certain limit of an individual’s costs. The federal government would pay for costs beyond that defined limit, including for specialty or high-cost drugs, such as those for orphan diseases.

This framework would help public and private plans better manage the volatility of costs, while ensuring the federal government has an important level of participation. For individual Canadians, their costs would simply be covered without worrying about different cost thresholds or unaffordable prescriptions.

Most importantly, we urge convening a task force of medical professionals, pharmaceutical experts, insurance leaders, private plan sponsors, government representatives, and actuaries to identify more accurate, consistent data on the costs and potential savings, and to perform a financial analysis over a long-term horizon. This could also include establishing the role of a health actuary at the Office of the Superintendent of Financial Institutions (OSFI). It would be appropriate to consider these next steps as part of the upcoming budgeting exercise.

The executive summary of our report is attached, and more details can be found at cia-ica.ca/pharmacare.

Entitlement to pension while employed

We are attaching a copy of a recent letter from the CIA to OSFI, which was also referenced in our January submission to Finance Canada as part of their consultation entitled “Strengthening Canadians’ Retirement Security.” We believe that the Pension Benefit Standards Act (PBSA) as written has led to an interpretation that could significantly disrupt the administration and cost of pension plans.

OSFI’s position appears to be that “under the PBSA, a pension plan cannot require a member who has attained pensionable age to cease employment before commencing payment of their pension.” Prior to this interpretation, the understanding among stakeholders was that a pension plan could permit the receipt of a pension while in employment, which is routinely done to respect the Income Tax Act requirements that a pension must commence prior to the end of the year in which a member turns age 71. However, few, if any, viewed the application of the pensionable age provision to mean that a member would be permitted to receive his or her pension while employed as a minimum PBSA requirement.

We recommend corrective measures to the PBSA to provide that, for further clarity, it is not a minimum PBSA requirement for a pension plan to permit a member to receive his or her pension while employed, so that the original intent and spirit of pension arrangements can continue to be honoured.

The CIA appreciates the opportunity to provide these comments. If you have any questions, please contact Chris Fievoli, CIA Staff Actuary, Communications and Public Affairs, at 613-656-1927 or chris.fievoli@cia-ica.ca.

Sincerely,

[original signature on file]

Michel St-Germain, FCIA
President, Canadian Institute of Actuaries

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Our members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.