



TO: Board of Directors
FROM: Donald Blue, Vice-President and Chief Actuary
DATE: June 22, 2016
CLUSTER: Finance
SUBJECT: Rate Setting for 2017
SUBMISSION: Information

Issue

The preliminary 2017 average rate requirement prepared by the Chief Actuary is submitted for Board of Directors review.

Background:

We have completed detailed analysis of preliminary 2017 rate requirements, reflecting the Board's updated financial position as at December 31, 2015 and incorporating the revised method of determining actuarial liabilities implemented as at December 31, 2015. The analysis tests projected Sufficiency Ratios under various scenarios, combining rate increases, differing new claims costs, rates of investment return and patterns of economic development.

The current funding trajectory suggests that achievement of 100% funding is possible much earlier than had previously been expected. This led us to consider a longer-term pricing strategy, which is summarized in the analysis. Note that this longer term strategy does not affect the preliminary 2017 rate recommendation, but has implications for future rate decisions.

Relevant Factors:

Appended to this memorandum for your review is a presentation setting out the results of our projections, summarizing other relevant information and presenting a preliminary assessment of the required rate.