My Experience in Government and what this might mean for the actuaries of tomorrow, their training and how academics can add value.

Trevor Llanwarne
Government Actuary
14th July 2011
AGENDA

- GAD and the work We’ve Done
- Growing Influence of GAD/Actuaries in general
- The Future – Skills & Values
- The Future – Collaboration
- The Future – Profession’s Strategy
WHAT TYPE OF WORK DO WE DO?

UK SOCIAL SECURITY
POLICY ADVICE – DWP/TREASURY
UK PUBLIC SECTOR PENSIONS – INCLUDING OUTSOURCING
OVERSEAS INSURANCE
OTHER OVERSEAS
OTHER UK INCLUDING MODELLING/ASSURANCE
A state pension for the 21st century

Presented to Parliament by the Secretary of State for Work and Pensions by Command of Her Majesty
April 2011

Cm 8053
PUBLIC SECTOR PENSIONS

Figure 11
Projected annual payments from the UK public service pay-as-you-go pension schemes continued

Pension payments as a percentage of projected Gross Domestic Product

Percentage

Source: National Audit Office analysis of data used by the Government Actuary’s Department to support the Treasury’s Long-term public finance report of December 2009

NOTE
Payments in each of the five categories are for the whole of the UK.
LONG TERM CARE

Chart 6.C: Long-term care spending (% of GDP)

Source: HM Treasury
National Insurance

UP
GAD RECENT WORK

ERNIE
PUBLIC SECTOR PENSIONS
STATE PENSIONS
SINGLE TIER GREEN PAPER
CONTRACTING OUT
LONG-TERM CARE
RISK + MODELLING
SOLVENCY II/OVERSEAS INSURANCE
HIGH EARNERS PENSIONS TAX
FINANCIAL CRISIS – APA
TREASURY (DISCOUNT RATES; LATEST WGA)
INFLUENCE
CONCLUSION – WHAT IS AN ACTUARY?

• UNCERTAINTY AND RISK
• MATHEMATICAL/STATISTICAL
• LONG-TERM FINANCIAL
• MODELLING & ANALYSIS, CERTIFICATIONS &
• PROFESSIONAL CODE & STANDARDS
• ASSURANCE
• QUALITY AND CONSISTENCY
WHAT IS AN ACTUARY?
INFLUENCE

MY 3 MISSIONS

SUCCESS

NEW FIELDS

BRAND

GOOGLE v NEWS OF THE WORLD
EVIDENCE

GAD INCOME ↑ 50%

GAD STAFF ↑ 50%

TURNOVER ↓ <5%

CLIENT SATISFACTION ↑

EMPLOYEE SATISFACTION ↑

EVERYTHING LOST → NOTHING LOST IN PUBLIC SECTOR

USUAL EXCLUSION → ALWAYS INCLUDED ON PENSIONS

REPUTATION OF PROFESSION VERY CLOSELY RELATED TO GAD
### Lesson 1

**Because**

<table>
<thead>
<tr>
<th>NO TO</th>
<th>YES TO</th>
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<tbody>
<tr>
<td>RECOMMENDATIONS</td>
<td>ASSURANCE &amp; CERTIFICATIONS</td>
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<tr>
<td>UNSUBSTANTIATED STATEMENT OF JUDGEMENT</td>
<td>DISCLOSURE/TRANSPARENCY &amp; USE OF EVIDENCE</td>
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<tr>
<td>ADVICE EXCEPT IN LIMITED CIRCUMSTANCES</td>
<td>PROCESS WITH CLARITY AND OPTIONS + ANALYSIS</td>
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<tr>
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**Challenge:** If this right hand style also gains hold in mainstream private sector, then how do our exams and education systems need to change?
LESSON 2
GETTING THE JOB DONE PROPERLY – “WHAT’S THE EXAM QUESTION”

BAS
TAS

Materiality
+
Proportionality

Very Applicable
no solvency/prudence

V

V
LESSON 4
TEAMWORK
LESSON 5
RELATIONSHIPS

TRUST, RELIABILITY, PROFESSIONALISM
LESSON 7
PROCESS

1. Do a Quality Job (GAD uses 6 client service commitments)
2. Requests for Extra Jobs
3. Offer Data
4. Requests for Opinions

SO WHY DOES THE PROFESSION THINK THE REVERSE?
SKILLS & VALUES

THE 5 BIG PROBLEMS:

EQUITABLE
LONGEVITY
COMMUNICATIONS
ARROGANCE
VESTED INTEREST
SKILLS & VALUES

PROFESSION’S NEW STRATEGY – VALUES

Core Values
Trustworthy - Reliable
- Demonstrating Integrity
Professional - Delivering quality and consistency
- Evidence-based

Behavioural/Aspirational
Collaborative - Working in partnership
- Team player
Engaging - Open-minded
- Valuing others opinions
- Insightful and challenging
- Transparent
- Accessible
- Confident and robust
CHALLENGE

FOR EDUCATIONALISTS

WHAT ARE YOU GOING TO DO TO GET ACTUARIES BETTER ON THESE CRITICAL SOFT SKILLS/VALUES?
Deloitte boosts risk practice with four appointments

by Rose Orlik

07 Jul 2011

More from this author

Be the first to comment

DELOITTE HAS APPOINTED four new partners to its Enterprise Risk Services practice, which boasts around 1,000 professionals UK-wide.
COLLABORATION - ERM

ALONE YES

ICE OK FOR PROMOTION

ICAEW NO
FOR EDUCATIONALISTS

What Training/Behaviour Change do we need to do to get an automatic answer for ERM of

<table>
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<th>No</th>
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<tr>
<td>ICE</td>
<td>Fine for many types of project risk</td>
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<tr>
<td>ICAEW</td>
<td>Yes</td>
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</table>
WHO’S HEARD OF ..................

CHALLENGE

WHY IS THIS AUDIENCE AS NARROW AS IT IS?

DO WE DO ENOUGH CROSS-DISCIPLINE RESEARCH?

WHAT DO WE DO ABOUT IT?
Why is it 800 years old?
Why is it Global Top 10?
Why is it No. 1 in UK Maths at present?
What lessons for the Actuarial Profession?
What is Research?
Inspiration/Perspiration. Which is 99%/1%?
What is the view of our Members/Council?
FOR RESEARCH AND ACADEMICS

Is Our Research Effort Focussed 99% data gathering (perspiration) 1% thought leadership (inspiration)?

If not, why not?
IF WE’RE DOING MORE THAN 1% INSPIRATION, THEN HOW DO WE JUSTIFY? IS IT THE PRICE FOR SUSTAINABILITY
1. DATA & MODELLING & MENUS (OF IDEAS)
2. NOT ADVICE, OPINIONS, THOUGHT LEADERSHIP, SOLUTIONS
2. PERSONAL SUGGESTIONS:

(A) CLIMATE CHANGE – MONETARY INCENTIVE IDEAS
(B) INFLATION (LONG-TERM)
(C) HEALTH – MONETARY CONSEQUENCES OF GENE TECHNOLOGY
(D) FORMULAE FOR VFM ANALYSES (MENU NOT SOLUTION)
(E) RISK TOOLS (NON INSURANCE)
CHALLENGE

FOR RESEARCHERS

1. ARE YOU UP TO DELIVERING
2. AND CAN YOU BRING YOURSELF TO MAKE IT 99% DATA/MODELS.
The importance of evidence based policy in regulation

“All substances are poisons, there is none which is not a poison. The right dose differentiates a poison from a remedy.”

Paracelsus, 1493-1531

Risk = Hazard x Exposure
“People are entitled to their own opinions but they are not entitled to their own facts”

Stephen Chu US Secretary of Energy
“In the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed”

Charles Darwin
## The Future – Profession’s Strategy

<table>
<thead>
<tr>
<th>Strategy Area</th>
<th>Personal View of What the Strategy Is</th>
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<tbody>
<tr>
<td>Education</td>
<td>Make more global</td>
</tr>
<tr>
<td>Licensing/Regulation</td>
<td>Make more efficient</td>
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<tr>
<td>Press/PR</td>
<td>Do more; do data</td>
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<tr>
<td>Member Support</td>
<td>Do enough</td>
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<tr>
<td>Global Positioning</td>
<td>Do</td>
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<tr>
<td>Learned Society</td>
<td>Do much more (critical for sustainability)</td>
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