Society of
Actuaries in Ireland

President's Address

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Introduction

Helen Martin, the immediate past-President of the Institute of Actuaries of Australia, said in her Presidential Address that the task of preparing the address was one of the most daunting aspects of being the incoming President. Her advice to would-be Presidents was to start on the address as soon as one became Vice President. I took her advice, and made a start. Unfortunately, 24 months into my term as Vice President, some 5% of the task was done, leading to some back-end loading of the work.

I am deeply grateful and honoured to have been chosen by you as your President. I disagree, however, with Helen, as to the most daunting aspect of the role. To me, the greatest challenge is to deliver on the expectation which you rightly have of a President, and to guide the Society through the current turbulent times.

I imagine every new President feels that the challenges he/she faces are exceptional and unprecedented. Clearly, we face a more difficult economic environment than we have seen for a decade, and we face testing issues in virtually all of our practice areas. I will deal with some of these in the body of my address. However, we face these conditions from a position of strength and I have great confidence in the resilience of our Society to come through difficult times with an enhanced reputation.

Jimmy Joyce said in his President's address in 1999 that he did not consider himself a "normal" actuary. I am like Jimmy in this respect, in that while I started on a normal path in Irish Life in 1972, incidentally, the year our Society was founded, I departed from that path three years later and moved into the investment arena. This was supposed to be a two-year stint to broaden my experience, before I became a normal actuary again. However, I got trapped in the investment world for twenty one years, until I somehow became a general insurance actuary in 1996 and now, the first President to represent this practice area.

I would like to welcome our guests here this evening. Our new qualifiers, whom I met at the reception earlier, are most welcome, and I hope you will be regular attendees and participants at our meetings. New qualifiers from last year and this year represent over 10% of our membership and are key to the continued success of the Society. I am delighted to welcome Bill Robertson, Honorary Treasurer of the Faculty of Actuaries. I very much appreciate that you stayed on for my address tonight following yesterday's adventures, and I would also like to acknowledge the good wishes of your President, Tom Ross. Eamonn, our immediate past President, is my guest tonight, and I very much appreciate the support and encouragement he has given me in taking on this role.

I would like to welcome my good friend and colleague, Aidan Cassells, who is well known to many of you. I would also like to acknowledge the great support I have received from my friend, colleague and boss, John O'Neill, who unfortunately could not be here tonight. John is generously turning a blind eye to my many absences from the day job. Aidan, John and I have been through interesting times together over the last eight years and the experience has firmly brought home to me the great importance of friendship, loyalty and honesty in a working relationship. Finally, I welcome my wife, Joan, who has had to put up with me for almost thirty years now. She has always given me tremendous encouragement and support, and is a rock of good sense. She tells me she will continue to tolerate my absences from home over the next twenty months.

In my address this evening I would like to put before you some thoughts on the current position of the Society and our links with the Institute and Faculty. I will review some current issues in a number of practice areas, with particular emphasis on pensions—where, you will be aware, I have the least experience. I will consider our image as a profession and our relationship with the outside world, and finally I would like to say something related to our new qualifiers here tonight.

The Society

The Society of Actuaries in Ireland was founded four months before I became an actuarial trainee. I can recall meetings of this group in the very early days, but I certainly saw little relevance to me in the venture. Although I served on Adrian Daly's "Committee", I have to admit that I was largely divorced from the developing Society through the 1980s. At some evening meeting which I attended in 1993, Jim Kehoe, the then-President, went out of his way to thank me for attending and looked forward to seeing me at future meetings. I believe there is a lesson in this for all of us who are involved with the Society and its activities. I was always delighted to be asked to participate in a committee or working party and I believe we have to make an effort to ask our newer, or perhaps semi-detached members to get involved in aspects of the huge work programme.

Previous Presidents have commented in their addresses on the exponential development of the Society over the last fifteen years. I felt it was particularly striking reading their addresses how much development has occurred in even more recent times. Bill Hannan, in 1995, talked about the desirability of giving actuaries statutory duties in relation to insurance companies and pension funds, while Bruce Maxwell in 1997 talked about the possible introduction of certificates for scheme actuaries and about the need for the Society to take its place among world actuarial organisations. Today, these seem like old hat, but they took vision, determination and hard work to bring to fruition.

We all remember the Institute motto *"I hold each man a debtor to his profession..".* Certain members of our Society, past-Presidents and Council members amongst them, have more than repaid that debt. I am constantly struck by the huge effort many of our members put into work for the Society. I believe we all owe them a debt of gratitude. I will come back later to one of my objectives which is to share this burden of work among more of our members.

The Institute and Faculty

The visit of Tom Ross, President of the Faculty of Actuaries, was one of the highlights of our year. I believe we have a very special relationship with the Faculty, possibly reflecting our common Celtic roots. We are also fortunate to have a Past-President in common, in David Kingston. David is of course the first Society member to have become President of the Faculty or Institute.

I was struck by a number of comments Tom made when he addressed us in April. He said that *"while we are a small profession, we touch the lives of a very large number of people in a very real way."* I suspect Tom was thinking of members of pension schemes and life assurance policyholders, but of course that relationship extends to everyone with a motor or home insurance policy as well. Tom suggested that we have more impact on these peoples' lives than most other professions, but there is relatively little awareness of that fact.I believe, whatever about public awareness of our role, we need to be crystal clear in our own awareness of this responsibility.

Tom also made the point that the Actuarial profession in Ireland has a tremendous advantage over our counterparts in other countries, and certainly in the UK, in terms of our access to government, to regulators and to key influencers. That gives us an opportunity and a responsibility.

Building the necessary support mechanisms for the Society as a self-regulated professional body has been both expensive and extremely demanding on our membership. Equally, our development has lightened the load on the Institute and Faculty. This process was recognised by the Institute and Faculty last year when, for the first time, we negotiated a subvention from the UK profession to support the professional structures of our Society. This financial support is most welcome and appreciated and I would like to thank the Presidents and Council of the Institute and Faculty for implementing the subvention.

While our professional links are to the Society, we do, of course, continue to be full members of the Institute and Faculty and I believe we all have a deep pride in the achievement of that status. It is interesting that in our member survey conducted late last year, 79% of the respondents said that they would continue to maintain their membership of the Institute/Faculty even if it were not a requirement for Society membership. Just in case our Faculty and Institute colleagues begin to feel too comfortable, I should point out that only 25% of our members feel that the UK subscription represents good value for money. However, the survey was carried out prior to the announcement of the subvention.

While we have developed considerably in the last decade as a stand-alone professional body, we continue to have a dependency on the Institute and Faculty for pre-qualification education and training. The Institute and Faculty are in the process of a significant restructuring of the education and examination system. For years we have struggled between the need for increased depth in our practice specific exams and the breadth of the overall actuarial syllabus. The crunch time has now arrived and from 2005, subject to certain transition arrangements, newly qualified actuaries will have been examined in just one or two specialist practice areas rather than across the whole range. Indeed the entire exam structure is being reorganised with increased emphasis on financial mathematics, economics, modelling and communication, and encompasses a broadening of training and examination methods. The new approach is more business-focussed and broadens the range of practice areas offered, specifically, Health and Care and Finance. This approach is also closely aligned with best practice internationally.

The traditional exam structure has been a strength and a weakness for us. It has given us a great breadth of basic training and perhaps a greater mobility between practice areas. However, it has left us disadvantaged relative to competing qualifications in certain practice areas where we were traditionally strong, particularly in the finance field. We have lost out to financial economics and mathematics graduates in the banking world and hopefully the new syllabus will help to recover some of this ground.

While we depend on the UK profession for the core syllabus and examinations, we have a tremendous resource locally in UCD and DCU for the education of our new recruits. Both colleges have worked hard with the Institute and Faculty and with the Society to ensure a very high standard of actuarial education and I greatly value the relationship we have built.

Pensions

I would like to move now to consider some current issues in our practice areas. I mentioned in my Introduction that we face significant challenges and no-where is that more evident than in pensions. My first weeks as President coincided with the consultation process on our updated guidance in relation to funding certificates and funding proposals. The difficulties we had in finalising that guidance demonstrated how deeply we feel about protecting the integrity of pension schemes. We are committed to maintaining defined benefit schemes for as many employees as possible and I have no doubt that all of our members who participated in that debate were motivated by the desire not to drive sponsors away from defined benefit schemes. However, we also have to face the truth about the current financial position of many schemes.

This decade, so far, has been a period of great challenge to the funding of pensions. The challenge has come from far-reaching improvements in pensioner mortality, a three-year bear market in equities and a growing realisation that the investment returns assumed in the past cannot be relied on in the future. This position is exacerbated by new accounting standards that place more weight on market values and place the pensions promise firmly on the balance sheets of companies. While we may be breathing somewhat easier following the partial recovery of equities in the last six months, we must guard against treating this pensions crisis as a short-term phenomenon that will go away when markets return to "normal".

Our asset/liability models tell us that equities are the most appropriate asset class in the long run to meet pension liabilities. The problem with this conclusion is that the economic and other forces that drive markets have a very different impact on equity values than they do on the market value of the liabilities. This is the phenomenon we experienced in the last three years when the market value of equities fell and the value of the liabilities increased. Now, maybe it will be all right in the long run, but there are two immediate problems. Firstly, as the benefits are "defined", the sponsoring company's liability has increased, while its asset pool has reduced. We may not like the accounting approach, but the reality, using the most objective measure, is that a deficiency has emerged in the balance sheet, and perhaps we have to regard this as a loss in the period. The second problem is that the fund may now fail the statutory funding standard that considers the gap between assets and liabilities on a discontinuance basis. Such failure will result in increased contributions or reduced benefits, both of which are unpalatable.

Clearly there is a conflict between setting an appropriate asset strategy to meet long-term pension liabilities and ensuring solvency annually against a wind-up standard. In the past, pensions actuaries have been able to take a long-term view and apply corrective measures to the funding rate when returns on assets were significantly out of line with the funding assumptions. The current focus on discontinuance deficits can distract from the long-term financial management of funds and can in some cases threaten the existence of defined benefit schemes. The Pensions Board is clearly aware of this problem and in December last it commissioned an Expert Group to advise on the appropriateness of the current funding standard. A number of our members served on this Expert Group, and worked under some pressure to produce recommendations. The Pensions Board is currently considering those recommendations and will engage in further consultation at a later stage. It would be unfortunate if the perhaps temporary lifting of the pressure for change, in the form of improved investment market conditions, were not availed of to find a more permanent solution to monitoring and managing the funding position of pension schemes. I urge the Pensions Board to maintain the momentum behind this initiative and I offer the continuing support of the Society in the process.

Leaving aside the immediate problem of funding standard checkpoints on the financial health of pension schemes and the impact of market values on company balance sheets, the appropriate long-term asset strategy remains a fundamental challenge. We either invest heavily in equities with huge swings from time to time in the asset/liability balance, or we face the prospect of onerous and probably unacceptable contribution rates if we adopt a low risk /matched asset approach. Of course, in the case of inflation or earnings linked pensions there is simply no matching asset strategy.

In a paper I presented to the Society seven years ago, I called on the National Treasury Management Agency to issue index-linked bonds as part of its regular funding activity. I am more than ever convinced that the Irish government should issue these securities. Clearly, index-linked bonds are the closest asset match for the inflation-linked liabilities of defined benefit schemes. Furthermore, there is an obvious need for an inflation-linked income stream for prospective pensioners who are not members of defined benefit schemes. This need will grow exponentially with increasing numbers of people in defined contribution/personal pension/PRSA schemes approaching retirement. The absence of inflation-linked assets further increases the gap between public servants and other members of secure, inflation-protected defined benefit schemes on the one hand, and those who have to provide their own pensions.

The case for index-linked is equally if not more compelling from an issuer perspective. Government revenues into the future are effectively inflation-linked. What better way to fund capital projects that generate an inflation-linked income stream, than by way of index-linked bonds. We are clearly aware of the benefits of a diversified portfolio of assets from a risk reduction perspective. This logic applies equally to a diversification of liabilities. Furthermore, investors will accept lower returns from assets that are exactly matched to their liabilities and the government should avail of this less expensive form of funding.

I am not promoting index-linked bonds as the solution to the pension asset strategy challenge. However, such bonds would have a place in the asset mix, particularly for mature funds with inflation-linked liabilities. They would also enable insurance companies to offer inflation-linked annuities without loadings for the mismatch risk associated with the assets currently available.

The broader question of risk in the asset mix is a huge challenge for pension schemes going forward, and we have already established a working party to consider certain aspects of the problem. I look forward to the results of its work and I would hope that we could add value in this difficult area over the remaining term of my presidency.

While we are primarily involved with the financial health of defined benefit schemes, it is perhaps startling to consider that at the end of 2002, the number of members of defined contribution schemes exceeded the number in defined benefit schemes subject to the funding standard. Let us not forget this rapidly growing constituency. Members of defined contribution schemes require our skills just as much as their defined benefit counterparts. For this reason, we issued a public statement on funding defined contribution arrangements earlier this year and I believe we should build on this initiative going forward. Obviously, actuarial advice in this area is likely to be generic rather than individual, but if we are serious about our public interest agenda, we have a real responsibility to try to educate and advise defined contribution scheme members on the on-going costs of providing adequate pensions.

The increased cost of providing pensions of all types, defined benefit, defined contribution and public sector, is a huge challenge for our economy. We are fortunate in this country that our demographic profile gives us some more time relative to our EU counterparts. We have an opportunity to learn from the experience of economies with a more mature population structure. Our conference on the Ageing Population in two weeks time is an example of how we can engage in this issue, and we must continue to maintain the momentum.

General Insurance

I would like to turn now to General Insurance, the practice area I am most familiar with. As recently as 1993, Jim Kehoe set down an objective for the Society of broadening the actuary's role in general insurance beyond a reserving focus. I think we can firmly tick that box. In terms of numbers employed and degree of influence, general insurance has been one of the fastest growing areas for actuaries in Ireland. This has been significantly helped by the success of the reinsurance and captive sector within the IFSC. In addition to reserving roles, actuaries are now prominent in pricing, underwriting and financial management of general insurers.

While reserving is our core competency in general insurance, it is far from being an exact science. In my relatively short time in this area, I have seen the potentially devastating impact of step-changes in the value of liabilities for personal injury claims. It is the nature of general insurance, particularly where liabilities are medium to long-tail, that manufacturing cost is determined many years after the product is sold. The task of the reserving actuary is to set aside funds to cover the manufacturing cost bills as they emerge in the form of claim settlements. The invidious feature of claims reserving is that when a deficiency emerges, it is virtually certain that current pricing is inadequate also. This leads to an increased deficiency as the current year claims unfold. It is the actuarial equivalent of continuing to dig when one is already in a hole. While no science will accurately project claim liabilities, the great strength the reserving actuary brings is an objectivity and a discipline, in addition to some understanding of the economic forces at play. A rigorous actuarial valuation process can provide a vital early warning that the financials are not emerging as anticipated.

The Department of Enterprise, Trade and Employment was the first regulatory body in Europe to require mandatory actuarial certification of general insurance reserves. I believe this represents a significant strengthening of solvency monitoring although of course, the statutory role of the actuary in general insurance is more limited than that of the appointed actuary in Life. I believe that actuaries could add further value in the prudential supervision of general insurance companies, and our general insurance committee is considering how best we can address this issue.

The actuary as expert witness

While actuaries received statutory recognition in Ireland in the 1990s, they were recognised by our courts much earlier. A Supreme Court judgment in 1968 stated that the *"evidence of an actuary is not merely desirable but necessary"* where there is a substantial amount of future loss of earnings. Actuaries have made a significant contribution as expert witnesses and have frequently helped plaintiffs and defendants to achieve a fair and equitable result. Actuaries have demonstrated the added value of an individual professional opinion over and above the perhaps rough justice of a table-based award. In the last two years the Society has endeavoured to support actuaries working in this field through establishing an expert witness committee. We have also published our first guidance to deal with this area.

There is considerable concern at the present time at the high cost of delivering compensation to injured parties. While the focus is on legal costs, I believe all elements of cost will come under scrutiny, including medical and actuarial costs. The Personal Injuries Assessment Board, on which I am privileged to serve, is charged with the task of reducing the cost of delivering compensation. The PIAB will be looking to reduce the cost of actuarial advice in assessing damages. I have asked our Expert Witness committee to work with the PIAB to ensure the best balance of value and cost in the process. We have a duty to maintain the availability of sound actuarial advice for plaintiffs and defendants, but we must seek efficiencies and avoid unnecessary duplication in the provision of this advice.

The Society and Regulators

Over the last fifteen years as the Society matured into a fully-fledged professional body, we have had a close and I believe mutually beneficial relationship with regulators. We have had access and we have had influence in the regulation of our core practice areas but it has entailed a significant burden on our members both in terms of time and energy, and indeed cost.

We have a close working relationship with the Pensions Board and with the Department of Social and Family Affairs. This has enabled us to influence the drafting and the interpretation of legislation and I believe it has led to a better legislative and regulatory environment than would have been the case otherwise. I am committed to building on this relationship as I believe it is in our best interests and in the best interests of the public. It is particularly important in the current difficult period that there is enlightened co-operation between the Society and the Board.

Our other significant regulatory relationship is undergoing fundamental change currently with the moving of insurance regulation from the Department of Enterprise Trade and Employment to the new Irish Financial Services Regulatory Authority. I welcome the increased resources being applied to insurance regulation and I particularly welcome the willingness of IFSRA to consult with the Society on the shape of regulation going forward. IFSRA comes to insurance regulation with a clean sheet, and of course the considerable resources of the DETE team which has moved with the work. IFSRA is on record that it is carrying out a review of best practice in insurance regulation and we have committed to helping them with this work. The indications we have received are of a very positive nature in relation to the potential actuarial contribution to regulation going forward, both in life and non-life companies.

In the UK, the Financial Services Authority has announced changes in the supervisory regime for life insurance companies resulting in the virtual elimination of the appointed actuary role as we know it. The appointed actuary structure has worked well in this country and has clearly served the public interest. However, given international experience, we cannot be complacent and we must recognise that corporate governance requires constant reinforcing. We have already begun to put together proposals for an Irish version of the supervisory model which retains the best features of the existing structure, combined with the need to clearly recognise the ultimate responsibility of the Boards of insurance companies.

I look forward to the same degree of co-operation between the Society and IFSRA as we enjoyed with the DETE.

Professional issues and image

I would now like to turn to some aspects of our image, as a profession. During my earlier career as a fund manager, I envied the high regard trustees had for pensions actuaries and how they accepted implicitly the advice of the actuary. In retrospect, it was an unhealthy regard, and it ignored the fact that actuaries are probably as error-prone as any other profession.

You will all be familiar with the criticism of actuaries in our local press, and particularly in the Financial Times in recent months. While we might regard much of the criticism as uninformed and hysterical, it would be unwise not to take on board some of the points made. A highly-regarded and clearly un-hysterical columnist in the Financial Times suggested that *"The actuarial profession is in total disarray on the rather important issue of how to value a* *pension fund. This low-key profession is in the same self-destructive mode as the accountancy profession was in the late 1960s before the introduction of accounting standards. The once-venerable actuarial profession will be deservedly, if sadly marginalized. The accountants must be feeling remarkably smug."*

Editorials, and indeed letters from actuaries, have suggested that we have failed to apply simple reality checks to our work and that we are subject to the same conflicts of interest that caused auditors such grief. Indeed, the letters pages of the Actuary magazine have clearly illustrated these divisions. A Financial Times editorial in January proclaimed that *"Actuaries have a lot of explaining to do".*

While these quotes relate to pensions issues, equally, if not more negative comment has been aimed at life and general insurance actuaries in relation to the events at Equitable and Independent Insurance.

Perhaps more important than media comment are the views of our customers and public. This time last year we commissioned a survey of key customers, regulators and bodies that we come into regular contact with. The survey was carried out externally through a series of in-depth interviews with a selection from a list of contacts we provided. The contacts were asked to comment on actuaries and on the profession under a number of headings.

The survey generated some very valuable feedback that was presented to members at a session which regrettably was not well attended. I believe many of us missed a valuable opportunity to see ourselves as others see us. The people surveyed are important to us as they either pay our salaries and fees, or regulate our areas of activity.

On the professional image of actuaries, views were expressed that we were aloof, arrogant, poor communicators and expensive. I am of course being selective here and admittedly we were also described as intelligent, extremely professional and highly trust-worthy, but I don't have to tell you what you know already. The survey also gathered some verbatim comments which bear repeating and which are very relevant to current professional issues:

"In a world of increased scrutiny, they can either control their own destiny by changing or by being forced to change"

"Companies and government are increasingly worried about financial irregularities and accountability"

"The Society's role is compromised by its members being on the payroll of the larger institutions"

Successive Councils have not been unmindful of these attitudes and growing pressures on our profession. It was recognised that the increased scrutiny could either come from within, or from outside. In November 2000, we held a symposium on regulation of the profession that clearly favoured the internal route and we followed this in 2001 by establishing a working party on self-regulation. That working party reported to members in May 2002 and recommended that we introduce a peer review structure for certain classes of statutory actuarial work. The working party also recommended that an Oversight Board with strong external representation should monitor the peer review structure. The recommendations of the working party received broad acceptance from members and implementation across the practice areas was entrusted to a Steering Committee.

Over the last twelve months, hard-working sub committees have considered the details of the implementation of peer review in life, non-life and pensions and I know there has been substantive consultation with the membership. I would like to thank the chairmen of those sub-committees in particular for their efforts over the twelve months, and I would like to thank you all for your significant contribution to the consultation process.

We have now reached a critical stage in this process. At the consultation meeting last week, as at all such meetings over the last year, it was apparent that there is a range of views from a need for extreme rigour to a preference for complete individual freedom in compliance monitoring. In drafting the final proposals for the structure of peer review, the Steering Committee and Council have tried to steer a middle course. Inevitably, we have not satisfied those with the more extreme views, at both ends of the spectrum.

I believe that peer review will improve the quality and the credibility of our certificates but nothing will make them absolute. Peer review has been welcomed by the bulk of our members and unanimously by the respective regulators. Council has committed to a review of the operation of the process before the end of 2004. The final decision on peer review is in your hands at the up-coming EGM. I believe it is an important step for us in maintaining the credibility of our profession.

Our members

In concluding my address, I want to share some thoughts on our members, and with particular reference to our new qualifiers. I referred just now to a survey we carried out of external customers. Perhaps more importantly, we also carried out a survey of our own members late last year. This produced some tremendously positive results, notably that 88% of members are satisfied with the Society, that 91% feel that the Society communicates effectively, and 61% of members say that they are involved or would like to be involved in Society work. There is of course always the risk that the sample was biased and just 40% of members completed the survey. I will leave it to the more statistical among you to consider the mathematical significance of the results.

Behind this positive overall picture, there are a number of issues which cause me some concern. Only 32% of our newer members and 18% of our overseas members are aware of the Society's objectives. Just 44% believe the Society understands the needs of its members. 57% believe that recently qualified actuaries have very little influence on the Society. Only 14% believe that the present structure represents all members equally. These numbers suggest to me that we need to improve on the inclusiveness of our activities. It is a recurring theme that more recently qualified actuaries feel more distant from the Society and see less relevance in it for their own particular activities.

I chaired a focus group session last year at which similar views were expressed by relatively newly-qualified members. There was a general view that new members did not receive enough encouragement to participate. Committees and working parties were seen as hand-picked and somewhat exclusive. It was generally felt that participation in these should be freely offered to all. There was also a view at the focus group that evening meetings were too formal, in terms of location, structure and even dress code. It was strongly felt that members with less experience felt quite inhibited from getting involved in discussions on papers. More round-table, rather than theatre-style meetings would be appreciated, and a different approach to the after-meeting dinner was also suggested.

While the focus group was even less representative than the survey, I think there is much that can be taken on board. Indeed, we have already acted in relation to the suggestion on committee membership. On evening meetings, I also feel that round-table working sessions would be valuable, particularly in improving the quality of our CPD. I will be asking each of the practice committees to take this suggestion on board. This beautiful building has served us very well over the years and I value the tradition that is invested here. I hope it will continue to serve us in the future, augmented by some variety of venues that may appeal to the growing numbers of members of a less formal disposition.

The fact that we are not involved in the formal training and education of actuaries is, I believe, partly at the root of this "distance" that recently qualified members feel. I suspect few things bring one closer to a professional body than passing its exams. It is a fact of life that we are not and are unlikely to be for some time, involved in the education and examination process. For this reason we have to find an alternative way of capturing the hearts and minds of our newly qualified actuaries.

The Education branch of the Member Services Committee, under Duncan Robertson, does a fantastic job with our new members. We have also been building our relationship with the universities and we have gained tremendously from our distinguished honorary fellows in this field. I am throwing down a challenge, however, to the Member Services Committee and to Council to continue to improve on how we include relatively new members and on how we can raise the profile of the Society with them. This will be one of the strategic themes Council will be considering at our Strategy Day in October.

Speaking of which, I would ask all members to contribute ideas, suggestions and comments in relation to the strategic issues facing the Society. All contributions will be considered at our Strategy Day. Furthermore, on an on-going basis, I would invite all members to email me directly at the Society (email address) on any issues of concern over the course of my Presidency and I will endeavour to respond.

Consultation is the glue that binds the members and Council and I hope that you found that the consultation process on peer review and on the recent difficult pensions issues provided a good forum to reflect your views. It will be my style to consult and to listen, but I am conscious that a stage is reached where consultation equals inaction. Council carries the responsibility of translating your intentions into action and it must heed this responsibility and act appropriately.

Summary

As your 16th President, it strikes me that the Society has now developed a tremendous momentum. I used the analogy at the A.G.M. of taking over the baton for the next stage. So much of the work and development of the Society is a continuous function and much of my efforts will be directed to bringing forward and concluding initiatives that began under the sponsorship of preceding Presidents.

There are two particular initiatives in this category that are high on my agenda. One is to continue to bring our influence as a profession to bear on policymakers in areas where we have a real contribution to make. This is very closely aligned with our mission statement aim of serving the public interest. We must continue to put our heads above the parapet and be heard where we have value to add. The second initiative is an internal one, but very important for our standing as a profession. I refer to the implementation of peer review which I hope you will approve next month.

I sometimes think the public has a concept of actuaries as some kind of mathematical astrologers who can predict the financial future. I'm not sure how good we have been at dispelling this myth. I believe that in our dealings with clients and with the public, we have to be clear about the limitations of our work and the need for regular review. No-where is this more true than in advising on funding rates and investment strategies for pension schemes. I believe there is a huge challenge ahead in helping to educate and inform the debate on pensions. We must play a leading role here in helping to shape the regulatory process and in advising sponsors, trustees and members of both defined benefit and defined contribution schemes.

I have again raised the issue of index-linked bond issuance and I hope to put the case to the NTMA. I believe there is value in the concept for the issuer and the prospective purchaser of the instruments. In the continued absence of a market in Irish inflation-linked assets, it might make more sense to link pension liabilities to eurozone inflation, where matching assets are available.

Having been personally involved in the so-called "wider fields" for much of my career, I welcome the thrust of the new education syllabus which will strengthen the credentials of newly qualified actuaries outside the traditional areas. It was encouraging to hear in UCD last week that the entire crop of actuarial graduates this year had found employment, despite the difficult economic environment. However, it was somewhat disappointing that the vast bulk of the jobs were in life, pensions and general insurance. We must hit a wider target in the next number of years.

I have talked about the great debt we owe as a Society to a core group of members who have punched well beyond their weight for many years. It is vital that we spread the load and that those of us on Council and on Committees proactively extend our reach to newer and currently less-involved members. That is essential for the continued development of the Society through this century.

Speaking of people to whom we owe a huge debt, I would like to acknowledge the tremendous support of Mary Butler to successive Presidents and Councils.

The Society has benefited greatly from your extraordinary commitment over the last ten years. I have known for some time how much you contribute, but I have only experienced this at first hand in recent months. My thanks also to Sarah Cahill who helps to keep the Society office running efficiently.

As you all know, Aisling Kennedy was appointed to the position of Director of Professional Affairs earlier this year and Aisling has made a huge contribution to the professional work of the Society in that short time, particularly in relation to the work of the Professional Affairs Committee, the ever-increasing workload on guidance and the development of the peer review framework. My very sincere thanks to all three of you.

Finally, to Eamonn, our immediate past-President-- you are a hard act to follow. You put tremendous effort and commitment into the task and you delivered a whole range of initiatives which have put our Society on a stronger footing for the future. Your ground-breaking work on peer review, the establishment of the position of Director of Professional Affairs and your success in reaching agreement with the Institute and Faculty on a subvention for the Society are significant milestones. However, more importantly, your genuine commitment to the public interest agenda which you set out in your address two years ago, has been apparent to all. You have contributed greatly to the development of the Society.

Just before I took over as President, Eamonn gave me a piece of advice. He said to me that amidst all the activity and busyness associated with the Presidency; be sure not to forget to enjoy it. I hope I can continue to heed his advice.