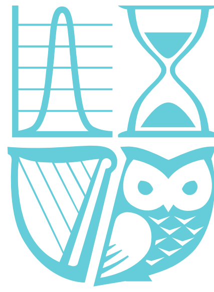

Society of Actuaries in Ireland

Expanding Actuarial Horizons

Presidential Address

Dermot Corry, FSAI

Date | 19.09.13

Expanding Actuarial Horizons

It is indeed a great honour to be here addressing you as the 21st President of the Society of Actuaries in Ireland. I want to thank you all for your support in electing me to this position. It is certainly a long way from my entry to the profession as a spotty school-leaver joining Irish Life this month in 1982. It does not feel like 31 years ago.

I got a little nostalgic thinking about 1982 so I dug up a few memories to remind you of those times (or at least to remind those of your old enough to remember!).

Here are a few of the key memories:

- The PC was born – that certainly changed our lives – possibly even a bigger event than me starting my actuarial career.
- Italy won the World Cup – Ireland did not qualify. Nothing new there though at least in 1982 we did not expect to qualify!
- ET was released
- Ronald Reagan was President, Margaret Thatcher was Prime Minister and Charlie Haughey was Taoiseach. Of course Charlie Haughey replaced the late Garret Fitzgerald for just part of 1982. Garret was of course an Honorary Fellow of the Society. Britain fought Argentina in the Falklands War
- Michael Jackson released "Thriller"
- Kerry just missed out on the 5 in a row with a late winner from Seamus Darby of Offaly
- A Kilkenny team captained by Brian Cody beat a Cork team captained by Jimmy Barry Murphy in the Hurling final!

But enough of all that reminiscing – time to get a bit serious.

Firstly I would like to welcome my personal guests – my parents and my three children and of course my wife Brenda who is both a member and a guest – a very special welcome to you.

It is great to see so many current and former colleagues, past presidents and indeed younger members and friends whom I have come to know through involvement with the Society over the years.

I should make clear at the start that the views expressed here are my own and not necessarily those of the Society of Actuaries in Ireland, or indeed, of any other organisation including my employer.

I also want to say that I would be delighted to take questions, comments or other contributions after the end of my talk.

The Society plays a central role in the financial lives of many people in Ireland and further afield – almost 700 Fellow members in Ireland, protecting the interests of 500,000 pension scheme members, millions of insurance policyholders, over €200bn of combined liabilities. These roles are key to the continuing functioning of our economy. A heavy weight of responsibility is placed on actuaries both individually and collectively through the Society.

Economic Context

Of course actuaries have been managing these risks in recent years against an extremely difficult economic background. I know that you are all very familiar with the difficult economic context of recent years but I want to remind you of some key statistics from the last 6 years.

- Unemployment rose from 4% of the workforce to almost 15%
- Employment levels fell to levels last seen in the early 2000s.
- 10 year Irish government bond yields went from parity with German to have a spread of over 10%
- House prices fell by up to 60% in total
- Government debt as a percentage of GDP rose from less than 30% to current levels of close to 120%
- This was partly caused by the failure of all our banks. Thankfully some banks were bailed out by foreign parents or governments. Nevertheless the Irish government has had to invest over €60bn net in the banks.
- Falling employment, income levels and spending caused a dramatic drop in government revenue. The result is that Ireland went from having a balanced budget in 2007 to having a deficit of 13% of GDP in 2009. Current estimates are projecting approximately a 5% deficit even next year.
- Achieving this reduction in deficits has required substantial adjustments by government – cuts to public sector salaries, social welfare benefits and many government programmes. And, of course, there have been increases in taxes and reductions in reliefs including the pension levy and reductions in pensions-related reliefs.
- Of course all of this has only been possible with the arrival of the Troika which funded the government for the last few years. In return the Troika has kept a very close watch on the actions of the government.
- We have seen the failure of Quinn Insurance and the closure of quite a number of other insurers.
- Pension schemes have been in crisis with deficits increasing as a result of falling interest rates, poor stock market performance and recognition of increased longevity.

Against this backdrop where should we as actuaries focus our efforts, such that we contribute, and are seen to contribute, to strengthening financial institutions and building their capacity to withstand the shocks that undoubtedly will come down the tracks in the future?

Pensions

I want to start with pensions and more particularly defined benefit pensions.

In defined benefit pension schemes the primary role of actuaries has traditionally been to calculate the required contribution and, more recently, to confirm compliance or otherwise with the minimum funding standard. It is a pity that the actuary or some other professional has not been allocated the role of Chief Risk Officer taking responsibility for the overall risk management of the pension scheme.

We have seen enormous difficulties in pension schemes with most seriously under-funded. We are all familiar with statements that 80% + of pension schemes do not meet the funding standard. We seem to accept this as a fact of life, as if very little could be done in the past to prevent this and very little can be done to improve the position in the future.

I am not so convinced. On my very first day as President, David O'Sullivan gave a presentation to the Society. He included a slide on the funding levels of pension schemes in different European countries as completed for the IORPS quantitative impact study. The figures are frightening and certainly do not show Ireland in a positive light – they show Irish pension schemes with assets on average equal to 42% of liabilities. The next lowest country was the UK with an 86% funding level.

Kevin Murphy warned, in his presidential address four years ago, about the investment strategies of pension schemes. While there have been some changes since then, the sad truth is that the actions taken to date have been limited. Instead most schemes have adopted a "Hope" strategy. As long ago as 2010 Brendan Kennedy warned pension schemes that Hope is not a risk management strategy. Nevertheless it seems to have been the prevailing strategy for many pension schemes in Ireland.

Pension Schemes were not helped by the tools at their disposal. Effectively we had a regime where:

1. The minimum funding standard was weak for non-pensioners – allowing high discount rates which took little account of interest rates in the market.

2. The standard was built on the rock of the minimum Transfer Value basis. The use of the transfer value basis was inappropriate. It was designed to determine the payment to voluntary leavers of pension schemes and therefore was not necessarily appropriate to determining solvency. As an aside the further use of this basis to calculate the allocation of scheme assets on wind-up is even more inappropriate. I will return to this later.

3. The Minimum Funding Standard did not include a serious penalty for taking excessive risks. Risky investment strategies were rewarded with lower contribution rates, but were not penalised with higher capital. The Pensions Board has rightly introduced risk reserves to address this issue.

4. Long remediation periods were allowed to restore funding to 100% - up to 10 years in recent times. Schemes could effectively assume high investment returns over these periods to restore the original solvency. In retrospect, the decision by the Pensions Board and Department of Social Protection to allow 10 year remediation instead of 3 years following the collapse in markets was misguided. It effectively gave schemes a free pass to continue to take excessive risks.

5. There was no balance of strong risk management to counter all of this – and the trustees probably felt that the employer would write a cheque if things went wrong.

Of course things did go wrong – equities did not rise in value to the extent expected, and interest rates decreased with a consequent rise in the value of liabilities. Longevity continued to improve which, of course, has been great for mankind, but not good for pension schemes. Employers have been squeezed by the crisis and in many cases are unwilling or unable to increase funding to restore benefits. This leaves the option of reducing benefits or increasing employee contributions. In reality we have seen a mix of both and, of course, in the worst case scenarios, we have seen schemes close down with unfunded liabilities.

Politicians and football managers will say "we are where we are" and that there is no point in dwelling on the past – we must work out how to move on from here. I agree up to a point – we need a new approach but it must recognise that the old approach is severely damaged and unfit for purpose.

So you might reasonably ask what I would suggest. I do not claim to have all of the answers but I propose to outline a straw man for what might be a sustainable approach for those remaining Defined Benefit schemes.

Firstly we need to separate past and future pension liabilities. The Taoiseach rightly commented in the Dail at the start of the summer that it is immoral to ask members to contribute to a pension scheme where they have little or no expectation of receiving benefits. In my view this is the situation in many schemes at present. Employees are paying into underfunded schemes. At the extreme, their contributions are effectively helping to secure pensions for those already in retirement. However there is little prospect of the scheme ever returning to 100% solvency and so these members are unlikely to see substantial benefits – particularly if they are at the younger end of the age spectrum, since their elders will make off with the assets before they retire.

So I believe that a completely new contract is required for future accruals for current members. In my view this would involve:

1. Benefits for future accrual moving closer to a guarantee than a promise or hope. Let's be honest, this was always seen as a guarantee by employees. I worked as an actuary for years but I never understood that my employer or the trustees of the pension scheme saw my benefits as anything other than a guaranteed benefit at retirement. We should ensure that this is the contract that we make with employees for future accruals. If benefits are not guaranteed then the language needs to change fundamentally. The nature of the promise needs to become much clearer and both employer and employee need to sign off on this.

2. Much higher contributions – guaranteed benefits should lead to a funding rate that is based on very prudent assumptions. If the schemes want to take investment risk this needs to lead to higher contributions in the short to medium term.

3. The minimum funding standard needs to be more market consistent. While there are difficulties with the Solvency II framework it gives a useful starting point. It has established a clear methodology for the valuation of the Technical Provisions (or at least it will once the battle over Long Term Guarantees is complete).

4. There must be a requirement for additional risk capital where the scheme takes additional risks – this could apply to a full set of risks such as interest rate risk, inflation risk, longevity risk, equity market risk etc. Of course the calibration will require a substantial amount of work but the only way to get good behaviours is to reward them.

5. Perhaps some element of this risk capital could be provided through use of contingent assets or employer promise. Work would be needed to ensure that this capital could be converted into hard cash in the event that the solvency of the pension scheme changes.

6. There would need to be triggers that would allow a regulator to intervene. As an example in the insurance space a reasonable period of time is given to replace the Solvency Capital Requirement ("SCR") but any breach of the Minimum Capital Requirement ("MCR") must be rectified in a very short period of time. These triggers would allow the regulator to protect the core technical provisions – asset values should never be allowed to fall below the amount of the technical provisions.

7. Future service assets and liabilities would need to be segregated from the other accrued assets and liabilities of the pension scheme. This may even require a new legal entity for the future accrual.

A structure such as that proposed would inevitably lead to many schemes closing to new accruals. However, at least it would lead to an honest dialogue and mitigate the risk of employees paying contributions and not receiving future benefits. If Defined Benefit arrangements were closed to future accrual, future contributions could be diverted to Defined Contribution where they would get something in return.

This leaves the not inconsiderable problem of what to do with the accrued liabilities and the shortfall compared with current assets. I know that many schemes have made serious efforts in recent months to submit proposals to the Pensions Board and that many of these will ultimately recover their funding over time. Others may not. Solutions for these schemes must be pragmatic while also recognising that promises have been made and serious efforts must be made to deliver on these promises.

I propose a two-step approach:

1. Recognise the true state of the deficits. I am not comfortable that the current minimum funding standard achieves this. As I mentioned earlier it allows for the use of generous discount rates and assumptions of higher future yields. The IORPS quantitative study showed that the true level of funding is much lower.

2. Implement sustainable plans for the amortisation of this deficit over a suitably long period of time. These amortisation plans should be accompanied by risk management plans which demonstrate that the recovery is not reliant on undue investment risk. They should also show how the scheme will protect itself against any future changes in markets, interest rates or longevity.

Not all schemes will be able to produce sustainable plans for a variety of reasons. It is therefore incumbent on legislators to ensure that there is a fair regime for dealing with priorities among current members. There are some inter-related issues to address here:

1. Can a solvent employer walk away from an insolvent pension scheme? The current laws allow this to happen. Is this fair?

2. Will the government be forced to take responsibility for providing benefits to insolvent pension schemes where the employer is also insolvent (as a result of the Waterford Crystal judgement in the European Court)? If this is the case it would seem strange that some employees would prefer to see their employer declared insolvent in order to protect their pension benefits. This brings us back to my question above about wind-ups where the employer is solvent.

3. How should the assets of the pension scheme be distributed to members on wind-up? At present pensioners get priority over all other members. This seems patently unfair. A pensioner receiving a pension of €100,000 at age 65 is fully protected before a worker aged 64, with an expected pension in less than a years' time of €1,000, gets anything. Judgements of fairness depend on personal perspectives. There is no easy solution to this problem. However the Society, together with ICTU, IBEC and the IAPF wrote to the Minister outlining our proposals in this area. We jointly proposed that pension benefits should continue to receive priority up to an agreed minimum level. Benefits above that level would rank with other benefits. We also suggested that trustees should have the flexibility to transfer the value of these additional benefits to an ARF or other similar product in the case of wind-up.

   We were disappointed that action was not taken in the Social Welfare Bill earlier this year. We understand that the Waterford Crystal decision led to a deferral until the High Court gives further clarity on that decision. We urge the Minister to act quickly in this regard. It is wrong to have this patently unfair allocation of assets at a time when many schemes have to seriously consider their long term futures. The current uncertainty on all things related to the Waterford Crystal judgement could lead to an increase in scheme wind-ups. This will drive more employees into this unfair wind-up priority.

In summary I believe that we need a new contract for future accruals within Defined Benefit schemes with complete guarantees of benefits and firm rules. We then need to have a structure for existing benefits that recognises the reality of the current position – this involves firm sustainable recovery plans combined with fair and equitable systems for scheme wind-up, possibly including debts on employers. All of this should be supported by a risk manager role. Actuaries are ideally qualified to fulfil this role. The Pensions Board should consider introducing a requirement for all defined benefit schemes to introduce this role.

Before leaving Defined Benefit, I want to briefly return to the transfer value basis. For quite a number of years we have had ASP-PEN2 which defines a standard basis for calculating minimum transfer values. This was designed to deal with individual transfer values but eventually also became the benchmark for determining compliance with the Minimum Funding Standard and for distribution of assets on wind-up.

We have expressed our view to the Department of Social Protection that it is inappropriate to use this basis for such a wide range of purposes. The basis used for an individual transfer is not necessarily appropriate for determining solvency of the pension scheme. We suggested to the Department that they or the Pensions Board should take on ownership of the policy decisions that determine for example minimum funding. While there was some sympathy with this view there was no action.

We then had a fundamental change earlier this year. Every 6 months the Society reviews the basis in light of current market conditions. Following our normal review earlier this year, we proposed some changes to the basis to reflect falling interest rates. Changes to the basis require the approval of the Minister. In May the Minister announced that she would not be accepting the changes.

This placed the Society in a very difficult position. We cannot have a standard of practice in circulation which introduces standards that we are not comfortable with. Therefore we approached the Pensions Board for an alternative solution. We are currently working on a structure where the Pensions Board would take over responsibility for the basis elements of the ASP. We hope to jointly present this approach to the Department shortly.

Defined Contribution/State Pension

I have spent quite a long time talking about Defined Benefit pension schemes. To some extent this is unfortunate. There are approximately 200,000 active members of private sector Defined Benefit schemes in Ireland. On the other hand there are close to 1 million people with Defined Contribution arrangements – including pension schemes, one man schemes, RACs and PRSAs. We spend too little time discussing this group in comparison to their numbers – though this reflects the reality of problems with Defined Benefit schemes at present. In future, new members will almost invariably join Defined Contribution schemes and future accruals for current defined benefit pension scheme members will often move to Defined Contribution. Therefore we need to get the structures correct for Defined Contribution.

Defined Contribution clearly gives greater certainty for employers. But of course much of this uncertainty is transferred to pension scheme members. So members know what will be paid in, but they have no idea what they will get out. There have been improvements in this area in recent years:

- Improvements in investment offerings to give greater protection to members;
- Improvements in communications to allow members to understand the range of possible outcomes in terms of income.

Nevertheless there is more to be done in this space. We have made some suggestions to help improve communication of uncertainty in relation to investment performance. We have a Defined Contribution working party generating ideas and proposals on investment options and member communications among other things. The Working Party will report in the next couple of months and results will be communicated to members.

This is an area where we want to continue to apply resources over the next couple of years – hopefully as sustainable solutions are implemented for Defined Benefit.

The elephant in the room of pensions may turn out to be the State Pension. The actuarial review of the social insurance fund completed last year showed that current contribution levels will be inadequate to pay the increasing amounts of State Pension that will be payable as the population ages. The current generation of pensioners probably do not realise it but they are living in a golden age of pension provision. The State Pension in real terms is much higher than it has ever been, supported by a large working population. In the future it is unrealistic to assume that the State Pension can remain at current levels. The OECD recommended a number of actions be taken to make the State Pension more equitable and sustainable. Any future review needs to consider State Pension in the context of the possible introduction of a mandatory or auto enrolment Pillar 2 pension. To have a sustainable system, we need to find a solution where employees directly fund their own pensions and the State Pension provides a fall back minimum income for those who cannot afford to fund their own pensions.

A working party on the issue of auto-enrolment has recently completed a report and will be presenting to members shortly. However more work remains to be done in this area.

My biggest concern is how long it will take for any mandatory pension (or auto enrolment) to have a substantive impact. Realistically even with detailed planning, it is likely to take 5 years to implement a fully operating system. Contributions would need to start at a low level. So it could take a further 10 years before contributions reach their long term level. So it could be 15 years from now before contributions reach the level required to provide a reasonable level of retirement income. Even then it will require 40 years of contributions to build a retirement pot sufficient to deliver that income. So those retiring in 55 years' time will be ok! Not to say it should not be done but it is a sobering thought and demonstrates the need to make tracks quickly.

In summary on Pensions I believe that we as actuaries must expand our horizons to take on risk management roles in Defined Benefits. We must also show innovation in designing Defined Contribution solutions and look for new ways to apply actuarial skills in this space. We should use our knowledge of the system to influence government and regulatory actions for private and State pensions.

Insurance

I want to turn my attention to Insurance briefly. In many ways the insurance landscape has been more stable than pensions as we prepare for the introduction of Solvency II. On the other hand it has been quite a turbulent time:

- The financial crisis led to a change in approach from the Central Bank with a significantly better resourced regulator;
- The Corporate Governance Code was introduced;
- The Fitness and Probity regime was introduced;
- Additional requirements were introduced in some niche areas;
- The Central Bank has been much more detailed in requiring risk appetite statements and proper risk management functions;
- And we had the failure of Quinn Insurance.

Overall the changes introduced have been good for the insurance industry (though not always popular with regulated companies). We have a more robust industry and a regulatory system that is highly regarded throughout Europe. I regularly have the opportunity to explain the steps that have been taken in Ireland to clients in other countries where the path to Solvency 2 has been slower. They are impressed with our progress and seek to learn lessons as they grapple with similar issues in their own countries.

Of course there have been teething problems along the way and I am sure that there will be more to come. However it would be wrong not to recognise the considerable progress that has been made. As actuaries we are concerned about the long term solvency of insurance companies and therefore we share a common goal with the regulator.

Everyone has been frustrated by the delays in the introduction of Solvency II. It was initially planned for October 2012, then January 2013, then January 2014 and now it will be January 2016 at the earliest. It is easy to be critical of the delays and to blame various parties. I prefer to see it as an inevitable part of trying to get a system that deals with a wide range of product types and historical solvency regimes. It is important that the system introduced is appropriate in a long term context but also that it does not destroy confidence in the industry by making a large number of companies insolvent. In retrospect, the industry is lucky that Solvency II was not implemented before the financial crisis. The crisis has shown that earlier designs of Solvency II did not have all of the necessary tools to deal with turbulent times.

As most of you will know the remaining debates are primarily about how to deal with Long Term Guarantees. An impact study was conducted in the spring, EIOPA published a proposed solution in June and now the Trialogue (EU Council, Parliament and Commission) are in discussions to reach a conclusion. There is a reasonable level of confidence at present that a solution can be agreed by end October to allow implementation in 2016. Let's hope that this is true.

The introduction of Solvency II will have significant implications for the actuarial profession. The current roles of Appointed Actuary and Signing Actuary will no longer exist, at least not in their current form. These will be replaced by the Actuarial Function and the Risk Management function. The creation of these functions places pressure on actuaries to build on their skills:

- While the actuarial function will still calculate technical provisions it will be in a more collaborative way, with the board much more actively involved in assumption setting;
- Using best estimate rather than prudent assumptions puts pressure on us to be better at deriving assumptions;
- We must build wider risk management skill sets to ensure that actuaries are at the heart of the risk management function;
- We must continue to grow the use of the ORSA and introduce an active risk management system.

Of course, this will not be the exclusive preserve of actuaries. However it is good to see that to date many actuaries have been appointed to these risk management roles. Hopefully this will continue to be the case after the CBI requires all companies to appoint a Chief Risk Officer.

We can all be very proud of the role that the Society has played in the on-going development of Solvency II. The Solvency II committee has been very active in responding to consultations through the Groupe Consultatif. Society members have also been active participants in Groupe Insurance and Solvency II committees and in the IFSC Insurance groups Solvency II sub-committee

I have a few requests that I would address to the Central Bank as regulator of the insurance industry. The Society engages with the Central Bank on a regular basis and therefore I look forward to discussing these requests with them during the coming months.

1. Ensure that there is a clear road-map for future developments. This was not always possible during a time of crisis and so caused tensions between regulator and industry. However it should now be possible to have a more planned and ordered path for regulatory developments that removes surprises for companies. The signs are good in this regard with the CBI being more open in recent times about its plans.

2. The IFSC has been a source of actuarial and other employment. With all of the issues facing the economy and the large unemployed population we must hope that this continues to be the case for both actuaries and others. This will require innovation. The CBI has improved its regulation of existing companies considerably. It now needs to become better at dealing with innovation. While I recognise that bringing companies to Ireland, or increasing the size of existing companies, is not a core responsibility of the CBI, they nevertheless must have systems in place that allow companies to innovate in a competitive market. This can include structures to deal with:

    a. Introduction of new product lines by existing companies.
    b. Ability to take on large transactions such as new reinsurance treaties.
    c. Changes to regulations generally to allow new areas such as protected cell companies which have become popular in some countries
    d. Speedy approval of new companies – particularly for companies such as Special Purpose Vehicles.

    I am not looking for lighter regulation – that would be inappropriate. Rather I am asking for improvement to processes and procedures to support innovation within a well regulated structure.

3. As part of the movement to Solvency II there are issues that need to be addressed in the current regulations. These issues generally lead to inappropriate risk management with substantial differences between economic and regulatory reserves. The Life Committee is putting proposals together for the CBI in this area.

I mentioned the failure of Quinn Insurance earlier. The CBI, and indeed the Society, need to examine our processes and procedures to see if we can improve the regulation of non-life insurance companies. Earlier today the Central Bank of Ireland issued a consultation paper proposing new Requirements for Reserving and Pricing for non-life insurance and reinsurance undertakings, including guidance on best estimate and margin. They also proposed governance changes including a requirement for Peer Review of the Signing actuaries work for the first time. We will be constructive with the CBI in reviewing these proposals.

Actuaries must see themselves as Risk Managers of all types of insurance companies. This has started in some companies and I congratulate those who have been leading the charge in this area. Others need to follow to ensure that actuaries continue to be the risk managers of choice for insurance companies.

Skillsets

A key role of the Society is to support actuaries in developing their skillsets. While the core principles and some of the methods that I learnt as a student in the 1980s may still be relevant today I certainly could not function as an actuary without developing and building on those skills. In consultancy it is reasonable to say that skills have a 5 year shelf life and I believe that this is a useful rule of thumb for all actuaries. So we need to continually seek opportunities to refresh and update our skills. I would like to comment on some actions being taken by the Society in this area.

Firstly, we have established a new Professional Development & Research Committee chaired by Elena McElroy De La Rosa. The Morris Review of the actuarial profession in the UK stated that "The profession should ensure that the CPD scheme is relevant, up to date and takes account of developments in actuarial science, financial markets and other disciplines". This is equally true for the profession here in Ireland.

The Professional Development & Research committee is considering the skills that actuaries need to build, and the appropriate development mechanisms that the Society should put in place. As part of that review we are examining the format of our CPD delivery. To date we have relied primarily on evening meetings. However over the past year there has been success with different formats. We will continue to test different formats to reflect the needs of different groups of members. A survey will be issued to members seeking input in this area shortly.

Another initiative that we are planning for the next year is to try to increase the technical content of our CPD programme. We have moved a long way from the days of a detailed technical paper similar to the sessional papers that are presented to the Institute and Faculty of Actuaries in the UK. There is a place for all forms of CPD and we need to ensure that development of strong technical skills is seen as a key part of that development. Therefore we want to encourage these technical presentations – even if they are relevant for smaller subsets of members. Ultimately we may need to consider if research grants are needed in some areas.

Over the last few years the numbers of actuaries acting as directors of companies has increased dramatically. In particular many actuaries are acting as Independent Non-Executive Directors. We have created a Director Interest Group, led by Tony O'Riordan to specifically address the development needs of this group. They will hold a series of round-tables during the year – with the first such round table to be held next month. If you act as a director and have not joined this group yet please send your contact details to the Society.

There will also be changes introduced to the Practising Certificate regime and the CPD requirements.

- A working party recommended changes for Practising Certificates and these recommendations are now being implemented. The actions taken will further enhance the transparency, objectivity and rigour of our practising certificate processes. We are also considering whether practising certificate requirements will remain appropriate and relevant in a Solvency II world and if so, how they should operate.

- We have reviewed the CPD requirements and have compared them with the requirements of other professions and of the actuarial profession in other countries. We are working through some of the final items of detail and we expect to issue proposals for consultation shortly.

These proposals will include proposals to phase in increased CPD requirements starting next year. I am sure that we will receive plenty of responses to the consultation.

These initiatives are designed to help all of us, as members, to broaden and deepen our skills in anticipation of the challenges ahead, and to demonstrate our competence and suitability for roles reserved to actuaries. Equally importantly, perhaps, they will help to demonstrate to our clients, employers and regulators, that we take the area of continuing professional development seriously.

Breadth of the Profession

Those of you who were at the 40th anniversary celebration last year may remember Paul mentioning that Ireland has the highest number of actuaries per capita in the world. This is an amazing achievement for a profession that started off 41 years ago with just 17 Fellow members. However it also creates challenges for the profession. We have a young membership and it is growing steadily every year. We must do all that we can to ensure that all of these actuaries have long and fruitful careers. We are taking a number of initiatives in this space:

1. We established a working party led by Duncan Robertson to consider the future role of the retirement actuary. This working party has just completed its work and will shortly present its findings to the membership. It identified a number of areas for potential growth in actuarial demand and will make a series of recommendations to the Society and to individual actuaries to assist members in this space.
2. Orlagh Woods will lead a group seeing how we can mentor or assist actuaries seeking to move from one discipline to another.
3. Gary Dunne will lead a group to examine the possible roles for actuaries in the area of big data. This is a huge growth area that naturally suits actuarial skills.

Hopefully we will be looking at a profession in years to come that has broadened its horizons and is seen as being at the fore of risk management and data analysis across a wider range of industries. But this will not come easily and will only happen if individual actuaries devote considerable time and effort to this space, both in their work life and by supporting the Society's initiatives.

A few thoughts before wrapping up

Before coming to a close there are a few other areas that I would like to address.

Firstly I would like to say a big thank you to all of our volunteers. We have approximately 250 actuaries actively involved in the Society's work from Council to Committees to Working Parties. I am delighted to say that we have been receiving very high levels of response to requests for members of working parties. Many have even been over-subscribed. The establishment of the Recent Qualifiers Committee and the numbers of recent qualifiers volunteering for working parties means that we now have a high proportion of this group actively involved in the Society. This is great to see. Many thanks to you all. Without this volunteer effort this Society would not function and would not be able to address all of the areas that I have mentioned. We introduced an award in recent years to recognise this effort, with Jim Murphy and Keith Burns the initial recipients of the award in recognition of their incredible contribution to the Society.

It is always dangerous to single out specific people for mention but I want to pick out three people who have made an enormous contribution to the Society in the international space and whose contribution may not be obvious to all of you.

Firstly I would like to mention Bruce Maxwell. Bruce has just stepped down as the Society's Membre Titulaire to the Groupe Consultatif. Bruce has represented the Society for many years in the Groupe in a wide variety of roles. He has been hugely influential in building the reputation of the Society, and indeed the Groupe, across the insurance community in Europe and beyond. His ability and commitment were ultimately reflected in his appointment as Chairman of the Groupe. Thank you Bruce for your commitment to the Society and the Groupe for many years.

Secondly I would like to express my appreciation for the efforts of Seamus Creedon. Seamus spent numerous years as the Solvency II project manager for the Groupe before stepping down last year. Seamus was there at the very beginning, at the inception of the idea, and continued to be involved right through the endless redesigns through the financial crisis. His contributions were crucial to ensure that we got a Solvency II system that meets the initial ideals.

Finally I would like to thank Philip Shier. Philip has been actively involved in the Groupe and the International Actuarial Association for a number of years. He has just replaced Bruce as the Society' Membre Titulaire. He was chair of the Groupe's Pensions Committee and has been involved in numerous other positions for both the Groupe and the IAA. Philip – thank you for the efforts in the past and for the years to come.

I felt that it was particularly appropriate to recognise the contributions of Bruce, Seamus and Philip since the Groupe is having its annual meeting in Dublin next week. It is an honour for the Society to be hosting this event.

All of that voluntary work of course relies on a strong executive team. We are very lucky to have such a strong team with Mary, Yvonne, Catherine, Emily and Tracy. Your efforts and dedication have been immense – thank you.

Finally, I want to make you aware of an initiative by the Society, and particularly by some of the more recent qualifiers, to find a way to assist those who are less fortunate than ourselves. Of course many actuaries are involved in charitable work in a personal capacity, as are their employers. However we wanted to find a way for the Society to contribute as a body. We are currently working on a program that would allow actuaries to volunteer to assist with Maths education for students in disadvantaged schools – you will be hearing more about this in coming months.

Wrap up

In summary I would like to highlight the following areas:

1. We must work to provide a sustainable solution for Defined Benefit pensions. In particular, we must ensure that future contributions lead to genuine future benefits.
2. There is a role for a risk manager for Defined Benefit pensions.
3. We also need to contribute our skills to continue to develop defined contribution offerings. This is the product that most people will have in future. The Society has a number of working parties considering this area.

4. We are in the golden age of the state pension. This level is unlikely to be sustainable. Inevitably the State Pension will be integrated with some form of mandatory pension or an auto enrolment pension.
5. In insurance many sensible changes have been made. As we move to Solvency II actuaries will need to remain actively involve and continue to develop our risk management skills.
6. The Society will continue to devote resources to developing the skills of actuaries through a number of new initiatives.
7. This is likely to include additional requirements for CPD.
8. The Society will work to broaden the scope of the profession and the services that we offer.

Thank you for your attention
I look forward to any questions, comments or other contributions that you may have.

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