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Actuaries Engaging in Public Policy Speaking up on the Challenges of an Ageing Population

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IFoA Policy Team

Agenda

- Election day!
- Policy and public affairs at IFoA
- Key policy priorities
- Policy outputs
- Ageing population – issues to date
- Ageing population – post election issues



Selected Manifesto Policies - Ageing Population

We will:

- Give you the freedom to use your pension savings as you want and pass them on tax-free
- Cap the amount you can be charged for your residential care
- Reform the pensions market so that pension providers put savers first, and protect consumers from retirement rip-offs
- While increases in the state retirement age are necessary to keep our pensions system affordable, we will ensure that people have time to plan for changes



Selected Manifesto Policies - Ageing Population

We will:

- Press ahead with plans to allow people more freedom in the use of their pension pots and to allow existing pensioners to sell their annuity
- Fund a higher standard of independent advice available to all pensioners
- Introduce a Citizen's Pension, paid to all pensioners regardless of contribution record from 2016, so no pensioner will live in poverty
- Seek a review of plans to increase the state pension age beyond 66



The Day After the Election

Some leading contenders for next Pensions Minister:

- David Gauke (Con)



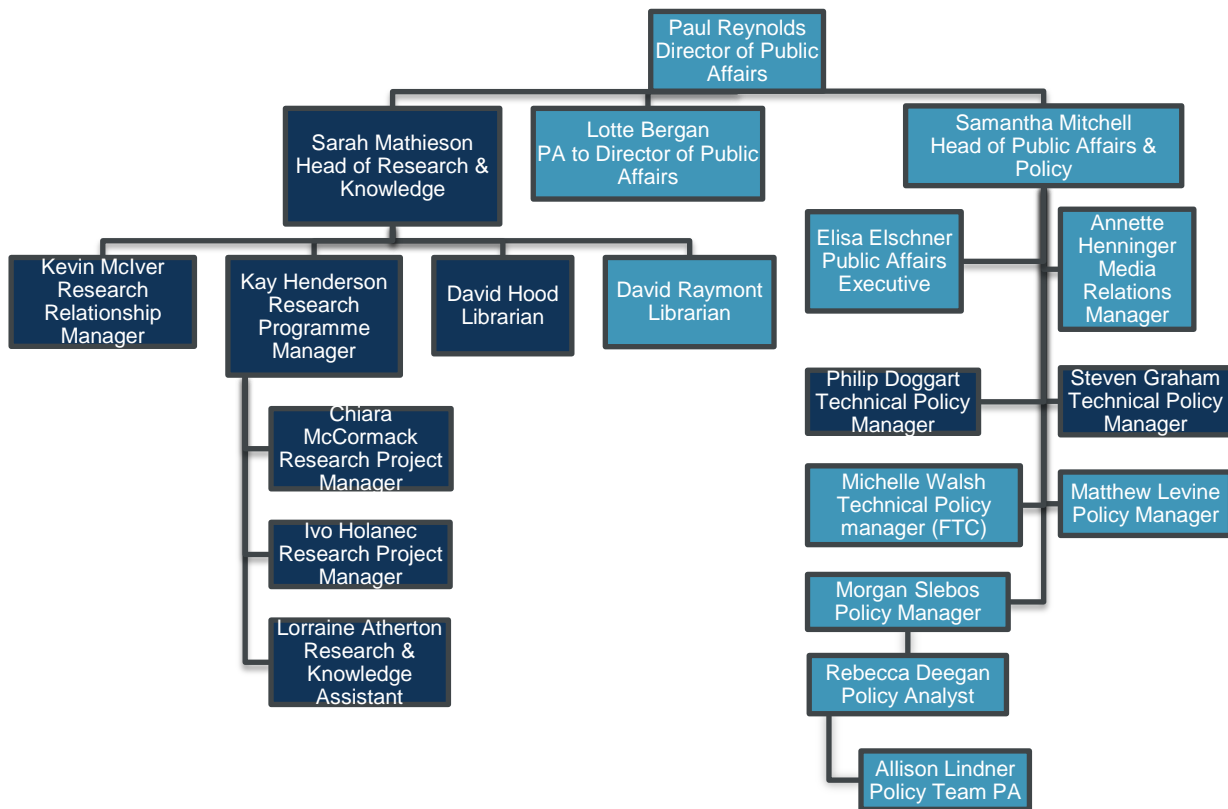
- Gregg McClymont (Lab)



- Steve Webb (LibDem)



IFoA's Public Affairs Directorate



IFoA Five Year Strategy (2011)- Public Affairs

- To speak up on relevant matters of public interest and to raise awareness of the work of actuaries and the value they add to society
- To develop and deliver upon a proactive stakeholder engagement programme in the UK and internationally.



Public Policy and the IFoA

- Public policy is not a clearly defined concept. A useful definition is ‘The principles, often unwritten, on which social laws are based’ (Oxford Dictionary 2013)
- The IFoA is not a lobbying organisation – we should not seek to steer the direction of public policy for the benefit of the actuarial profession
- Our focus is to inform policy development, using actuarial expertise in the public interest.



Our Approach to Engaging on Public Policy Issues

- Defining our public policy priority themes and developing positions on the issues within them
- Representing the membership, for example by responding to consultations and issuing press releases
- Identifying our key stakeholders in Government, the Regulators, Parliament and supranational bodies to ensure we promote actuarial science in the public interest



How Does the IFoA Choose its Policy Priorities?

- Policy priorities issues on which actuarial expertise can add significant value, and where opportunities exist for the actuarial professional to provide an ***evidence-based*** contribution to the policy making process
- In addition:
 - Issues represent significant economic and social challenges for policy makers at the domestic and international level;
 - long-term issues that transcend the duration of a Parliamentary term;
 - areas where there are different perspectives on how the policy dilemma might be resolved



Key Policy Priorities

The Policy team have identified four high-level policy themes that meet these criteria:

- **Ageing Population**
- Future of Investment Policy
- Resource and Environment Issues
- Regulatory Policy



Future of Investment Policy

- Infrastructure investment - first IFoA core narrative published April 2015
 - Support for appropriate infrastructure investments with potential to benefit both the investor and society
- Procyclicality - high-profile panel event planned for autumn 2015
 - To consider factors such as reduced willingness of insurance companies and pension funds to bear risk, and the impact of mark-to-market based accounting and regulation on this



Resource and Environment

- IFoA and Global Challenges Foundation to co-sponsor a series of expert workshops in Oct 2015 examining the merits of applying actuarial science to assessing major global risks
- The PRA was approached by the Department for Environment, Food and Rural Affairs (DEFRA) to input to its Climate Change Risk Assessment Report from an insurance perspective. IFoA hosted round table event looking at climate change and the role of regulation



Policy and Public Affairs Outputs

Policy briefings, explaining an issue in detail but without making recommendations, e.g. Solvency II (Apr 2015):

- Resource for members on basics and key issues
 - Explanation of quantitative, qualitative and reporting requirements (the ‘three pillars’)
- How IFoA represent members’ concerns (Solvency II Steering Group, etc.)
- Summary of previous comments we have made on key issues, such as the impact on with-profits





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Policy and Public Affairs outputs



Policy and Public Affairs Outputs

Policy position papers, in which the IFoA makes evidence-based recommendations on key announcements or issues, e.g. Budget 2014 (Jun 2014):

- We highlighted findings that individuals tend to underestimate their own longevity, leading to a risk of running out of funds
- We suggested that the guidance guarantee should extend through retirement for those not buying annuities when they retire
- We also noted potential issues for DB-DC transfers under the ‘freedom and choice’ measures



Policy and Public Affairs Outputs

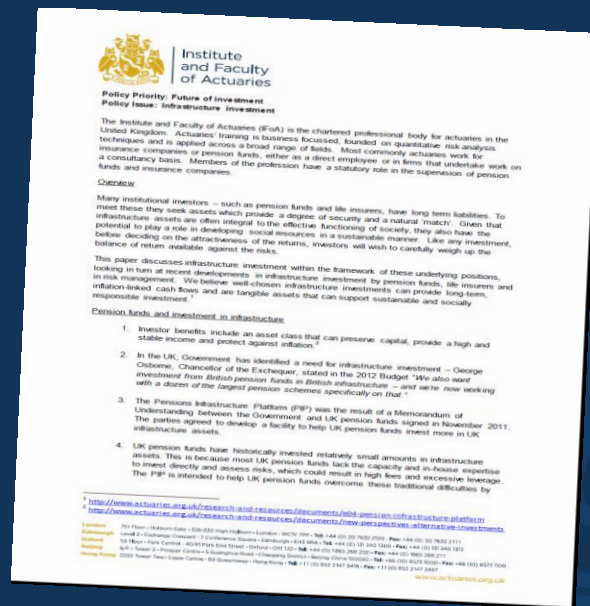
Core narratives, summaries of around two pages highlighting the most important IFoA messages on a specific policy issue. An important means of briefing external stakeholders. For example, Infrastructure investment (April 2015):

- Background - recent infrastructure projects for pension funds and life insurers
- High-level IFoA position - “We believe well-chosen infrastructure investments can provide long-term, inflation-linked cash flows and ... can support sustainable and socially responsible investment”
 - Perspective of wider public interest





Policy and Public Affairs outputs



Policy and Public Affairs Outputs

Media releases, highlighting key internal or external policy developments:

Long term care funding (May 2014)

- Highlighting important research findings
- Putting outputs in context, i.e. cross-practice view looking at long term care funding in the context of the Government's freedom and choice pension reforms

Budget 2015

- Extension of annuity reforms



Policy and Public Affairs Outputs

The image shows two overlapping windows from a desktop environment. The left window is a web browser displaying the Institute and Faculty of Actuaries website. The right window is Adobe Acrobat Pro displaying a PDF document.

Web Browser Window:

- Address bar: <http://www.actuaries.org.uk/n...>
- Page Title: Public affairs and policy pri...
- Page Content: Institute and Faculty of Actuaries logo, navigation menu (Becoming an actuary, Students, Members, Communities, Practice areas, News, Events, Research and resources, Regulation, About us), breadcrumb (Home > News > All news > Just 8% of men and 15% of women entering care aged 85 today are likely to reach the new social care cap), article title (Just 8% of men and 15% of women entering care aged 85 today are likely to reach the new social care cap), date (12 May 2014), and a list of bullet points.

Adobe Acrobat Pro Window:

- File Name: 140512-how-pensions-can-meet-consumer-needs-under-new-social-care-regime-full-report.pdf - Adobe Acrobat Pro
- Page Content: Institute and Faculty of Actuaries logo, title (How pensions can help meet consumer needs under the new Social Care regime), subtitle (An Overview), and author (By the Products Research Group of the Pensions and Long Term Care Working Party). The date 7 May 2014 is visible at the bottom right of the page.



Policy and Public Affairs Outputs

Consultation responses, an important part of the Policy team's work.

- Range of stakeholders: DoH, DWP, HMT, PRA, tPR...
- Focus on potential impact
 - To influence the eventual policy decision and/or
 - To use our response to increase the quantity and quality of engagement with the sponsor of the consultation
- The volume of consultations has increased while timescales for responses have decreased, so we must be discriminating
- Home/ About us/ Public Affairs and Policy Priorities



Policy and Public Affairs Outputs

Stakeholder engagement

- Seeking to strengthen ties at all levels with key Government departments and other bodies
- Regular meetings plus issue-specific meetings as needed
- Joint working where useful, e.g. some joint consultation responses
- Aim to raise IFoA's overall profile and our reputation for expertise on specific issues
- Involvement in policy-making at earlier stage?



Policy and Public Affairs Outputs

Evidence-based research

- Crucial for giving credibility to our policy outputs
- Historically most research done by internal working parties
- Increasingly, will be externally commissioned, with the process managed by the Research and Thought Leadership Committee

In all of these policy and public affairs outputs the IFoA Public Affairs Directorate works closely with volunteer members on relevant Practice Boards, Committees and Working Parties.



Ageing Population – Engagement with Key Stakeholders

- DWP – Dec 2014
 - Who? Pensions and Finance & Investment Board Chairs
 - Topics? Guidance guarantee
- Treasury – Dec 2014
 - Who? Members of the DC Advisory Group and the Pensions and Long Term Care Research Group
 - Topics? Taxation of Pensions Bill



Ageing Population – Engagement with Key Stakeholders

- Dept of Health – Oct 2014
 - Who? Chairs of Health and Care Board and Pensions and Long Term Care Research Group
 - Topics? Care Act, Freedom and Choice agenda



Impact of Engagement

- Improved relationships with key Government departments and regulators
- Development of a consistent 'voice' for the profession on issues of interest to members
- Increasingly seen as a 'go to' expert on relevant areas of public policy debate
- Fulfilling our public interest duty



Ageing Population – Issues to Date

1. Freedom and choice agenda – future of retirement income
 - Budget 2014 – Position paper, June 2014, set out IFoA views on pre-retirement savings, the guidance guarantee, DB-DC transfers and the Budget's impact on the retirement income market
 - Guidance guarantee – IFoA response to FCA consultation, Sept 2014
 - Default decumulation strategies and product innovation – Feb 2015 response to Pensions Institute independent review of retirement income
 - Secondary annuities – working on response to HMT call for evidence

Ageing Population – Issues to Date

2. Funding long term care

- Pensions and Long Term Care (PLTC) Working Party was established to develop intellectual capital that would support the IFoA in building a narrative and engaging in the debate on LTC
- May 2014: Working Party report examined financial impact of the proposed care costs cap for individuals in England and how pension-based products could be used to fund LTC in the new regime from 2016
- Findings received significant media attention paving the way for a targeted engagement programme with policy makers



Ageing Population – Issues to Date

3. Securing an adequate income throughout retirement

- Pensions Auto enrolment and NEST. IFoA commissioned research from the Pensions Policy Institute on adequacy of contributions
- State Pension Age – working party looking at actuarial input for recommendations to Government on age-related SPA
- Defined ambition (DA) – participated in DWP coordination group on DA and collective DC schemes



Ageing Population – Post Election Agenda

Potential topics for the post election period:

- The role of default decumulation strategies in the new pensions framework
- DB to DC transfers
- A secondary annuity market – what this means for consumers
- Phased retirement – changing investment strategies for pension schemes to meet changing needs



Ageing Population – Post Election Agenda

Potential topics for the post election period:

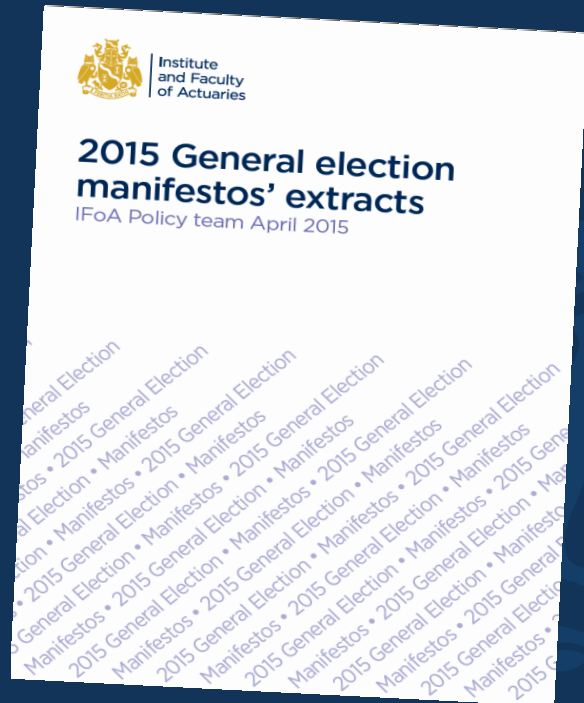
- Funding long term care
- Mitigating longevity risk
- Understanding variation in life expectancy and potential cost on an individual and society basis





Institute
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Policy and Public Affairs outputs



Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.

