



The Actuarial Profession

making financial sense of the future

Pensions, benefits and social security colloquium 2011

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ERM for pension funds and their sponsors

27 September 2011

Context

- The only function of economic forecasting is to make astrology look respectable - J. K. Galbraith
- When models turn on, brains turn off – T. Schulman
- All models are wrong, but some are useful – G. Box
- Support decision making in face of uncertainty
- Whose decisions...
- ...with what objective...
- ...how much appetite for risk...
- ...under which constraints?

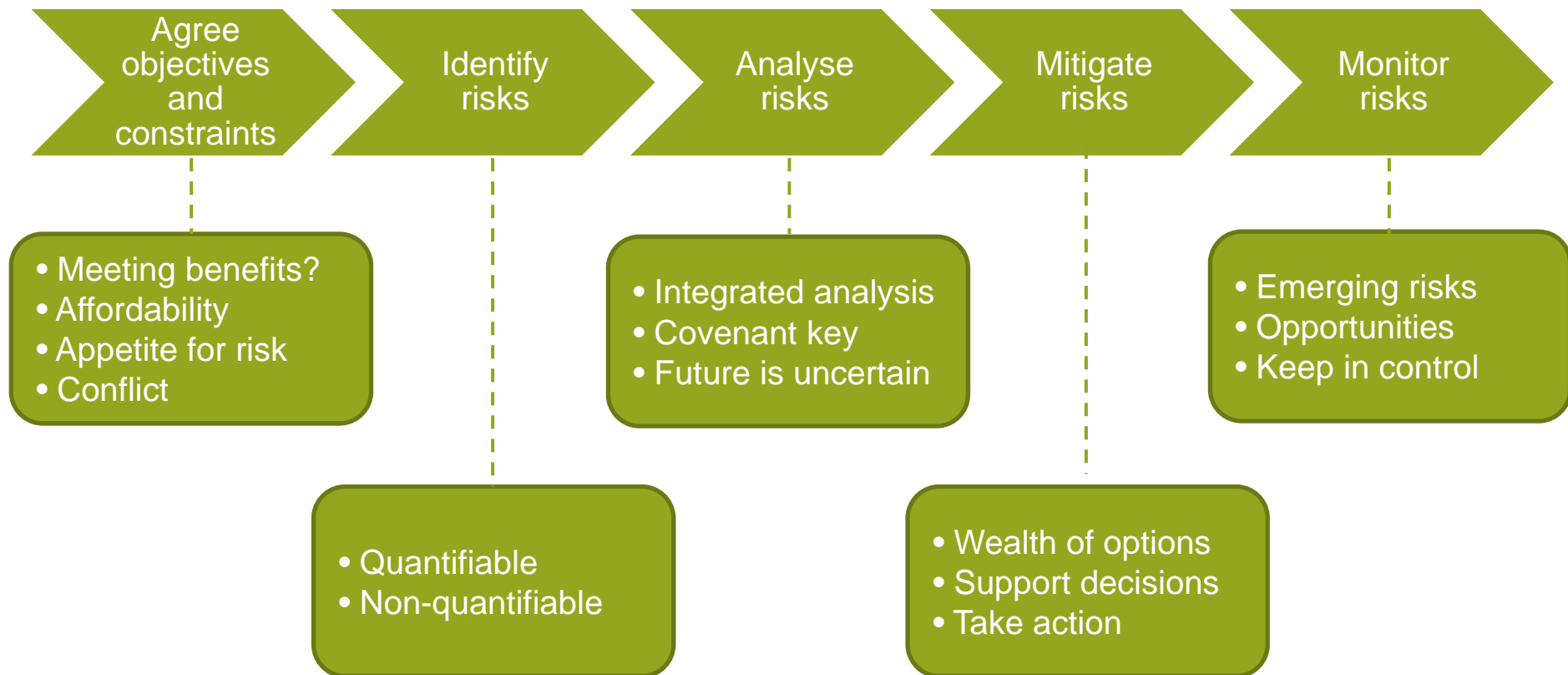
How ERM can help



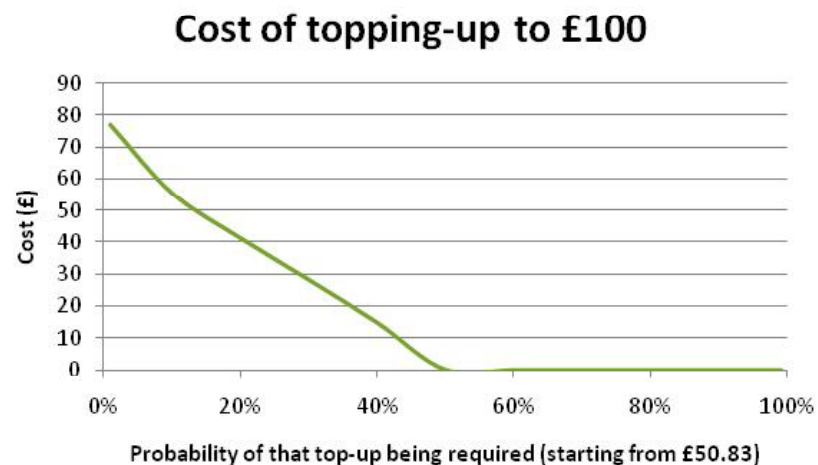
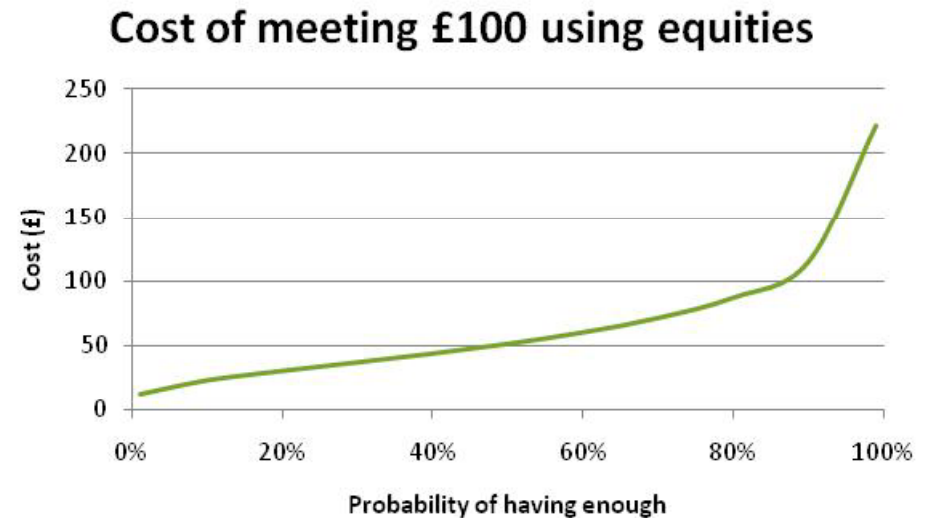
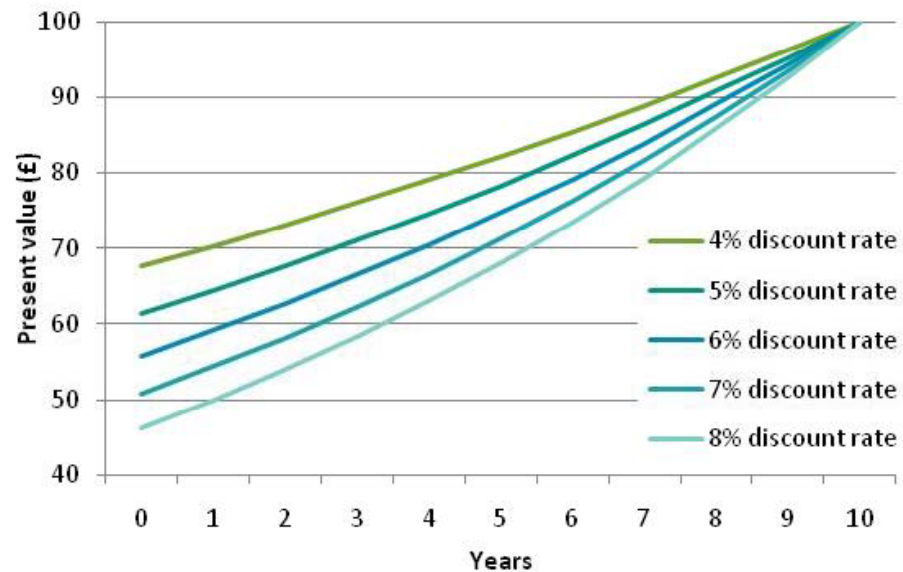
Joining the dots



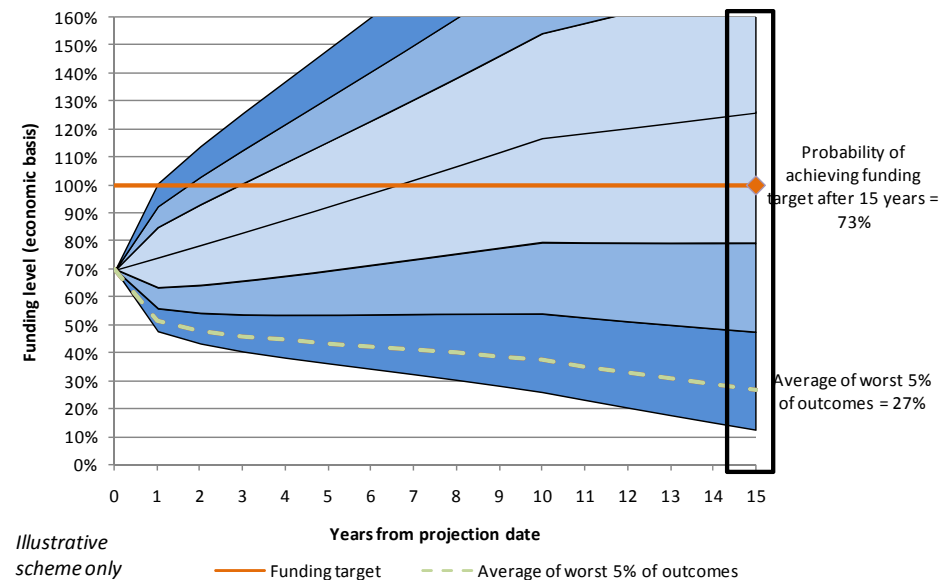
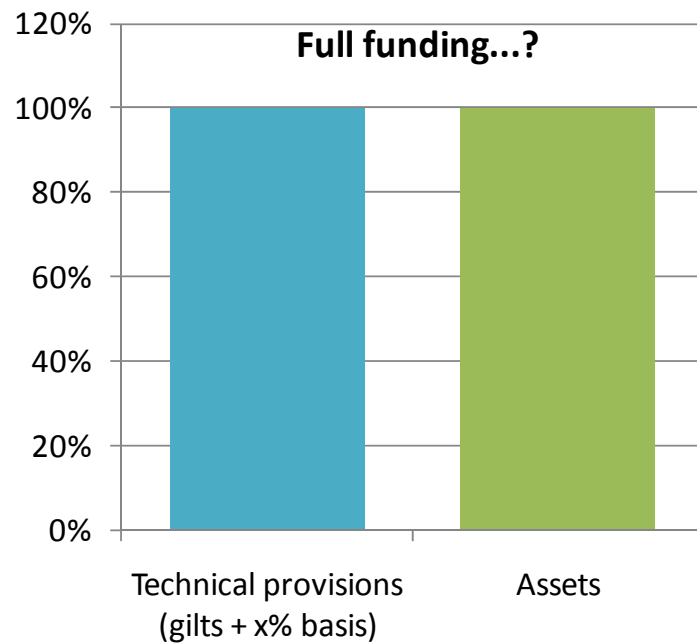
Management framework



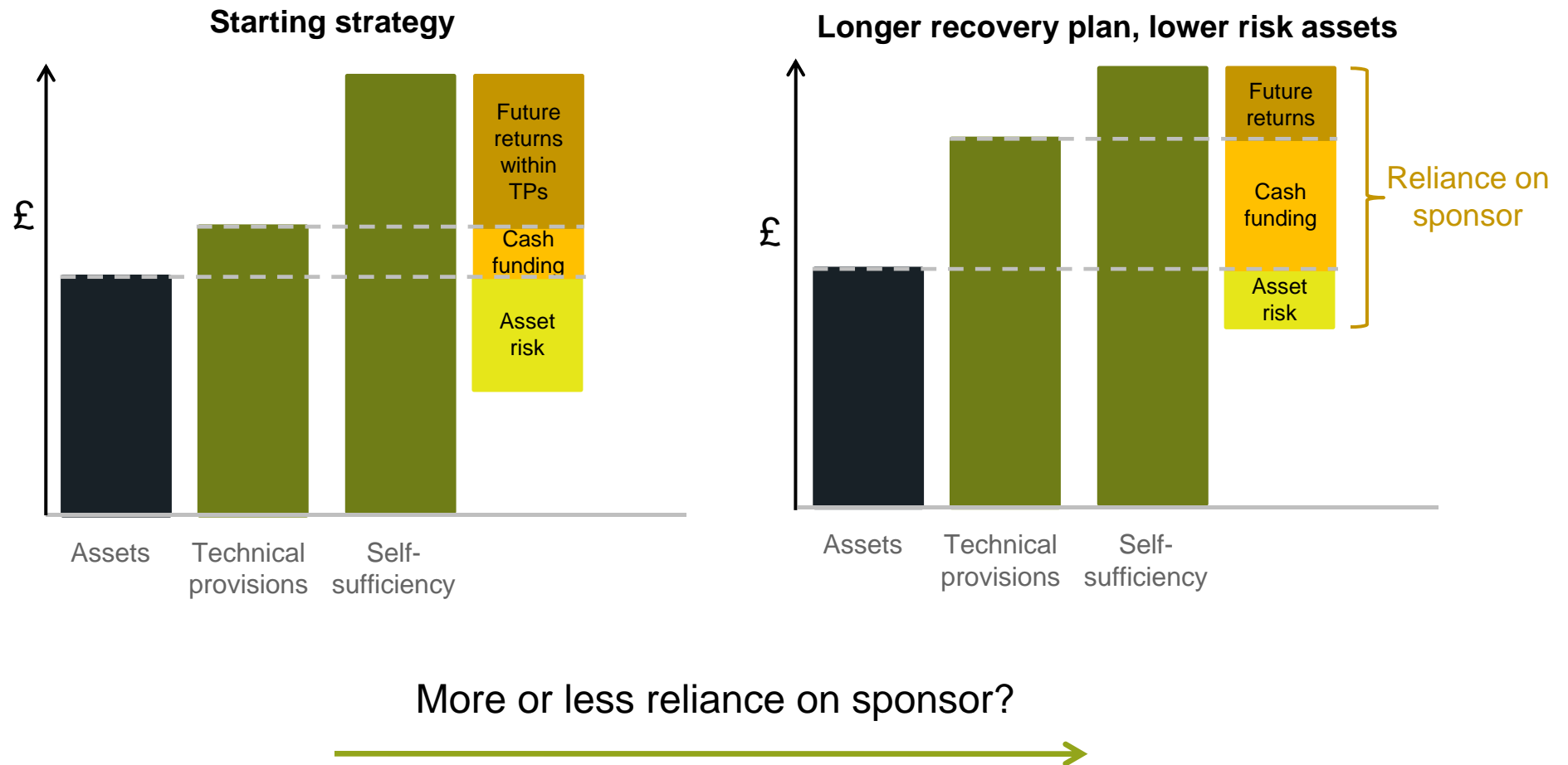
Helping illustrate uncertainty



Helping illustrate uncertainty



Striking the right balance



Conclusions and questions

- ERM provides a common-sense framework for pensions
 - Is it an improvement?
- Actuaries have the right tools
 - Managing stakeholder viewpoints is key
- Help clients navigate the “dangers of false concreteness”
- Can we better define technical provisions
 - Why would trustees not target self-sufficiency?
- Does pension regulation and professional standards help actuaries or their clients make decisions in light of risk?

Questions or comments?

Expressions of individual views by members of the Actuarial Profession and its staff are encouraged.

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

