

The Actuarial Profession
making financial sense of the future

Actuarial Profession Networking Event
Jon Hatchett

ERM for pension funds and their sponsors

21 April 2011

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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?

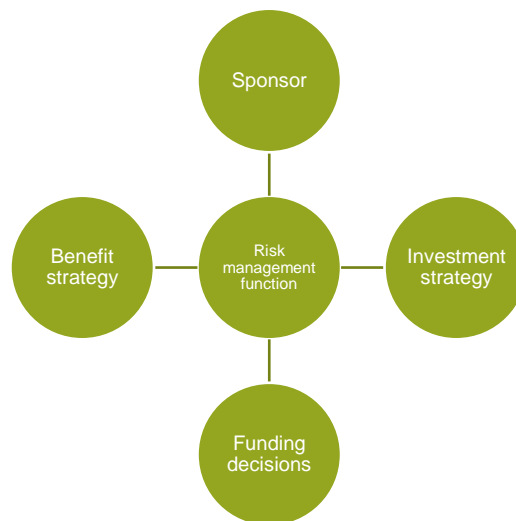
How ERM can help



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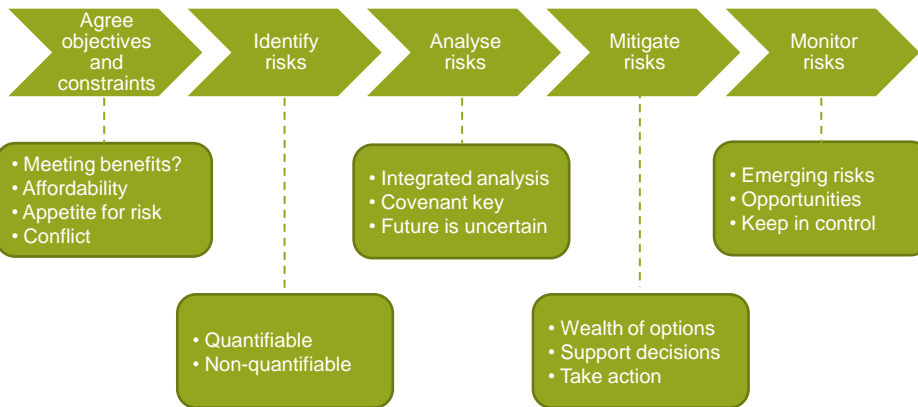
Joining the dots



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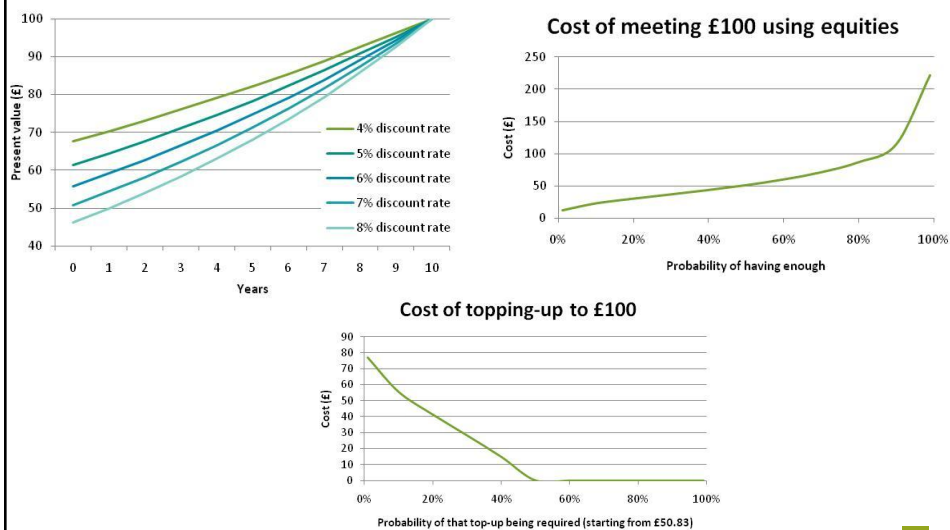
Management framework



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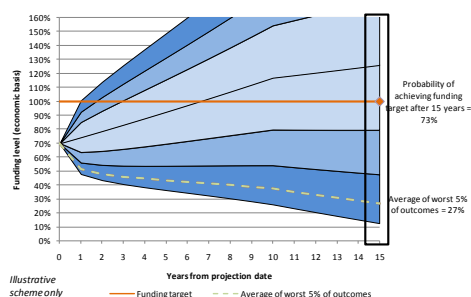
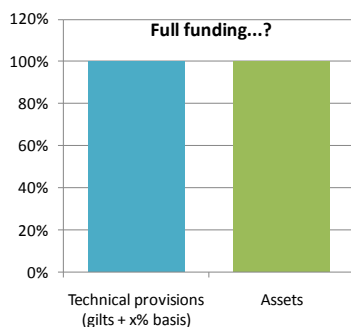
Helping illustrate uncertainty



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Helping illustrate uncertainty



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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?

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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.

