The Role of the Actuary

“It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.”

Charles Darwin (1809 – 1882)

Outline

- Background
- Responsibilities of the Actuary
- Actuarial advice: where to start?
- Tricky issues
- Conclusions
Background

Statutory funding objective

Sufficient and appropriate assets to cover technical provisions

Key elements:
- Statement of funding principles
- Schedule of contributions
- Recovery plan (if applicable)
- Prudent assumptions

Background (continued)

Funding = Trustee responsibility

...having taken advice from the actuary and reached agreement with the employer (usually)

Responsibilities of the Actuary

Trustees must obtain advice:
- on methods & assumptions to calculate technical provisions
- when preparing or revising a
  - Statement of funding principles
  - Schedule of contributions
  - Recovery plan
Actuarial advice: where to start?

- Professional conduct standards
- GN49
- Pensions Regulator’s code of Practice
- GN9

Trustees not required to follow advice

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Actuarial advice: where to start?

- Discuss scope of advice
- Explain peer review
- Oral advice followed up in writing
- Still need to be proactive

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Tricky issues?

**Role of the Actuary**
- Teacher rather than adviser?
- Calculation machine?
- Will Trustees still want recommendations?
Tricky issues? (continued)

Prudent assumptions
- **What is prudent?**
- **Margin over best estimate?**
- **Equity out-performance?**
- **Future changes in assumptions?**

Tricky issues? (continued)

Discount rates & inflation
- **ERP: is there one? how much? how to justify?**
- **different discount rate for TP/RP?**
- **choice of gilt yields?**
- **setting inflation assumption?**

Tricky issues? (continued)

Mortality
- **Use latest available data?**
- **Regulator’s statement**
- **Adjust standard tables?**
Tricky issues? (continued)

Regulator triggers
- Regulator’s statement May 2006
- Triggers not targets
- Emphasis?

Tricky issues? (continued)

Actuary sets the contribution rate
- Relatively rare?
- Actuary recommends minimum contribution
- Take legal advice?

Conclusions
- change of approach for actuaries?
- greater understanding of funding for trustees?
- more cautious funding assumptions adopted?