



JOINT COLLOQUIUM OF THE IACA, PBSS AND IAAHS SECTIONS BOSTON, USA, 4-7 May 2008

A very successful Joint Colloquium of the IACA, PBSS and IAAHS Sections of the IAA took place in Boston, USA from 4 to 7 May 2008. This was the first time that three sections had jointly organised a conference, apart from the four-yearly International Congresses of Actuaries. Bringing together around 200 participants and 25 accompanying persons from 34 countries, this was a truly international and diverse occasion, albeit with some local traditions, such as the New England Clambake on the Tuesday evening.

Although predominantly focused on pensions, social security and health issues, the programme featured sessions from all areas of traditional actuarial practice, as well as some new areas, such as determining the liabilities of the State of West Virginia in respect of environmental reclamation and restoration of coal-mining sites!

In the opening plenary session Dave Hartman, the current President of the IAA, talked of his vision for the global actuarial profession and some elements of the strategic plan of the IAA. The Chairmen of the three participating IAA Sections, Mike Toothman (IACA), Chris Daykin (PBSS) and Howard Bolnick (IAAHS) took part in a panel discussion with Dave, facilitated by Paul Thornton, in which they gave their assessment of the areas of greatest change facing members of their respective Sections over the next 10 years, what actuaries will need to do to meet those challenges and how well-placed the actuarial profession is to compete with other professions and experts.

A repeated theme, taken up by several speakers in the closing session, was the need for actuaries to eschew a narrow technical focus and take time to understand the broader environment and the potential impact that the results of technical actuarial work might have. In both the social security and health fields, actuaries need to work alongside economists and other technical experts, many of whom have traditionally been much more broadly focused than actuaries.

In total there were 25 submitted papers and 48 sessions. The programme is on the IAA website at www.actuaries.org/Boston2008/Program_EN.cfm with links to all the papers and presentations, which can all be downloaded in pdf format.

Keynote addresses were given by:

- Alicia H Munnell, Peter F Drucker Professor of Management Sciences, Boston College on *Retirements 'at risk': The changing landscape of retirement in the US*

- David M Walker, President and CEO of the Peter G Peterson Foundation on *Economic and Retirement Insecurity*

The two external keynote speakers made very stimulating presentations, albeit from a US perspective, illustrating vividly the challenges facing the US in retirement policy and in bringing the burgeoning costs of Medicare and Medicaid under control. Their incisive analysis clearly raised important implications for the public policy profile of the actuarial profession in the US and significant lessons to be learnt for those attending the conference from other parts of the world.

In the pensions and social security field, presentations at the meeting emphasized the challenges facing many countries to reform unsustainable social security and pensions systems, to evaluate, streamline and make incremental improvements where reforms have already been carried out, to widen coverage to a broader cross-section of the population, to avoid or restrict perverse incentives for early retirement and to encourage more people to work longer in order to achieve greater adequacy of retirement income and achieve a more sustainable apportionment of increasing lifespan between working life and retirement.

Several papers considered the application to other countries of actuarial accounting and automatic balancing mechanisms, as pioneered in the Swedish NDC reform; others considered whether such a reform could be applicable to their environment.

Some papers were concerned with the trend from DB to DC plans and the evolution of retirement benefits in the new environment. There were presentations on the macroeconomic funding implications of the move from DB to DC and on investment choices, default investment options and the governance of DC plans.

Papers addressed some technical issues arising from accounting standards and the volatility of market values, including the valuation of financial options in pensions and the application of LDI. Non-financial assumptions for actuarial work in pensions were not forgotten, with presentations on mortality and a paper on withdrawal decrements.

Health sessions covered a very wide range of public policy, health insurance product, and health insurance company process topics. Most notable were sessions on micro-health insurance, which is a rapidly developing social and commercial variation on traditional insurance aimed at providing health insurance to low income populations in developing countries. This was the topic addressed in a most interesting and helpful manner by health keynote speaker David Dror, who is professor of health insurance at Erasmus University, the Netherlands.

Many of the IAAHS product and health process topic teams developed sessions for the colloquium. These sessions covered material from an international perspective and introduced new ideas such as agent-based modeling. Research was also presented on the impact of wellness programmes on hospital claims experience, Solvency II in health insurance, developments in risk adjustment in various countries in the world, and several other topics.

The Colloquium offered, through the depth and range of its programme, a wonderful opportunity for healthcare actuaries to learn from others and also to network with other actuaries.

Whilst the actuarial profession should beware of any complacency in what seems certain to be a rapidly changing world, there are many exciting challenges ahead, for which actuaries do have some strong competitive advantages, including their comfort with handling issues of future uncertainty, their understanding of concepts of finance and discounting future cash flows, the ability to evaluate guarantees and to play a key role in risk management of entities in the financial sector. The framework of professional codes and technical standards set by the actuarial professional bodies is also a selling point. However, as already mentioned, actuaries need to get out of their comfort zone and pay attention to the broader contextual and environmental issues, including active engagement with politicians and with the media. One aspect of this could be to work to get more government actuaries in place in different countries!

There is also a need for some re-skilling to play an effective role in a world which is likely to be dominated more by DC pensions, although several speakers were loathe to write off DB pensions just yet and it may not be too late for the actuarial profession to play a role in the development of alternative risk-sharing solutions in the wide space between the DB and DC ends of the spectrum of pension arrangements. There is also an urgent need to develop new ways of sharing investment and longevity risk in the pay-out phase, whilst addressing the need for flexibility to meet different requirements for retirement income.

The three sections are extremely grateful to Ken Buffin, who chaired the Professional Programme Committee vigorously and effectively and ensured a first-class programme, with all the papers and presentations available on the website before the meeting. Many thanks are also due to Wendy Male, our meeting planner, and to Christian Levac from the IAA Secretariat, who both provided fantastic support in the preparation of the meeting and in their presence on-site in Boston, whilst Christian did a great job managing the website.

The three sections are also most grateful to our financial sponsors, Milliman and Sun Life Financial, and to the universities who co-sponsored the meeting: Ball State University, University of Illinois at Urbana-Champaign, University of Michigan, University of Waterloo and the University of Wisconsin.

Chris Daykin
Chairman, PBSS

Glossary

IAA International Actuarial Association
IACA International Association of Consulting Actuaries Section of the IAA
PBSS Pensions, Benefits and Social Security Section of the IAA
IAAHS Health Section of the IAA
NDC Notional defined contribution
LDI Liability-driven investment
DB Defined benefit
DC Defined contribution