

Minutes of the ILO-IAA consultation meeting
The role of actuaries in social protection
New York, 13 February 2004

Objective

1. The consultation was organized to develop a joint strategy to improve the educational and professional standards of actuaries and social protection managers in view of observed gaps in professional development opportunities.
2. An intensive one-day meeting was hosted by the ILO (M. Cichon and A. Drouin) and attended by 11 high-level participants representing the IAA, the World Bank, the IMF, the ISSA and the University of Maastricht. The following IAA committees were represented: education, social security, pensions and supranational relations. The list of participants and meeting agenda can be found in Annexes 1 and 2.

Summary of discussions

3. Presentations were made and the resulting discussions led to a common understanding of the actual constraints and challenges faced by technical practitioners in social protection. Messrs. M. Cichon and C. Daykin presented perspectives and proposals for future educational and training development in the field of social protection and social security.
4. The ILO proposal focused on two professional routes for social protection financial managers and social security actuaries. The IAA proposed a clear organization of the different professional tracks in social protection (inclusive of social security) along the lines of the main technical functions of management, day-to-day technical work and regular actuarial reviews. The core categories of professions requiring educational standards were identified as social security actuaries, social security actuarial technicians and social protection managers. The table below summarizes the accepted lines of the framework.

<u>Social protection managers</u>	<u>Social security actuaries</u>
<p><i>(e.g. directors, trustees, managers of social security institutions and social welfare programmes, ministry of finance officials, public account specialists, social policy and poverty specialists, etc.</i></p> <p>Knowledge of:</p> <ul style="list-style-type: none"> - Economics - Demographics - Public finance - Corporate governance - Social budgets - Investments - All policy aspects - Analysis, and communication of projection results from a comprehensive perspective incl. demographic, economic, employment and financial perspective - Basic understanding of actuarial techniques - Thorough understanding of insurance principles 	<p><i>(actuarial valuations at regular intervals)</i></p> <p>Knowledge of:</p> <ul style="list-style-type: none"> - Better skills in setting assumptions with macro-economists, statisticians and demographers. - Better judgmental capacities and communication skills - Guidance for better investment strategies and asset-liability matching (cash flow and budget management) in social security - Modeling public assets and benefit liabilities to enhance transparency in measurement of government accounts - Better knowledge of social budgets and inter-relations - Better skills at public accounting - Focus on governance for better administration such as the integration of contribution collection and income tax collection functions - More focused on needs' assessment beyond pensions, i.e. health insurance - Stronger competencies for regulatory role of state for all forms of social security

	schemes and pensions
<p><u>Social protection technicians</u> <i>(day-to-day technical work)</i></p> <ul style="list-style-type: none"> - Completing the calculations - Liaising with relevant professionals from different disciplines 	<p><u>Social security actuarial technician</u> <i>(day-to-day technical work)</i></p> <ul style="list-style-type: none"> - Collecting data from relevant professionals - Running the actuarial models

5. At present, the education standards for actuaries are relatively well developed such that the introduction of an education track in social security is foreseeable through the traditional national associations with support from the IAA. However, very limited education opportunities exist for social security actuarial technicians at the moment. Social protection managers (mostly current directors, trustees, managers and government officials working on social protection and mid-career professionals expected to occupy social protection management positions in future) also represent a target group in dire need of additional education standards and infrastructure to strengthen good governance in social protection. At present, there mostly exists ad hoc training considered having limited impact.

6. Mr. C. Daykin stressed that any accreditation should be done through a harmonized and rigorous process using either examinations or approved university programmes.

7. It was agreed that two distinct strategies should be developed for actuaries and technicians in social security, on the one hand, and for social protection financial managers on the other hand. The strategies will include suggestions regarding the role of participating universities expected to offer programmes on social protection once education standards are established. Messrs. C. de Neubourg and R. Brown pointed to the actual lack of appeal for universities in the field of social protection and pensions because of low profitability (it may cost as much as 60'000\$ to develop a single course and demand is relatively low). Linkages to international organizations in future will clearly be of high importance to stress the need for the professionals in social protection management and in social security for actuaries and to reach the potential future students. A consortium of universities should be developed to foster course offerings in an efficient manner and to ensure mutual recognition.

8. The potential role of the ISSA Committee of Statisticians and Actuaries should be investigated further in view of their direct access to the membership across social security institutions and despite limited access to other professionals. Mr. C. Daykin informed about the prospective merger with the ISSA committee on provident funds (investments). It is noted that the IAA Section on Pensions, Benefits and Social Security includes non-actuaries as its individual members.

9. Mr. C. Daykin will raise the issue of developing an education track for actuaries in social security with the U.K. Institute of Actuaries. Mr. R. Brown indicated that the SOA would likely accept to pursue the initiative of an education track for social security actuaries.

10. Mr. R. Holzmann advised to investigate modern education means for flexible training, especially to obtain lectures from high-profile experts addressing large audiences anywhere, e.g. through distance learning, electronic exchanges, video-conferencing, traditional lectures, etc. He stressed the need for implementation-oriented programmes.

11. Other points of discussion included Mr. P. Maeder's presentation on IAA. Mr. R. Brown provided insightful information on the preoccupations of pension actuaries in the USA as he briefed us about past efforts under the SOA to implement the "big tent/wider field" concept to broaden the context of actuarial work to other professions and towards a profession of financial engineers (quantitative risk analyst certificate). Unfortunately, this did not materialize in face of opposition from pension consulting actuaries. Mr. C. Bykerk explained the interest of the IAA Committee on Education to work with the ILO on widening the scope of actuarial education to work in the multidisciplinary environment of social security/social

protection. He stressed the subsidiary concept of the IAA and the need to establish a formal steering committee to push forward the proposal of an education track for social security actuaries.

12. All presentations and background information provided can be found in attachment.

Follow-up actions

13. **Education developments for social security actuaries and technicians.** An official request from the ILO is sent to the IAA to develop the strategy for education standards for actuaries and actuarial technicians in social security.

14. **Education developments for social protection managers.** The ILO will complete in close collaboration with the University of Maastricht a strategy paper on education programmes and access for mid-career social protection managers and supporting good governance objectives in social protection (and towards poverty alleviation). It will consult with interested universities, namely the University of Maastricht, the University of Lausanne and the University of Waterloo. The draft strategy paper will be circulated for comments before it is presented at the end of the year to selected development aid agencies of countries such as the Netherlands, the UK, Sweden, Denmark, Norway and Canada.

15. The ILO will separately consult with the ISSA, namely through Mr. C. Daykin, to investigate a clearer role of its Committee of Statisticians and Actuaries in respect of both initiatives.

16. The IAA is requested to advise on the best way to establish the joint working group whose mandate should include development of the strategy, the syllabus and examination process. It could be set up either on its own or through one of the IAA working groups.

17. All parties are expected to communicate relevant developments to other parties in future. It is proposed to convene a follow-up discussion on progress made at the occasion of the coming ISSA General Assembly in Beijing in September 2004.

Attachments

- Annex 1. [Agenda](#)
- Annex 2. [List of participants](#)
- Annex 3. [Educational and professional standards for actuaries and financial managers in social protection – A proposal](#) (Background paper for discussion)
Cf. separate Word file
- Annex 4. [Presentation by M. Cichon](#) *Cf. powerpoint handout*
- Annex 5. [Presentation by C. Daykin, Social security education as a specialist track](#)
Cf. powerpoint handout
- Annex 6. [Presentation by R. Holzmann, World Bank, Financial governance in social protection and technical requirements, country gaps](#) *Cf. powerpoint handout*
- Annex 7. [Presentation by C. Bykerk, IAA Education Overview](#) *Cf. powerpoint handout*
- Annex 8. [Presentation by P. Maeder, A global view of the actuarial profession](#)
Cf. powerpoint handout
- Annex 9. [Background paper IAA Education Committee: An assessment process for education systems - Principles for the process](#) *Cf. handout*
- Annex 10. [Background information on the Terms of Reference of the IAA Social Security Committee](#) *Cf. handout*
- Annex 11. [Background information on the SOA Education Redesign initiative](#) *Cf. handout*
- Annex 12. [Background information on Final IAA Guidelines of actuarial practice for social security programmes](#) *Cf. handout*