Introduction

Society members are today responsible for the financial security of over 250,000 pension scheme members here in Ireland and of literally millions of life and general insurance policyholders both in Ireland and, through the IFSC, across the world. In this process, we certify insurance and pension liabilities of upwards of €200bn.

I believe we have been successful as a profession, because we have remained relevant to changing needs.

But, this is a position we certainly should not take for granted and that is why I have given my address the title ***"Relevance in a time of change and turmoil".***

Relevance to Ireland

We are the Society of Actuaries **in Ireland** and to put it very mildly, Ireland has been an interesting place to live and work in the past 3 years, as we have lurched from a property crisis to a banking crisis to a fiscal crisis to a sovereign crisis.

Through all this turmoil, it's certainly worth asking ourselves individually and collectively as actuaries - how relevant have we been in these most difficult of times?

When the analysis is done, we do have a creditable record of raising our voice and putting forward ideas in areas where we have specific expertise.

I believe, from this position there is now an unprecedented opportunity for the Society to act as a catalyst for longer-term thinking across a range of social policy issues.

Relevance in pensions

To make long-term financial and economic sense, defined benefit schemes need to take some investment risk. But, this is in conflict with their need, at the same time, to comply with short-term accounting rules and provide a high level of security to members in the event that a scheme is wound up.

To resolve this long/short conundrum, the Society has consistently advocated and supported a move towards explicit risk-sharing between members and sponsors.

The Society has been also shining a light for years on the untenable gearing risk that the priority given to the growing proportion of pensioners has created for active and deferred members. This unfairness simply cannot be justified and is only going to get worse as schemes mature. Unfortunately, a lot of what we have had to say has fallen on deaf ears. At the end of the day, we are neither legislators nor regulators, but we must continue to promote change in areas that require action.

Today, we are in the dangerous position that we have no funding standard at all. Rather than embarking on more piecemeal change, we would urge the interim reinstatement of the existing funding standard - incorporating a risk controlled sovereign annuity facility. But, crucially, this should be accompanied by a fundamental and holistic review of long-term private pensions policy.

As regards pension tax, we have an irrational situation. One arm of the government wants sponsors and members to contribute more, while another has slapped on an arbitrary levy once the money has been paid over and is locked in. This is not to mention the other enacted and proposed restrictions of relief on contributions and benefits. I would urge the government to "stop the clock" on further explicit tax changes in 2012, to allow informed decisions to be made based on the current real situation on the ground.

We have all heard the stark "DB is dead" headline repeated in Society meetings and elsewhere.

For certain, there is an elephant in the room – yes, there are no new DB schemes; yes, many DB schemes have closed to new entrants and a number also to future service accrual; and yes, some, so far mostly smaller schemes, have decided to wind up altogether. But, the reality is that DB provision has an extremely long tail and, barring a major upheaval, will be with us for a very long time.

However, this is not to make the case for complacency. The market is changing and we need to form a more considered view of the likely nature and timing of that change and how we can maintain our relevance in retirement provision.

With this in mind, in the coming months we will be establishing a working party to consider these issues and the roles which actuaries can play in retirement planning in the future.

Relevance in insurance

In life insurance, I think it is to the credit of our members, particularly those who shoulder Appointed Actuary responsibilities, that policyholders have come through the crisis so far intact, although not entirely unscathed.

But, the challenges abound. Domestically, business volumes are down 50% from their peak in 2007. The market is also going through a period of ownership, change and consolidation. Actuaries are grappling too with how to allow for credit risk in assessing their sovereign debt exposures.

In general insurance, times are equally challenging. Reserving has never been an exact science, but, in a turbulent environment it is an even more difficult and uncertain process. The Society is actively considering how best to guide Signing Actuaries, who have responsibility for certifying the reserves, as they seek to communicate these inherent uncertainties.

The dominant influence across the whole insurance landscape is Solvency II. This will bring a new rigour and structure to the way boards think about and assess the financial condition of the insurance companies for which they are responsible. With its strong technical and mathematical foundation, Solvency II plays very much to our strengths as a profession.

Though as we build the new models and economic scenario generators which will drive it, it is important that we don't become mesmerised by the elegance of the mathematics and lose sight of the big picture. In the new world, while a good modelling ability and capability will be necessary, they will not on their own be sufficient.

Solvency II represents both an opportunity and threat to actuaries. The roles of Appointed Actuary and Signing Actuary will be no more.. We have every reason to expect, though, that actuaries will dominate the new head of actuarial function roles which will emerge. Any other outcome would be bizarre.

The big Solvency II prize, for us as a profession, is the potential leadership of the new risk management functions. There are encouraging signs that actuaries already are being seen as the lead candidates for Chief Risk Officer roles.

Risk management

It is clear that risk management is the "new frontier" across the entire global financial services landscape. This has been identified as a huge opportunity for the actuarial profession worldwide and has led to the launch of the Chartered Enterprise Risk Actuary qualification, backed up by the Institute and Faculty of Actuaries ST9 examination.

In Ireland, we will continue the good work which is being done by our Enterprise Risk Management Committee. We will continue to seek to associate risk management best practice with actuaries in the minds of key stakeholders.

The Society

The quality agenda

Our reputation as a group of professionals is our most valuable collective asset. We all benefit from it and we all contribute to it.

To support this, we have developed a solid and sophisticated framework of expectations and standards in relation to our professional behaviour and the quality of our work.

But the world for which this regime was designed has changed. As far as Solvency II is concerned, it is now likely that our role in setting technical standards is drawing to an end. The same may be true for different reasons in the pensions area. These are not developments we should resist. The status quo doesn't meet the thresholds of transparency and objectivity which are increasingly demanded of all professions.

However, important new questions that will arise for us over the next couple of years on this quality agenda are:

1. Should we maintain a practising certificate regime for actuaries performing new roles under Solvency II? A working party is due to make recommendations on this topic before the end of this year. Their emerging view, which I support, is that mandatory practising certificates will have a role in protecting the integrity of actuarial work and the reputation of the profession under Solvency II.
2. How should compliance be monitored? Today we only have mandatory external compliance monitoring in place in the pensions area. I believe the time is right to revisit this topic across all our fields of activity - pensions, life and general insurance and reinsurance

I know some might contend that our Disciplinary Scheme is sufficient as a "big stick" to maintain standards. But, it is an extreme ex-post mechanism which only comes into play long long after damage has been done. It is an expensive and unwieldy big stick - as other professions in Ireland have found to their cost in recent times. Prevention is better than the cure!

Governance

The Society has endeavoured over the years to maintain a consensus approach. This is laudable, and great if it can be achieved. However, in the modern era the downside is, that it makes us less nimble and less able to respond to fast-moving events.

It is timely to review our decision making structures to ensure they are fit for the needs of the Society in 2012 and beyond.

In a similar vein, has the time come and has the Society reached sufficient critical mass to consider reducing the President's term to one year? And if so, how would this work?

International

The Society has boxed above its weight on the international stage for years. This is largely due to the interest and dedication of a small band of warriors, who have worn the green jersey with distinction in the International Actuarial Association and the Groupe Consultatif.

Maintaining this strong presence on the international stage has long since moved beyond being a nice thing to do and it is now critical that a clear voice continues to be heard from Ireland internationally.

Member engagement

We need to be seen to be relevant to the real-world everyday issues our members face in their working lives and to the major problems facing the country.

We are fortunate that there is a strong tradition and culture of volunteerism across our membership. This is a good point for me to acknowledge the hard work and commitment of the many members who contribute to our committees, working parties and other groupings.

In conclusion

I believe that it is exciting to be an actuary in Ireland in 2011. Our skills and way of looking at the world are now truly mainstream. Managing risk is at the core of national and corporate decision making. We do pass the relevance test!

For sure there are threats and unknowns and for sure the world is changing rapidly, but, I honestly believe, the potential on the upside significantly outweighs the obvious risks.

But the world owes us nothing. The conditions for continued relevance are:

- Always - and that's a non-negotiable always - living up to the spirit and the letter of our professional principles - acting with integrity, performing work to the highest standards of competence and care, being impartial, being compliant and communicating openly and honestly. This is a duty we owe to ourselves, to each other and most importantly to the individuals and institutions we serve;
- Being willing to take up new challenges and opportunities;
- Adapting our skills to a changing world through a commitment to career-long learning and personal development; and
- Not being over-confident about our ability to make financial sense of the future. As Kevin Murphy said 2 years ago, "humility should be the number one attribute for forecasters of the future".

It is a great honour to be the President of the Society of Actuaries in Ireland and I thank you, my peers, for conferring it on me. In return, you can be assured that I will do the best job I can over the next couple of years on your behalf to maintain the profession's relevance. I know that I can count on your support.

Paul O'Faherty

22nd September 2011