SOCIETY OF ACTUARIES IN IRELAND NEWSLETTER

FEBRUARY 1996

The first supplement to the Members' Handbook will be distributed to all members next week. It includes eight additional Guidance Notes which have been adapted for Irish laws and practice and an updated membership list. I would like to thank Mary Butler and Laura Cavender for their hard work in producing this supplement.

On the pensions front, congratulations to our three members, Jim Kehoe, Ciaran Long and Eamonn Heffernan on their appointment to The Pensions Board. Special congratulations to Eamonn Heffernan on his appointment as Chairman. This is a major accolade for the Society.

The Groupe Consultatif's Pension Committee recently published a paper reviewing Solvency Standards for Occupational Pensions Schemes in the European Union. The Editor was David Collinson. Please note that copies of the paper are available from the Society's office.

At home, James Kehoe has produced "A User's Guide to the rationale behind the Amendments and Additions to the Pensions Act 1990". This Guide was recently distributed to all Fellows of the Society and will clearly be an invaluable reference for all pension practitioners.

Marese Hussey

IN THIS ISSUE

STUDENTS

The Society of Student Actuaries in Ireland has elected a new committee for 1996 as follows:

Chairperson:	**Fiona Daly**	Entertaiment Officers:	**Alan Cox**
Treasurer:	**Jennifer Richards**		**Andrea Doyle**
Secretary:	**Helen Lightbody**		**John Hannon**

On The Move

Shane Whelan has moved from New Ireland Assurance to Eureko Ireland Group Services Ltd.

Golf Outing

Monday 20th May 1996

PLEASE REFER TO INSERT IN NEWSLETTER.

Geoffrey M.H. Rowe (1926-1995)

Geoffrey Rowe was one of the first people to qualify as an actuary in Ireland and was certainly one of the most distinguished.

When he joined Irish Life in 1950, he had already passed the first three parts of the Institute exams. He had sat those from home, having taken a Maths degree from Trinity in 1949.

By 1954, Geoffrey had qualified as a Fellow of the Institute. He became Assistant Actuary to Bob Willis in that year, succeeding Bob as Company Actuary in 1962. He held that position until he retired at the end of 1986.

Geoffrey was a very distinguished Company Actuary. Over his long period of stewardship, Irish Life's finances grew stronger and stronger. This transformation could not have taken place without Geoffrey's extraordinary balance of conservatism and risk taking. This mixture - so essential for the stability and growth of a life company - is not easily achieved.

Geoffrey's contribution to the enormous expansion of Irish Life was not confined to the actuarial role. He was responsible for Group Pensions in its early growth period and he was personally responsible for service ideas which transformed the life assurance market. He thought up the concept of attaching Prize Bonds to Home Service policies together with a unique method of linking the Prize Bond and Policy number. He introduced and named the Blue Chip Fund, the first unit linked fund in Ireland. And he was also responsible for introducing the Property Modules Fund, launched at the time of the first moon landings when both property and space modules were highly fashionable.

Geoffrey was an outstanding model for both young actuaries and for all aspiring business people. His honesty and straightforwardness were all encompassing. His loyalty to his colleagues and to his company was unshakeable. He never pushed himself forward - indeed he was one of the most self-effacing of men - and yet when he spoke, everyone listened. His door was always open and the considerable number of actuaries who served under him frequently used that openness to resolve both business and personal problems. He set a standard of values which proved a tremendous strength to those who worked with him. How often have we said "Geoff wouldn't do that" and turned back from something we would have later regretted.

Outside of work, Geoffrey had a lifelong devotion to Greystones and to the things which went with it - his family, his home, his golf and his bridge. He was a first class golfer and was Captain of Greystones Golf Club. He was an excellent card player, using again that mixture of conservatism and risk taking which he brought to everything he did. He and Olga were always fun to be with, their sense of humour, their zest and enthusiasm, making even the dullest group lively and entertaining.

Geoffrey's modesty led him to refuse outside roles - such as President of the Society of Actuaries - which he would have filled with distinction. This did not prevent him making a major contribution to the profession in general, and the role of the Appointed Actuary in particular. He worked quietly behind the scenes with both his colleagues and with Supervisors to ensure that Ireland had the right mix of prudent and commercial regulation. In this, as in all he did, his modesty was part of what made Geoffrey what he was, a gentleman in everything he did and a major figure in the actuarial profession.

Our deepest sympathy goes to Olga, Susie and Gary.

David Kingston

Meeting of Society's Pensions Committee

with Harvie Brown, Deputy Chairman of the Institute/ Faculty Pensions Board

The meeting took place on Tuesday 16 January 1996 prior to Institute President Chris Daykin's address to the Society. This was the first of a hopefully continuing series of meetings between Irish pensions actuaries and the Institute/ Faculty Pensions Board. The aim of these meetings is to share ideas and experiences, particularly in the light of legislative changes in both countries.

Harvie Brown outlined the background and the up-to-date position regarding the UK Pensions Act and the ensuing draft regulations and Institute/ Faculty guidance notes. Three Institute/ Faculty guidance notes are to be produced in the areas of the minimum funding requirement (MFR), contracting out and the Scheme Actuary. These will link in with the regulations to be issued under the UK Pensions Act. Exposure drafts are presently in circulation and a number of meetings have been held in the UK to receive feedback from members. For the first time, the Institute/Faculty guidance notes will require approval from the Secretary of State.

Harvie outlined the proposed changes to the contracting out/GMP regime. Effectively GMPs will cease to exist for future accruals after 1997. In future, a scheme will need to satisfy a minimum benefits test in order to obtain a contracting-out certificate. The minimum benefits test will require that at least 90% of the scheme members will receive benefits from the scheme at least equal to an 80ths pension based on a full "contracted out" earnings.

As with the situation in Ireland, the UK Pensions Act will require that an actuary be appointed for each defined benefit scheme. The Institute/Faculty are moving towards requiring a practising certificate for pension scheme actuaries under the Act. The likely requirements to qualify for practising draft. We discussed the position of Irish actuaries who advise UK schemes, e.g. in Northern Ireland and the fact that Irish actuaries may not qualify for a practising certificate on the proposed basis. Harvie suggested that the Society should make a submission to the Institute/Faculty Pensions Board in this regard.

We discussed the "whistle-blowing" provisions of the UK Pensions Act. These require actuaries and auditors to report any breaches of duties of trustees/ employers, e.g. failing to complete accounts, pay contributions or issue benefit statements, as well as fraud and other misdemeanours. The Act protects actuaries from being sued if they report such events and professional guidance will be included in the pension scheme actuary guidance note. The UK whistle-blowing provisions were contrasted with those included in the Irish Pensions Amendment Bill which deal only with fraud and misappropriation of funds. The Irish provisions apply not only to actuaries/auditors but also to other intermediaries such as consultants, brokers, insurers and trustees. One of the controversial provisions of the Pensions Amendment Bill is that it not only relates to fraud which has been committed but includes fraud which is "being contemplated". The Society of Actuaries intends making a submission to the Minister on this subject.

We then discussed the background and the current situation regarding the Greenbury recommendations on pension scheme cost disclosures in company accounts. The Greenbury report is heavily in favour of disclosure of each named director's remuneration on an individual basis, including the increase in pension rights from year to year. On request from the Greenbury Committee, the Institute of Actuaries suggested a calculation method based this appeared in the UK press, there was a significant response from Plcs. Following this, the Institute/Faculty decided to produce a consultation document outlining a number of possible methods. This was issued to all members of the profession and to Plcs in December. On receipt of submissions from actuaries/Plcs, the Institute/Faculty will prepare a report for the Stock Exchange and the DTI, outlining their recommendations.

We discussed the Greenbury recommendations as they are likely to apply in Ireland. The Irish Stock Exchange has decided to follow whatever methodology their UK counterparts select. However, Irish company accounts are likely to only disclose aggregate figures for all directors and not individual details as will apply in the UK.

We then discussed the Family Law Act and the proposed UK legislation regarding pensions on divorce. We discussed the development of the pension sections of the Family Law Act from the original Bill, the Pensions Board report and the final details as included in the Family Law Act 1995. The basis for calculating pension adjustment orders under the Family Law Act will be set out in Pensions Board guidelines which the Society has recently had the opportunity to review and comment upon.

We discussed the difference between the Irish approach and that envisaged in the UK Pensions Act. The Act does not allow for a clean break option due mainly to two factors, i.e. the large proportion of Public Sector unfunded schemes which would have to make transfer payments on splitting pensions and the view that pension splitting could be used as a tax avoidance measure. However, since the meeting, an amendment to the UK Pensions Act has been proposed which would allow for pension-splitting on divorce. We also briefly discussed the situation which applies in Scotland where there are specific legislative requirements regarding pensions in divorce cases, which are based on the clean break

Regulatory Note

The Department of Enterprise and Employment has issued Guidance Notes on the application of the European Communities (Life Assurance) Framework Regulations 1994. The Guidance Notes have particular relevance to the preparation of the annual Statutory Returns by life undertakings and are applicable to end 1995 valuations. While the general structures of the valuation regulations and of the Statutory Returns are largely unchanged, there are a number of important revisions both of principle and detail and a fairly wholesale revision of the existing Guidance Notes has, therefore, been necessary.

The Guidance Notes have been circulated to life assurance undertakings, Appointed Actuaries and Auditors.

The Department has also written to Appointed Actuaries in regard to resilience test and future yield parameters for the purpose of end 1995 valuations. A rate not exceeding 6.75% (before tax) has been specified as the maximum yield to be assumed on any investment to be made more than three years after the valuation date. The standard resilience test is to be performed on three difference scenarios, i.e. (a) a reduction in fixed interest yields of 1.75% combined with a fall in equity and property values of 10%, (b) a reduction in fixed interest yields of 0.75% combined with a fall in equity and property values of 25%, and (c) a rise in fixed interest yields of 3% combined with a fall in equity and property values of 25%.

ADDRESS TO THE SOCIETY by Chris Daykin, President of the Institute of Actuaries

Chris Daykin is both a busy and a talented man. En route to China on one of his many engagements, he managed to find time to address the Society at an evening meeting. His talents include production of a large number of papers as well as an ability to give different talks using the same slides. This latter gift, which he used on the night, he likened to the actuarial exams, when the same questions are asked each year, but different answers expected.

The talk focused on two principal areas - the future for the profession as a whole and the outlook for actuaries within the profession.

The profession continues to be subject to change. Increasing globalisation of the profession is leading to a requirement for national actuarial societies. In European countries such as Germany, deregulation is placing new demands and responsibilities on the Appointed Actuary. In rapidly developing countries such as those of Eastern Europe, the role of the Actuary is still expanding. In the context of these changes, it is vital that standards are maintained to ensure the continued integrity of the profession. This is the IAA, giving national societies a significant role to play. The societies must ensure that common standards are met and that the public is well served by the profession. This will partly be achieved by ensuring a core education is provided followed by some form of continuing professional development.

In order to maintain employment levels, it is imperative that the profession seek out new areas of potential employment. There is no doubt that actuaries can add value in a range of areas such as general insurance, investment, mathematical modelling and even personal financial planning. However, a change in the education process may be required to properly prepare new actuaries to deal at a high level in any of these areas. Do we want actuaries who are qualified in one chosen area or do we want a broadly based qualification? This issue inspired an excellent debate, which could only be stopped by the firm hand of the Chairman and the possibility that drinking time would be completely eroded.

Donal O'Flaherty