



SOCIETY OF ACTUARIES

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Letter From The President

COMMITTED TO SERVING THE PUBLIC INTEREST

BY MARK J. FREEDMAN

PUBLIC POLICY has been on my mind a lot lately. The need for actuaries to contribute to the solution of key, societal problems has never been greater, yet the actuarial voices are not always heard. To increase our presence, the Society of Actuaries (SOA) recently decided to enter into the arena of public policy research on a more formal basis, and I couldn't be more excited about that decision. We have the opportunity to use our knowledge and our expertise to inform policymakers and to enhance public understanding of policies through our research.

In this letter, I will explore the thinking behind the SOA's decision, discuss the role of the actuarial profession in general, and consider the SOA's role in public policy both today and in the future.

ROLE OF THE ACTUARIAL PROFESSION

When I think of core principles, it begs the question, "What is a professional?" There are many definitions, but the most common features (paraphrasing Wikipedia) are:

- High levels of education and training;
- Rigorous ethical standards and a code of conduct; and

- A commitment to serving the public (i.e., serving some important aspect of public interest and the general good of society).

SOA members—and for that matter, actuaries whose organizations are members of the International Actuarial Association (IAA)—are clearly professionals. We are highly trained. We abide by a formal code of conduct. And, perhaps most importantly, we are committed to serving the public interest.

How do professionals serve the public? My two children, one in law school and one in medical school, remind me how much lawyers and physicians serve the public. Many lawyers do pro bono work. Many physicians volunteer their time to work in free health clinics in underserved communities. Well, what about actuaries? Actuaries serve the public in a variety of ways:

- Pension actuaries have an obligation not only to the pension plan sponsor, but to plan participants as well, to protect their earned benefits at retirement.

- Insurance company actuaries have an obligation not only to stockholders, but to policyholders as well, to ensure that their insurance benefits are there when they need them.
- Actuaries serve the international public by volunteering for the IAA's Actuaries Without Borders special interest section.

There are also numerous examples where our profession is involved meaningfully in public policy or major social issues. However, when I chaired the SOA's Strategic Plan Task Force in 2012, many members told us that our profession and the SOA in particular had to do more. We need to be more focused on the key societal challenges and provide our actuarial expertise and voice on big issues facing the countries where we work.

DOING MORE—THE SOA'S ROLE

Some members push back on this topic by suggesting that the American Academy of Actuaries and other national actuarial organizations should be the sole, unified voice of the actuarial profession in the field of public policy in the United States. As I mentioned in my annual meeting speech,



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I am not so concerned with arbitrary boundaries and the political structure of our profession. I am sure that our employers and the public do not care about this either. All actuaries and all actuarial organizations can and must contribute.

Our new strategic plan hints at what the SOA's specific role will be. The first sentence in our mission states: "The SOA, through research and education, advances actuarial knowledge and improves decision making to benefit society."

The plan specifically establishes policymakers and regulators as stakeholders of the SOA, along with candidates, members, employers/clients, and the general public. The plan also states that "the SOA, through its research and communications, ensures that the actuarial point of view is expressed in a non-partisan way to legislators, regulators, and the public through a variety of channels." This means that our unique contribution to public policy and social issues is grounded in providing research and education, from a uniquely actuarial perspective, to policymakers and regulators on the issues they (and we) face.

Then, there is a question about who will deliver our research to the public. Our strategic plan states the SOA needs to develop research that serves the public interest. It further states that "either independently or with partners, we will communicate our knowledge to policymakers and regulators to inform their decisions, thereby impacting the common good and ensuring that actuaries are recognized as valued contributors to public policy debates." The SOA is very interested in partnering with other actuarial organizations in productive, constructive and mutually helpful ways to address these

issues together. We cannot, however, leave important, unbiased research on our shelves. Doing so would be unfair to not only the researchers, but to the public. In addition, of course, those who are interested in our research clearly want to hear directly from the researchers themselves.

A recent example of collaboration with another actuarial organization is our study on the "Sustainability of the Canadian Health Care System and Impact of the 2014 Revision to the Canada Health Transfer." This was a joint research project between the Society of Actuaries and the Canadian Institute of Actuaries (CIA). The study estimates the future costs of the Canadian health care

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system, assesses the sustainability of the system over a 25-year horizon, and analyzes the implications of the changes to the Canada Health Transfer that the federal government proposed on Dec. 19, 2011. The report, available in English and French, summarizes the findings and indicates that without significant government intervention, the Canadian health care system in its current form is not sustainable. In this case, we collaborated with the CIA in planning the research project, selecting the researcher, organizing and overseeing the project, and reviewing the final research report. The CIA took the lead in the rollout and public explanation, bringing the research to the Canadian media and policymakers. They

received a good response to the work, including requests for further discussion from policymakers up to the provincial financial ministry level.

Another current example is one where the SOA is acting on its own. In 2013, the SOA established a blue ribbon panel on public pensions. It charged the panel with identifying the primary reasons why currently, public pension plans are underfunded, as well as recommending prospective solutions, including those where actuaries play an important role. The panel is independent of

the SOA. Its members consist of economists, a plan administrator, a labor union representative, a former head of the Pension Benefit Guaranty Corporation, a few people from think tanks, a former state lieutenant governor, a president of a life insurance company, and a few actuaries, one of whom works with public pensions. Bob Stein, FSA, MAAA, and a former managing partner of a major accounting firm, chairs the panel. The panel intends to release its report in the first quarter of 2014. The SOA will publicize the report's contents to the media and other interested parties, providing a much-needed voice on this critical issue facing policymakers, taxpayers and U.S. state and municipal government employees.

THE ROLE THE SOA WILL PLAY IN THE FUTURE

Recently, Jennifer Gillespie chaired the SOA Public Policy Strategy Task Force, which looked into the question of the SOA’s role in public policy in the future. Based on this task force’s work, the SOA Board recently established principles to guide the selection and implementation of research projects in public policy. The key principles of our strategy are that the research must:

- Be objective;
- Have strict quality controls;
- Be relevant; and
- Be quantitative.

The task force also developed a formal public policy research and analysis statement

summarizing these principles. Later in this edition of *The Actuary*, we interview Jennifer about this work. We also include a copy of the statement.

So far, most of the SOA’s research has been in the United States and Canada. In 2014, we will start thinking through how to build our research strategy outside of North America.

We always seem to wonder why the media, regulators and policymakers do not contact our profession more about social policy issues that require actuarial expertise. These interested parties want more non-partisan research and want to be able to talk directly to the researchers. It is time for the SOA to be ready and at the table with timely research on public policy issues and events shaping

the way we, our clients, and employers conduct business.

This is a great opportunity to use our knowledge and our expertise to inform policymakers and to enhance public understanding of key societal issues through our research. It is our time to get even more involved in this very important area. Let’s do it and do it well. **A**

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