SOCIETY OF ACTUARIES

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THE INDEPENDENT CONSULTANT

NEWSLETTER OF THE SMALLER CONSULTING FIRM SECTION

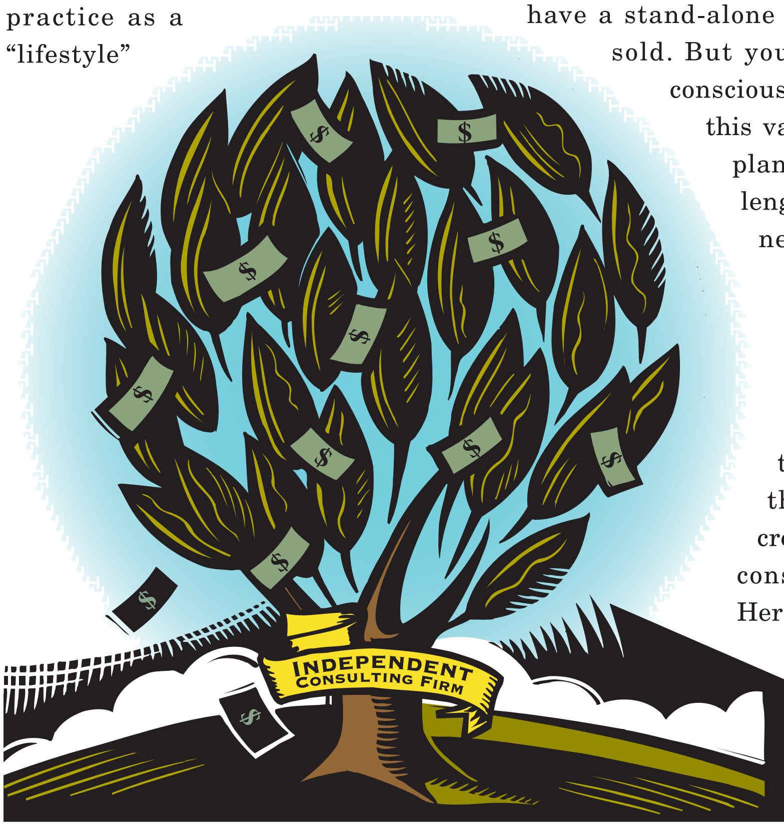
Is There a Pot of Gold at the End of Your Rainbow?

Maximize Your Consulting Value for Maximum Payout When You Leave

by Mary Adams and Michael Oleksak

Most independent consulting firms are built by strong founders who dominate the business and its identity. In fact, such founders are often so strongly identified with the business that when they are ready to retire, they have no choice but to just close it down. This is actually an acceptable outcome for many founders—they probably built their practice as a "lifestyle" business. They make a good income, have the freedom of running their own operation and don't want to commit to the overhead and management challenges of building a full-blown company. It's likely they saved for retirement over time and did not count on a big payout when they exited the business.

But shutting down your consulting business upon retirement may not be your only alternative. Many practices have a stand-alone value and can be sold. But you need to make a conscious decision to build this value and you must plan ahead. The challenge comes from the need to replace the knowledge, experience, and contacts of the founders. What are some of the steps you can take to overcome this challenge and create value in your consulting business? Here are a few essential ones:



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Smaller Consulting Firm Section

Inside...

THE INDEPENDENT CONSULTANT

Issue No. 3 | November 2003

This newsletter is free to section members. Back issues of Section newsletters have been placed in the Society library, and are on the SOA Web site, *www.soa.org*. Photocopies of back issues may be requested for a nominal fee.

The purpose of the section shall be to encourage and facilitate the professional development of actuaries at smaller consulting firms through assistance with the educational, research, networking and other special needs that arise in their practice.

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Editor's Column

by Ian Duncan

I recently participated in an industry webcast conducted using PlaceWare, a virtual meeting system, and I was frankly blown away by the capabilities of the technology. The webcast provided a virtual conference room, including a seating plan showing who was logged-in and "seated" in the conference, as well as e-mail questions from participants. You could also access the entire session online, including audio, for 60 days after the webcast. My experience of anything involving the Internet or connectivity had been so poor in the past, I had low expectations of this session. But the whole experience went so smoothly I have become a convert to "virtual conferencing" and will now be proselytizing for it, with all the zeal of the convert. So, within the general category of "news you can use" I am excited to publish an article by Herbert Ochtman. His firm, URIX Inc., is a provider of data management and data analysis services to the health insurance industry, and a user of Internet meeting software. Thank you Herbert for your contribution. The recently-published survey of members (If you have not seen the survey results, you can find a summary in the last issue of *The Independent Consultant* at *http://www.soa.org/library/sectionnews/smconsulting/SCF0306.pdf*) listed "Member Alerts" as the second-most important concern of the membership. Members have also expressed interest in ways to keep up-to-date on technical issues without attending meetings. Do any other members use this technology instead of traveling to meetings? Should the council consider using this type of technology for communication of breaking issues? Let us know!

At the last minute, prior to publication of our second issue, we received the preliminary results of the member survey. The response rate from our membership was high, and it is gratifying to see that the newsletter was the number one item of interest to the membership, and that 84 percent of those of you who responded thought that the electronic newsletter was "important" or "very important." As editor, I would like to think that we provide you with a broad array of interesting and valuable articles, and that if we don't, you will tell us what you need by contacting me or other council members. I have yet to receive any e-mails from the readership, so I will interpret this as endorsement of our editorial direction.

I was pleased to meet so many members of the section at the cheese and wine reception at the Vancouver Spring Meeting. Because of the timing of this meeting relative to the founding of our section, we did not sponsor any sessions. However, at the October Annual Meeting in Orlando we will be sponsoring a workshop entitled: "Developing and Marketing the Smaller Consulting Practice." The workshop leader is Ken Lizotte. Ken is a marketing expert and has helped actuarial firms with their marketing strategies. We hope to see many of you

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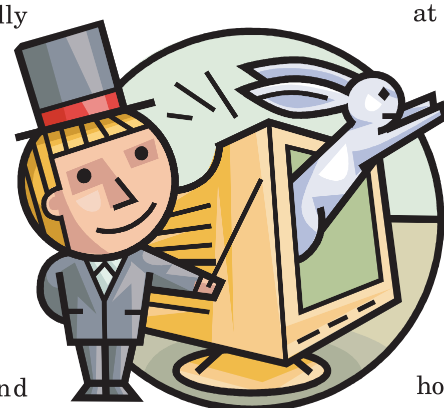
Avoiding the Obvious in How-To Articles

by Carl Friesen

When many professionals think about articles they'd like to write, what first comes to mind is what journalists call a "how-to" article. It's something that tells the reader, not surprisingly, how to do something.

It could be about how to design a broadband salary scheme, develop an effective bonus program or determine liability for a benefits program for retirees.

However, this type of article is often not a good use of your marketing resources, and may actually work against you.



To see why, consider a time when you chose a professional to meet your needs—such as your dentist.

Of course, you were looking for someone who could competently fill a cavity, cap a tooth and restore discolored teeth to pristine whiteness. However, you likely wanted more than that.

You were looking for a professional who could see the big picture. You needed someone who could tell you if new techniques can fix the incisor gap that's been bothering you for years, detect the onset of gum disease, and make sure that your teeth can go on serving you for as long as you need them.

In short, you want more than someone who's competent—you want someone who can help you meet your goals.

The garden-variety how-to article positions you as being just that—competent. You know how to put one foot in front of the other, so to speak, and get results.

However, the prospect really doesn't care about how to do benefits packages or compensation programs. That's what she or he is considering hiring you to take care of.

What clients value is someone with big-picture thinking abilities, as you do with your dentist.

Can you do this with a how-to article? Yes. Just make your how-to more advanced, and make it about something the reader really wants to know about.

For example, say a client is faced with the need to scale back a benefits package, and it's in a unionized environment. This can be a lot like being dropped into the lions' den at the zoo. But if you can give the reader some tips on how to survive the lions, so to speak—ensure that union representatives will buy into the idea and persuade their membership to accept, suddenly you're in a much stronger position. It's a value-added how-to article.

This kind of thinking can help you move from being a tactical-level advisor to being called upon to solve strategic issues.

To do this, think of the strategic, big-picture issues that your clients and prospective clients are facing. Then, develop some tips on how to deal with these issues—that becomes the theme for your article.

Your result? You stand out from your competitors. While many professionals are stuck in low-value-add, repetitive, commodity work, you're positioning yourself as someone with a difference. You can get more interesting assignments, at a higher hourly rate, and there's less price competition.

Aside from helping you build a more professional life, your writing will help many organizations deal with the issues that they face.

Carl Friesen, CMC, MBA, is principal of Global Reach Communications, which helps business professionals build their market presence through published articles and books. His book, "Writing Articles: Building Your Practice Through Being Published in Business Magazines" can be ordered through www.xlibris.com. Carl Friesen can be reached at 416.410.4527; cfriesen@globalreachcom.com.

Start the process now.
A Price Waterhouse study of private businesses showed that transfer of ownership for privately-held businesses took an average of six years to complete and that payout averaged 7.4 years. During the payout period, the input of a founder may be contractually required. Since consulting companies have unique challenges, you will probably need that extra time to prepare.

Commit to creating a new business.
If you expect the business to continue in one form or another it will have to have a new business model-one that can work with little or no input from you. This is the hardest leap you may have to take in the whole process. But ultimately, the psychological and monetary compensation you realize from exiting your business will depend on how well you can prepare the business to go on without you.

Oftentimes, the right successor is not a clone of the founder.

Take a hard look at what makes you successful today.
Before you can change the business model, you have to break down the components of your current success. What is your position in the market? What are your competitive advantages as a company? What is your role as founder in relations with clients and employees? Additionally, what are the roles, strengths and weaknesses of the rest of your team? Where is your market heading? Is the company positioned for continued success?

Develop and document proprietary methodologies or work product.
Most consulting practices have unique approaches to their work. If this approach is documented, a potential buyer will be much more likely to be comfortable that it can be successfully repeated. Documenting your processes will probably have the added benefit of making your current team more effective. It will also give you a strong training tool for new hires.

Develop a succession plan.
Succession planning should start by identifying all the places where you as founder play an important role. It then identifies how the organization can duplicate your success. Oftentimes, the right successor is not a clone of the founder. So the right solution involves spreading the founder's strengths and competencies throughout the organization and then creating a new identity for the successor. And, of course, the right solution for the company effectively addresses the financial implications of the succession. This step also represents good contingency planning in case of your sudden departure due to illness or death.

Clean up your management reporting.
Much of the value of a business is based on the buyer's judgment about the management reporting. Being able to demonstrate the details of your success with management reporting and financial statements will go a long way to increasing the value others see in your firm. For example, if you have a lot of repeat business, can you show the year-to-year total revenues from key relationships? If you provide several distinct types of services, can you show that revenue breakdown? Are key costs broken out? Also be prepared to separate out all of your compensation including salary, perks and bonuses. This gives the potential buyer a better idea of what the company's cash flow would look

without you around and also gives the buyer a feel for what they can hope to achieve as well.

Pull it all together.
When you are approaching the time when you would consider selling, prepare a business plan for the company. This plan should cover all the points previously discussed, including your business model, methodologies and financial results. A good business plan is one of the strongest tools you will have for making a compelling, exciting pitch about the future promise and value of your business.

Be proactive.
Sometimes the right buyer appears who makes an offer you cannot refuse. More likely, you will have to go out and find the right fit. You may have a lot more alternative exit strategies than you realize. A potential buyer may be one or more outstanding employees, your strongest local competitor or a national firm looking for market share. There are also many ways to structure a deal, including a staged sale with your continued involvement, an earn-out for employees or a cash sale to a similar business. If you have thought through the alternatives for a sale of your practice, you probably have a good idea of where to find the right deal. If not, engage an advisor with experience selling businesses like yours.

A final "personal" note:
If you expect to be able to sell your consulting business, don't neglect the implications of a transaction on your personal estate. Good estate planning uses the services of lawyers, investment advisors, insurance agents, tax specialists and accountants to ensure that the transfer of your business occurs smoothly and without undue tax consequences.

If you decide it is worth it to try to build a saleable practice, these steps will help you prepare for the moment when you are ready to walk away and maximize the value you receive for your business. The result will be satisfaction for all concerned.

Mary Adams and Michael Oleksak, principals of Adams Strategy, help entrepreneurs develop innovative strategies for facing challenges of growth, change and succession. You can reach them at www.adams-strategy.com.

From Independent Consultant to Smaller Consulting Firm: Dan Cassidy and Argus Consulting Ltd.

by Ian Duncan

Dan Cassidy has always been a consulting actuary—first with large national firms, then as an independent, and now, as founder and president of Argus Consulting Ltd. He is head of a small but growing strategic consulting firm focused on retirement and health and welfare plans, providing consulting services to for-profit and not-for-profit organizations in the United States, Canada and the United Kingdom. There are many smaller pension consulting firms, but what distinguishes Dan is the conscious thought-process that he employed when deciding to grow his firm to the next level, and some of the steps that he has taken to get there.

Have a successful individual practice with the "technical basics" covered.

Dan's actuarial career began with two of the larger consulting firms: Towers Perrin and William M. Mercer, Inc. He credits his time with the major consulting firms for his basic skills: technical actuarial, client-management and interpersonal skills. Additionally, while at Mercer, he had the opportunity to attend a sales course. This course introduced him to the sales process and spurred him to develop his sales skills.

Dan soon had the opportunity to practice his new-found sales skills when he joined Chicago Consulting Actuaries (CCA). His move to CCA helped him to cut the cord to the larger consulting firm—something that many actuaries speculate about but do not try. From CCA, he took the step to consulting on his own.

Dan set up shop with one client from his Mercer days. The client gave Dan a six-month assignment at $8,000 per month. This allowed Dan to set up Argus consulting with initial capital of $2,000. He did not get his second client until near the end of his first assignment. Accepting business from a client of a former employer poses many ethical issues, as attendees of fellowship admissions courses know. Dan handled the issue by referring the client to Mercer, who gave permission for him to take on the client.

Dan refers to his early days as the "Hippie Dan" phase. He worked out of the basement of his house, did all his own work, but reached out to other actuaries for peer review and occasionally referrals. He enjoyed working close to his children, made money, was able to take vacations and did not wake up at 3 a.m. wondering how to meet the next payroll.

Why, then, did he change his model?

Dan acknowledges that he wants to build value beyond himself. Most independent consultants are content with the rewards that come from their own expertise and do not want the headaches that building a business and leveraging their own skills can bring. For Dan, this has meant hiring new people, and seeing them slowly build their own businesses. Dan admits that he underestimated the length of time that new consultants can take to build a business. It also meant a cash injection into the business, for the first time since the initial $2,000 capital that Dan contributed in 1997, when he founded the firm.

It has meant trying different things, some of which have worked very well (Dan's advisory board) and some which have not worked as well and have had to be changed (some hiring decisions).

Dan's steps for building value in a small firm

Step 1: Have a successful individual practice with the "technical basics" covered.

Step 2: Network! People hire people they know. Get out and meet anyone who can give, or more importantly, refer you business.

Step 3: Mentally get over the "hump" of growing the firm, Dan did this by hiring his first employee, a part-time actuary.

Step 4: Move out of the basement and commit to office space!

Step 5: Recruit a board of advisors to bounce ideas off of from time to time.

Step 6: Become more widely known through speaking engagements and publications.

One of the factors causing Dan to build value beyond himself was the idea that different types of consulting revenue attract different multiples in a valuation situation. As a result of discussions with potential acquirers who approached Argus looking to buy the firm, he learned that health and welfare consulting revenue attracts a higher multiple than pension consulting revenue. This has encouraged him to grow a health and welfare consulting practice, which has been his major area of expansion for future growth.

Dan's most successful innovation is the Argus Board of Advisors. This group acts like a board of directors, but without the shareholder responsibilities. Dan began to recruit a board at the time he started to think about growing the firm. Generally, the board consists of experienced business people from many different sectors. The board meets three times a year for dinner and discussion and has been an invaluable source of advice, counsel and even referrals for Dan. The board has continued to support Dan's decision to grow the firm and make the investment that this is taking.

A focus on speaking engagements and publications has helped Dan grow the firm. This has made him one of the better-known pension consulting actuaries, with articles published in *Employee Benefit News*, *Mass High Tech*, *Pension & Investments* and *Handbook of Business Strategy*. He has been interviewed by Wall Street Journal radio and he has been quoted in *Institutional Investor*. Like other consultants who speak and write frequently, Dan cannot point to a single piece of business that has resulted from one of his presentations or articles, but the credibility that comes from being able to present a potential client a piece of your own written products makes it worthwhile.

What would Dan do differently if he could? Unlike many entrepreneurs, who say that they would have set up in business sooner, Dan feels that he could have profited by staying longer at Mercer, his last large-firm home. The quality of the training, opportunity to build business development skills and contacts that are offered by the larger firm are things that Dan has had to work much harder to replicate. Dan is similar to other entrepreneurs as many have have a hard time recruiting. As Dan says, it is very difficult to persuade a successful individual (particularly an actuary) to come to work with a small, little-known firm like Argus.

Still, as Argus continues to grow and become better-known, that should not be such a problem for Dan in the future.

Dan Cassidy (danc@arguscl.com) is president of Argus Consulting Ltd of Concord, Mass., and a member of the Smaller Consulting Firm Section Council.

The Independent Actuaries Network—A Small Consulting Firm's Success Story

by David C. Hart with peer review by Marcus A. Robertson

Congratulations. You have now formed your own actuarial consulting firm and you are ready to provide exceptional work for all of your current and future clients. But wait … how do you keep up to date? Who do you turn to when you need to discuss a particular issue? Where do you find other specialized actuarial expertise you need for a particular project? And what about peer review? In other words, how do you replace the organizational benefits of a large firm when your firm has limited resources?

Where do you find other specialized actuarial expertise you need for a particular project?

These are some of the questions that faced a group of three actuaries who left a large international firm in 1991 to form a new consulting firm. Their answer was to propose regular meetings of similarly situated actuaries, share their views and expertise and develop relationships with other actuaries—in other words, to answer the questions that they themselves were asking.

The Independent Actuaries Network (IAN) first met in the spring of 1992. The structure and practice of the network is simple:

- Membership is limited to actuaries working for firms with no more than five actuaries on staff (the exception to this rule is one pension lawyer, who is a sole practitioner).
- The group meets once a month, nine times a year.
- Meetings always follow the same format—an evening meeting which includes social time with a light meal, followed by a formal discussion which lasts about two hours.
- One member of the network is charged with coordinating the formal discussion for the meeting, either by leading the discussion or by recruiting an outside expert to lead a discussion (discussion topics are chosen one to two months in advance of a meeting).
- One other member of the network is the treasurer charged with collecting a small fee ($35) for each meeting and booking the meeting room and the meal.

In 1992, the network included 25 to 30 members. Membership now stands at more than 50 actuaries, with 20-30 attending the monthly meetings—attendance depending on the topic of discussion. Most members provide pension or actuarial evidence consulting, with a few life insurance consultants. The pension lawyer brings a fresh outlook to many issues. Actuaries from the Financial Services Commission of Ontario (the provincial insurance and pension regulator) have also joined the network, giving them access to the views of the smaller actuarial firms in the Province.

Examples of the network's past activities include the following:

- In 1995, several members of the network took a leading role in presenting motions from the floor of the Canadian Institute of Actuaries' (CIA) annual general meeting (a first in the history of the CIA), in an attempt to bring several issues to the CIA membership. These motions led to vigorous discussion at the meeting and, ultimately, to changes in the CIA's committee structure that allow more volunteers to participate. Network member efforts also led to a delay in the introduction of standards of practice that many actuaries felt were flawed—talk about grassroots democracy in action!

- Presentations from merger and acquisition lawyers provided information that is useful when clients are acquiring a new business or are being acquired.

- Discussions with insurance company group pricing actuaries helped us to produce more practical and useful valuations of post-retirement other-than-pension benefits.

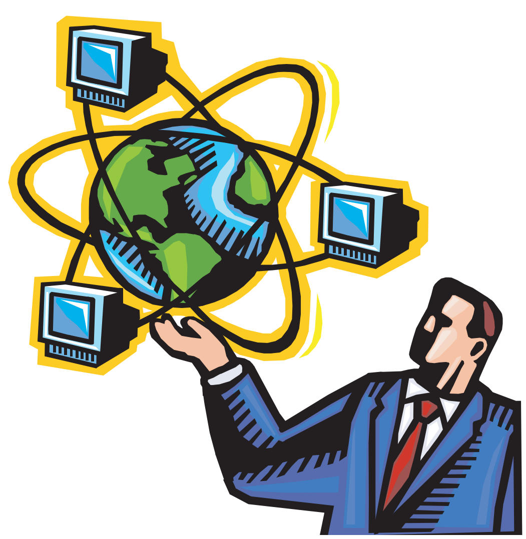
- At one meeting, members used a modified (abbreviated) Delphi Method to develop economic assumptions for actuarial valuations. This not only provided a practical application of the Delphi Method, but also stimulated discussion amongst members about the various economic assumptions.

- At another meeting, members who have actuarial evidence practices provided samples of their actuarial reports for the valuation of pension plan assets on marriage breakdown. Copies of the reports were provided to all of the members at the meeting and one report was reviewed in detail by the group. That meeting led to three worthwhile changes to my standard report, and probably increased the quality of future reports for everyone who participated.

Looking back over the history of the IAN, I now realize that it has certainly fulfilled its primary objective as a discussion forum for independent actuaries. But there has also been a secondary effect, which is the development of contacts among the members of the group and the establishment of trust between many of the small companies.

As a sole proprietor, I have developed working relationships with a number of actuaries in the network, which allows me to consider them as affiliates when I prepare a new business proposal. I regularly call other actuaries to discuss particular real client issues. We keep each other current with developments in the industry, and we go to lunch regularly which means that we do not become isolated.

I hope that this discussion about the success of the network will encourage similar developments for members of the Smaller Consulting Firm Section.



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Is Web Conferencing Right for You?

by Herbert Ochtman

Since the events of September 11, Web conferences have significantly gained in popularity as the next best alternative to face-to-face meetings. Much to the delight of the market leaders in online conferencing, Webex and PlaceWare, many businesses have come to consider Web conferences as an excellent complement to meetings.

The technology has become extremely simple to use, and even the most non-technical people can now set up and manage meetings online with ease. For the uninitiated, a Web conference is simply a traditional teleconference call with a visual component added to it. The visual component is not about seeing a strangely animated and blurry webcam video of the other meeting participants, but rather about all meeting participants being able to see with perfect clarity on their computers exactly what the meeting host has on his or her computer screen.

... even the most non-technical people can now set up and manage meetings online with ease.

The host initiates a Web conference by scheduling it with his Web conference supplier, listing all of his meeting participants and their e-mail addresses. The Web conferencing service provider will then send out invitation e-mails to each of those participants with directions on how to log into the meeting, and indicating the meeting password. If desired, the Web conference service provider will also indicate the teleconference toll free number that participants should dial into for the voice call.

This makes Web conferencing ideal for any situation where you want to demonstrate software, share a PowerPoint presentation, or train your meeting participants on a software application. In fact, today the Web conferencing offerings have evolved so that just about any application can be shared with your meeting participants over the web, including fast moving audiovisual presentations. Key to making it all work is that each meeting participant must have a computer with broadband internet access, and a phone line.

In our company we sell health care data analytics and reporting services using a dynamic, drill-down analytics user interface, and we contracted with the market leader Webex from day one to emphasize to our prospective clients how simple, quick and intuitive access to their data could be. We often use Web conferencing to give an introductory presentation of our company to prospective clients, using a PowerPoint presentation, and then we may take the meeting participants through a demonstration of how our analytics interface actually works for the user. Web conferencing allows us to talk our prospect through detailed views of our application while it is running live. We can answer questions by showing them real time how we would resolve issues they may raise.

In our line of business, we have found Web conferencing to be an extremely effective means of initiating a first contact with a prospect, as it allows both parties to gain an extremely good understanding of the other's capabilities and requirements in about an hour, without the commitments in time and costs associated with travel to a face-to-face meeting.

If more than two or three persons are participating from a single location, we ask them to set up in a conference or meeting room with a projector displaying the computer image on a large screen.

We are also using Web conferencing to run very successful training sessions for users of our analytics applications, either one-to-one or even one to many. Since the application allows the meeting host to turn control of his or her computer over to any one of his meeting participants, the trainee can manipulate the application with the trainer virtually "looking over his shoulder."

In the last year or two, many new players have entered into the fray, and the choice of Web conferencing services is now quite diverse. The two market leaders, Webex and PlaceWare, still command some 70 to 80 percent of the market, but with the flurry of new entrants offering similar services at much lower prices, the market dynamics will probably change quite rapidly. Traditionally the cost of making Web conferencing part of your business arsenal was a flat fee from $400 – $600 per month on up, depending on the number of simultaneous meeting participants, regardless of how much you used the service. This made it rather uneconomic for the business that might only occasionally host a meeting. However, these days excellent service can be had for much less. There are many alternatives to Webex and Placeware, and there are even consolidators, such that you can use the popular Webex, Placeware or Raindance and pay per minute, rather than by paying the monthly flat fees. This allows you to get your toes in the water without making a big commitment.

There are excellent resources on the Web to help you make your decision on which type of service might be most applicable to your usage. If you're interested in seeing how using Web conferencing in your business, I would recommend starting out by visiting some of the sites listed below.

If you think you'll be using Web conferencing frequently, you should contract with a Web conference supplier and pay the monthly flat fees of some $200 to $1,000, I would recommend: *www.webex.com*, *www.placeware.com*, *www.raindance.com*, *www.netspoke.com*.

If you only need to host a Web conference occasionally, and pay per minute, visit: *www.webconferencingwarehouse.com* or *www.theconferencedepot.com.*

And if you want to do some further research on the world of Web conferencing, you'll find useful links to the majority of Web conferencing service providers here: *http://thinkofit.com/webconf/realtime.htm#general.*

Herbert Ochtman is vice president of marketing with Urix LLC. Prior to joining Urix, Mr. Ochtman was director of international business development with Freshnex Inc. He can be reached at sales@urix. com.

When NOT to Take an Assignment

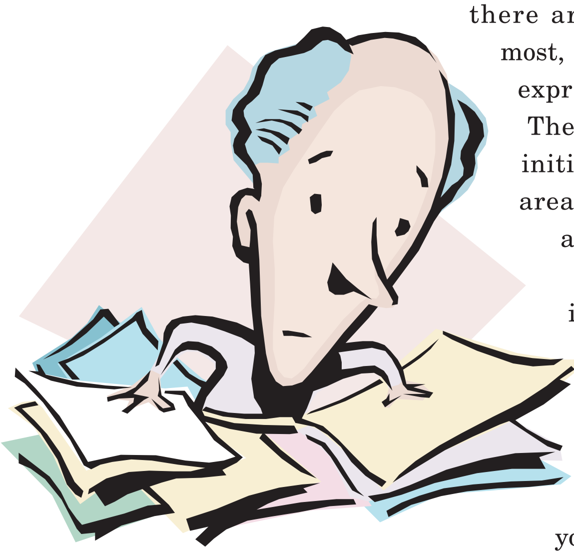
by George McCauslan

For those of us who maintain small consulting offices, often having only one actuary on the staff, our focus is frequently how to get more work. We need the work to generate income to cover our overhead and give us the level of income that we want. This goal has given rise to many articles for the small business on effective marketing, setting fees, collecting on invoices, etc.

The purpose of this article is to offer some thoughts on the other side of this process: When should we consider turning down work that comes to our door? Even when we have free time and less income than we want, there are still times when turning down a new assignment that is offered may be the right decision. My thoughts will be sorted by the reasons for saying "no."

Qualification Standards

We are all subject to the Qualification Standards of the Actuarial Standards Board. These rules set more or less detailed standards for providing different sorts of actuarial services. For certain activities, there are specific rules. For most, however, the rules are expressed more generally. These rules involve both initial qualification in an area of actuarial practice and the requirement for continuing education in that area. If you have not carefully reviewed those standards, as they apply to the actuarial work that you do, you really should take the time to do so. (The Qualification Standards also contain forms for recording continuing education, both formal and informal, which can be helpful for recording your ongoing compliance.)



The principle underlying the Qualification Standards is Precept 2 of the Code of Professional Conduct: "An actuary shall perform actuarial services only when the actuary is qualified to do so on the basis of basic and continuing education and experience and only when the actuary satisfies applicable qualification standards." Even when there is no specific requirement in the standards, you need to be able to say (as well as believe and demonstrate) that you have the professional background to do a job.

Clearly, if you do not meet the Qualification Standards for an assignment (and cannot come to meet them in the time frame required for the assignment), you cannot take the assignment—and do it yourself. Your only option for taking the assignment would be to associate with another actuary who does meet the Qualification Standards. You could do much of the detail work, but the qualified actuary would need to provide the structure to the work. This is one area where the Smaller Consulting Firm Section hopes to be of assistance to its members—by preparing a detailed directory of members and their specific areas of practice.

A Changing Professional World

I started my professional career working for a life insurance company. After about four years, I moved to a consulting firm and started working on pension plans at the dawn of the Employee Retirement Income Security Act (ERISA), but continued providing services for life insurance companies. I was clearly qualified for the life insurance company work and, by the time that I was actually the "signing actuary" for the pension work, I would have qualified under the current rules for that area of practice, as well.

While my practice became more and more focused on pensions, I continued to do some life insurance company work, as assignments came my way. Ultimately, however, there were significant changes in valuation and non-forfeiture laws, coupled with other changes in the industry, and I was left with two choices: invest a lot of time learning the new rules, or stop practicing in that area. For me, this was a relatively simple choice, because life insurance work had become a very small part of my annual billings. It simply made no sense (on a cost-benefit basis) to invest the number of (unpaid) hours that it would have taken to become fully acquainted with all of the changes, and to integrate them into my existing programs. The probable amount of paying work was just too small. So, I "walked away" from doing life insurance company work.

Clearly, the continuing education requirements of the Qualification Standards can make this decision a bit clearer. However, the "12 hours per year" requirement (in each major area of practice) is far less than the amount of time I envisioned needing for the life insurance changes. Also, even within a general area of practice, there may be specific types of assignments for which you were once clearly qualified, but where the passage of time and changes in the environment mean that it may no longer be appropriate for you to accept the assignment.

A Changing Focus to Your Practice

Even if there is no change that would lead to the cost-benefit decision to leave an area of practice, the development of your practice may be in the direction of one (or more) of the specific types of work for which you are qualified. In a small firm, trying to keep up to date in multiple areas of practice can be impractical (so that this is, in part, a qualification issue). However, even if you could remain current, it may not be the best use of your time and energy. The development of your practice may be better served by some limiting of the assignments you accept.

Over the years, in addition to my "regular" practice, I had occasionally done valuations of lost wages and benefits for wrongful death or injury cases. The present value calculations are similar to those done for pension benefits, with the "twist" that various legal rules may influence the setting of assumptions. I had found that I was comfortable with, and good at, court testimony, and could explain to a jury what these numbers meant. Ultimately, however, I found that I simply did not do enough of these cases, and felt like I was starting from scratch each time. Just as with the life insurance work, this was not a significant part of my billings, and I stopped accepting those assignments.

The development of your practice may be better served by some limiting of the assignments you accept.

Scheduling

In a small firm, available resources are limited. We can only work so many hours in a day, even if we are willing—at least for a short time—to devote every waking hour to work. It is tempting to accept any offered assignment, since it will generate additional income and may lead to more assignments in the future. However, it is important to be certain that we really can deliver the

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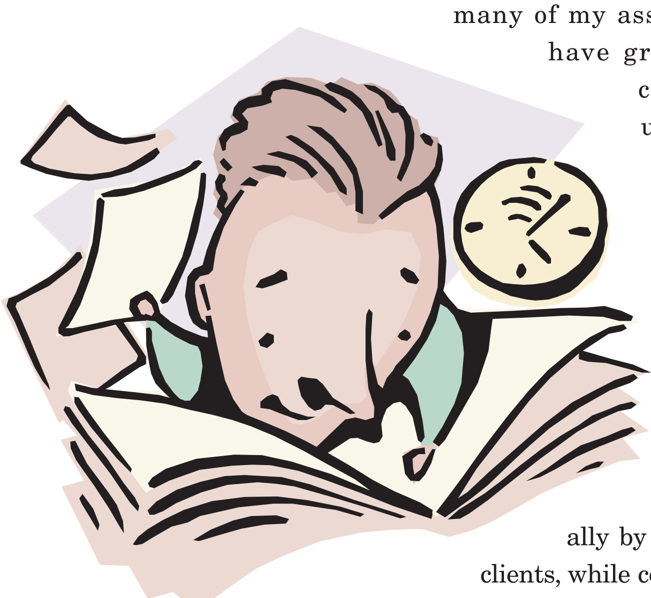
requested work product on the requested schedule—or to re-negotiate that schedule up front.

There can always be true emergencies which result in assignments not getting completed on schedule. However, accepting an assignment that will require you to work 12 or 14 hours per day for weeks on end may simply be asking for problems. Depending on the assignment, late delivery may not simply be inconvenient—it may be the same as non-delivery. The client will probably not be interested in paying for something that they get so late that it is useless. However, even if the work product can be used and the client pays for it, failing to meet the schedule will probably hurt your chances of getting further work—both from that client and others whom they know.

The nature of my own practice is that many of my assignments do not have great urgency. My clients will wait until I get to the work. Even then, there can be psychological effects from having a huge backlog of work. More than a few times, I have stopped taking new work—generally by not accepting new clients, while continuing to accept assignments from existing clients. Not only do your clients need to be comfortable with your schedule—so do you.



Do You Like the Work?

When we start a small practice, we generally accept any assignment for which we are qualified and which we believe that we can complete as required. It is pure survival, and is a way to develop the practice. However, over time, we will all discover that there are types of assignments that we like, those that are okay, and those that we really do not like. Clearly, there will always be work that we do that is not our favorite. But, if there are types of assignments that you really dread, which seem to hang over you from the day you accept them until they are completed (possibly to the extent that it influences your ability to do other work), you need to consider whether you should continue taking those sorts of assignments.

How much you will consider this will depend on how much other work you have. Over the years, I have stopped accepting certain types of assignments when I found myself with more to do than I had time to do it—even for a short period. If something needs to go, make it the work you dread doing. Even if you are not particularly busy, you should consider the possible effect that these assignments have on your attitude and how you do your other work. The short-term income may not be worth it.

Client Issues

Just as we accept any reasonable assignment when we are starting out, we generally accept assignments from anyone who comes to us (and we believe will pay for the work). Over time, we will find that certain clients, or certain types of clients, frequently generate problems. There may be clients with whom we are simply not comfortable. (I am not even thinking about clients who are asking us to assist them in something that is illegal or unethical—that is an easier decision.) There may be clients who consistently fail to give us what we need from them to do the assignment, and are unresponsive to our requests for missing information.

We do not (absent contractual agreements) need to accept work from anyone. When we are not comfortable with a client, it

may be better not to accept the assignment (or future assignments, if you have already accepted one). Otherwise, we may devote an inordinate amount of time and energy to dealing with the problem, and not to getting the work done (for that client and others).

Obviously, a particular version of this issue goes to getting paid. There are different approaches to billing and retainer agreements. However, a client from whom it is consistently difficult to secure payment is a problem client, and you need to decide whether it makes sense to continue providing services.

Your Life

Finally, we need to remember that our professional practices are not our entire lives. It is an important part of our lives and will, from time to time, take over our lives completely. However, that cannot always be the way it is. We need to have some sort of balance in our lives, or we will have nothing to give—to our clients or others.

Each of us will set the limits on this trade-off differently. However, if we are successful, we will come to a point where we need to turn down an assignment to have time for the other aspects of life. In the long-term, that may indicate it is time to add to staff (or find another actuary in a small firm who has extra time and can take on some assignments). In the short-term, we need to be true to our personal values and our priorities.

It is certainly important to develop our practices and to try to be as successful as we wish to be. However, professional responsibility, as well as focus and growth in our practices, will sometimes mean that turning down an assignment is the correct decision.

George McCauslan, FSA, MAAA, EA is an independent consulting actuary in San Francisco, Calif. He is a founder and the current chairperson of the Smaller Consulting Firm Section. He can be reached at GeorgeWMcC@aol.com.

Section Council News

New Members Elected to Smaller Consulting Firm Council

Two new, and one returning council member were elected in the recent section council elections. They will take up their new positions following the annual meeting in Orlando in October. Dan Cassidy, who was elected to a one-year term in the first council elections in 2002, returns to the council for a three-year term. Also elected were David Hart, FSA, FCIA, an independent consulting actuary from Mississauga, Ontario, and David Pratt Ward, ASA, EA, MAAA, an actuary with Summit Benefit and Actuarial Service in Eugene, Oregon.

David Hart and David Pratt Ward replace Ken Hartwell and Al Booth, whose one-year terms end in October. Thank you, Ken and Al, for your assistance in getting our new section up and running!

New Smaller Consulting Firm Section Officers Elected

A new slate of officers were elected unanimously during a section conference call on October 8, 2003. The new officers' terms will begin after the annual meeting in October, and run for one year. Officers for 2003-2004 are:

Chairperson:	George McCauslan
Vice Chairperson:	Ian Duncan
Secretary/Treasurer:	Mitchell Serota
Web Liaison:	David Hart
Newsletter Editor:	Ian Duncan

Meeting Coordinators for 2004
Spring Meeting (Anaheim): Dan Cassidy
Annual Meeting (New York): Ian Duncan

Council to Tackle Member Priorities

One of the first actions of the SCF Section Council was the commissioning of a membership survey. A summary of the results was published in our previous issue (*http://www.soa.org/library/sectionnews/smconsulting/SCF0306.pdf*). High on the list of member priorities were alerts and accessible CE. At its August conference call, the council decided to begin a project to identify and make available to members links and other sources of current information of value to consulting actuaries. Examples of valuable information include regulatory developments, surveys (interest rate/ assumptions/ regulatory), etc. We will aim to provide this information for all of the major practice areas that our membership serves, including pensions, health, life, expert testimony, etc.

The council is seeking volunteers from the individual practice areas to assist in identifying sources of this information. If you are interested in helping (or have a suggestion for a valuable information source) please contact George McCauslan at *GeorgeWMcC@aol.com*.

Independent Actuaries Turn Out in Force for First Section Reception

On the 34th floor of the Hyatt Hotel, against the spectacular backdrop of Vancouver Harbor and the mountains, the Smaller Consulting Firm Section held its first social event, a cocktail party for members attending the Society's Spring Meeting, on Sunday June 22nd. In all, about 50 members attended and met other section members, council members, and SOA staff. Council members in attendance included George McCauslan (chairperson), Mitch Serota (vice-chairperson), Dan Cassidy (treasurer), Ian Duncan (editor, *The Independent Consultant*) and Canadian Council member Marcus Robinson. Society staffers attending included Lois Chinnock (section coordinator), Judy Anderson (staff fellow for actuarial education), Kara Clark (health staff fellow) and Emily Kessler (staff fellow for pensions). Smaller Consulting Firm Section Council Chairperson, George McCauslan, reviewed the genesis of the section and welcomed all attendees. Attendance and member enthusiasm promises a bright future for the section!

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Council Sponsors FAS Assumptions Survey

An example of the type of information often available to actuaries in larger firms, but which is hard to come by in a smaller or individual practice is timely surveys of assumptions used in Statement of Financial Accounting Standards (FAS) disclosure reports. In conjunction with the Pension Section Council, the Smaller Consulting Firm Council is sponsoring a survey of actuarial assumptions used by actuaries who perform FAS 87 and FAS 106 valuations for their clients. The survey will be distributed to the Pension Section and Smaller Consulting Firm Section members. The survey is not meant to be "scientific" or rigorous but simply a quick snapshot of what actuaries and their clients are doing. This survey will be performed monthly for measurement dates between September and December. Results will be available almost immediately and will be updated as new responses are received. The results were posted on both sections' Web sites on October 9, 2003, and be available to anyone who chooses to use them. We expect that this will be a valuable tool for actuaries in both small and large firms. Expected timing of the survey and publication is:

September 20	Distribute survey
October 7	Close survey to new responses for Sept. 30 measurement dates. Place final Sept. 30 report on Web for open access to all.

Repeat on Oct. 20, Nov. 20 and Dec. 20.

We expect that this will be a valuable tool for actuaries in both small and large firms.

in Orlando. If you are not able to make the meeting, the session will be recorded and a summary will appear in the January issue of *The Independent Consultant*.

Speaking of marketing, we continue our series of articles about marketing by regular contributor Carl Friesen, this one on "how-to articles." Also, Dave Hart, a new council member (who has the eye-catching e-mail address: "an-actual-actuary.com") has contributed an article about the Independent Actuaries' Network in Canada. Is this an idea that has merit and can be replicated in the United States? What can we in the Smaller Consulting Firm Section do to facilitate it? Let us know.

We are always looking for ways to serve our members better, by commissioning and publishing articles that are of value and interest to consulting actuaries. As always, we welcome suggestions and feedback from section members or other actuaries. Contact me at *iduncan@lotteract.com* if you have a comment or suggestion.

For those of you who, like me, are keeping count: membership continues to grow, and now stands at 519 paid members. This is up from the 466 members we reported in our last issue!

Ian Duncan, FSA, MAAA, is a partner at Lotter Actuarial Partners, Inc. in New York, N.Y., and is editor of The Independent Consultant. *He can be reached at* Iduncan@lotteract.com.

New Council Members

David P. Ward

Our two new council members are profiled below; Dan Cassidy, a returning council member, is featured on page 6 in the article "From Independent Consultant to Smaller Consulting Firm: Dan Cassidy and Argus Consulting Ltd."

David P. Ward, ASA (1983), MAAA

Consulting actuary, Summit Beneficial and Actuarial Services, Inc., Eugene, Ore.

Contact: *david@summitbenefit.com*

Major Fields of Professional Activity:
David Ward has experience in many and various actuarial roles beginning in life insurance product development to actuarial consulting and plan administration for large private and public pension plans.

David consults on benefit plan design and valuation for many pension and post-retirement medical plans.

Education:
David received a bachelor's degree in mathematics from Brigham Young University with honors in 1980.

Society Activities:
David became an associate of the Society of Actuaries in 1983 and has since also become an enrolled actuary. In addition, he is a member of the Academy of Actuaries as well as a member of the American Society of Pension Actuaries.

Other Professional Activities:
David's hobbies include jogging and occasionally biking. He has served in many volunteer capacities including the Program Committee of Boston Actuaries Club, where he assisted in organizing the program for the 2002 joint meeting for Boston and Hartford Actuaries Clubs.

He served for many years on the Steering Committee for the Salt Lake Chapter of Western Pension and Benefits Conference (previously known as Mountain States Benefits Conference) and has also frequently assisted with high school math clubs and local troops of the Boy Scouts of America.

Personal Notes:
David is happily married to LaVerle (Smith) Ward. They have three children, none of whom have yet chosen to be actuaries.

David C. Hart, FSA (1990), FCIA

President and consulting actuary of Hart Actuarial Consulting Ltd., Mississauga, Ontario

Contact: *dhart@an-actual-actuary.com*

Major Fields of Professional Activity:
David provides pension and actuarial consulting services to a varied group of clients. He specializes in all aspects of registered and non-registered retirement programs (including design and implementation), for companies, multi-employer joint-trusteed boards and other organizations. In additon, David works in the field of actuarial evidence and provides actuarial consulting, peer review and technical support to other actuaries.

Publications:
David is author of various articles including the following which appeared in Peel Briefs (the newsletter of the Peel Law Association), *Actuarial Standard of Practice for Marriage Breakdown Reports* (August 1994); *Employee Benefits Which Should be Considered as Matrimonial Assets* (November 1994); *Accrued Sick Leave Benefits as a Family Asset* (May 1995); *The Criminal Rate of Interest* (August 1995) and *Refining the Discount Rate - An Appropriate Investment Rate for Litigation Reports* (February 1996).

Society Activities:
From 1995 to 1999, David served as a member of the Society of Actuaries exam committee for the actuarial exam P-564, "*The Actuary as Expert Witness*" and has been a presenter at SOA meetings.

Other Professional Activities:
David is a fellow of the Canadian Institute of Actuaries (FCIA) and member of the International Actuarial Association (IAA). He also is a member of the CIA Committee on the Application of Rules and Standards (CARS) Peer Review Sub-committee, and a member of the CIA Task Force on Compliance Review. He is a current member and past chair of the Independent Actuaries Network, a monthly meeting group to discuss current topics of actuarial practice. In addition, David is a member and past chair of committees of the Mississauga Board of Trade. He has also been a presenter at numerous meetings of the Canadian Institute of Actuaries and for many other industry meetings and seminars.

David C. Hart

Surviving The Great "Benefits Planning Earthquake"

Pension Management in Light of Recent Economic and Corporate Upheavals

by Dan Cassidy

> **Most plans have now lost almost half their value while liabilities spin out of control due to the low interest rate environment.**

For some years now, there has been a huge crisis developing for many companies—how to effectively manage their pension plans. The gist of the crisis is this: Pension plans have lost almost half their value while liabilities have skyrocketed due to the current low interest rate environment. Analysts have attempted to characterize this crisis as a "perfect storm," likening it to the hazards described in the book and the movie of the same name. However, a more apt scenario might be that of an earthquake.

If the crisis was merely a "perfect storm," pension plan sponsors could simply batten down the hatches and ride it out, hanging on until the resolution of temporary difficulties. However, my view is that this strategy won't work because the landscape of pension plan management has been changed forever by tectonic shifts in economics and policy. As a result, both finance and human resources managers need to be aware of these seismic changes taking shape if they are to effectively guide their firm's pension plans up and over the "fault lines."

Tremors and Fault Lines

The U.S. pension system has proven very resilient to changes in the economy both in macro and micro terms. But structural changes in the past 20 years have made it susceptible to what otherwise would be temporary difficulties.

Initial Fault Line: Shift to 401(k) Savings Plans*

The first fault line in the current crisis emerged about 20 years ago with the introduction of the 401(k) plan. Before this, companies relied solely on defined benefit (DB) plans, which traditionally provided a fixed annuity payment during retirement. In the 70s and early 80s, the vast majority of workers were covered by Defined Benfit (DB) plans. Now, the majority of workers are covered by Defined Contribution (DC) plans, primarily 401(k)s.

Compared with DB plans, DC plans shift the investment risk onto employees, with the ultimate benefit paid to workers dependent upon the investment return of the DC fund. With a DB plan, in contrast, the benefit received by participants does not vary with investment return, (i.e., the employer must make up any shortfall in future investments). With this shift to 401(k) DC plans, employers in their role as fiduciaries (trustees) became "gatekeepers," deciding what investments participants could choose. This changed the employee/employer relationship vis-à-vis retirement plans and employers didn't realize the full impact of this change until recently.

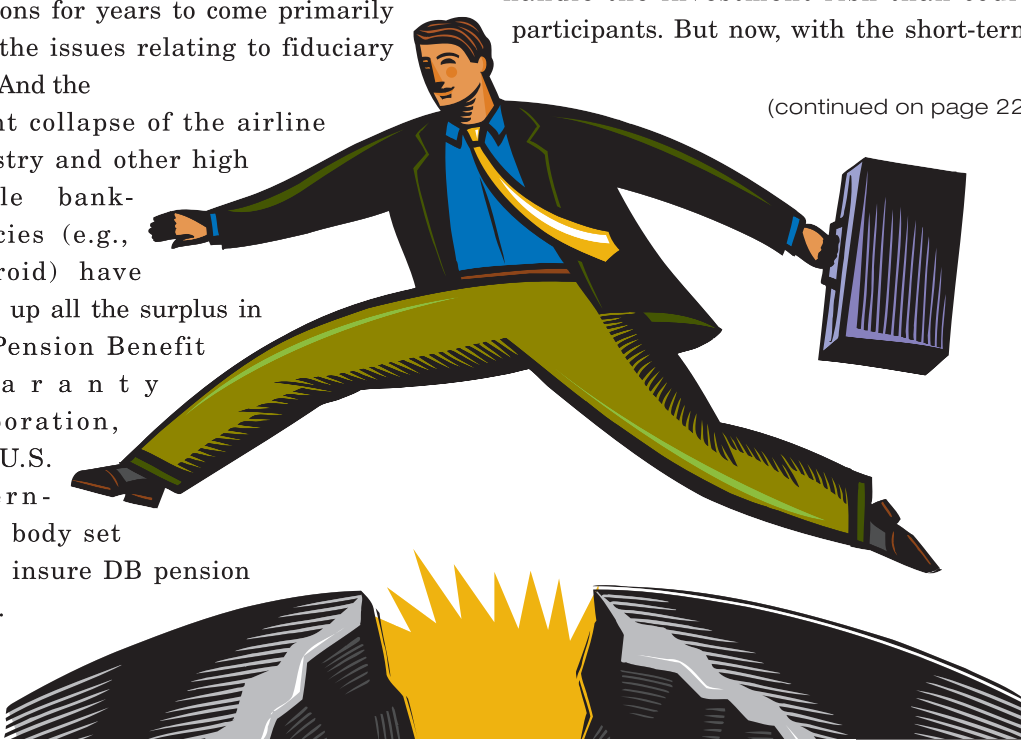
First Tremor–Declining Interest Rates

Since the early 90s, interest rates in the U.S. economy have been declining, positive news for most of corporate America since companies can now borrow at lower cost. But for pension plans, this decline has upped the ante of the liabilities in DB plans. Larger liabilities make the plans look poorly funded, adding to the pressure on companies to make cash contributions to their plans. In a normal situation, declining interest rates alone would not be a problem since plan sponsors can plan and budget for these added contributions but in the current reality, this means unplanned for or emergency inputs are continually needed.

Second Tremor–Negative Investment Returns:
After the bull market of the 90s with its unprecedented returns, the market came to a crashing halt in 2000. Since then, the majority of DB plans have experienced three years of negative returns with some losing more than 40 percent of their value. The combination of this second tremor and the first are what has caused many people in the pension planning industry to refer to the situation as a "perfect storm." Most plans have now lost almost half their value while liabilities spin out of control due to the low interest rate environment.

The Actual Quake– Corporate Downfall
Yet if all that had happened in the past few years were simply lower interest rates and negative investment returns, we would not be talking here about major disruptions in pension planning. However, the final straw, causing the actual earthquake, has been the many corporate downfalls of recent years. This includes both bankruptcies brought about by corporate malfeasance (Enron) and by economic troubles (airlines) as well as the destruction of trust in the public accounting system.

The Enron collapse, for one, will affect pensions for years to come primarily over the issues relating to fiduciary duty. And the recent collapse of the airline industry and other high profile bankruptcies (e.g., Polaroid) have eaten up all the surplus in the Pension Benefit Guaranty Corporation, the U.S. government body set up to insure DB pension plans.



Finally, the public accounting firms have lost the trust of the Securities and Exchange Commission (SEC), the U.S. Congress and the investing public. New, never-seen-before scrutiny is now being placed on accounting practices surrounding pension plans. This triple whammy of fiduciary failure, bankruptcies and accounting problems has been too much. It has pushed out a seismic shock so powerful that the U.S. pension system has since gone down, shaken to its very core.

Aftershocks and Survival Tools

Risk Management
The first aftershock following this earthquake was a realization that rippled throughout the world of the risks associated with DB plans. In the booming 90s, corporate DB plans added to the income that corporations booked. Now, DB plans detract from corporate earnings. This has left management and shareholders alike wondering whether DB plans should stay.

In the past, corporations tolerated these swings in DB plan financials as worthwhile for the purpose of insuring that participants would be paid fixed benefits. The thinking was that corporations could more easily handle the investment risk than could participants. But now, with the short-term

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pressure from Wall Street, shareholders are asking if they should be expected to shoulder this risk as well as what they actually own when they invest in a company with a larger DB plan. For example, GM's DB plan has more assets than the total market value of GM stock! So, in fact, when you buy a share of GM, you are actually buying an "insurance company" along with a company that makes cars. Is this really what investors and Wall Street want?

With all these developments in mind, some companies have recently taken the drastic step to extricate as much risk as possible from their DB plans. For example, Boots, the large U.K. pharmacy, has eliminated all equities from its DB assets, investing solely in cash and bonds. Boots made this move to specifically address the concerns of shareholders about the rising risks of DB plans, showing how prevalent the crisis in countries outside the U.S. as well. This move, called "immunization," goes against the long-held belief that companies should invest their assets for the long haul with equity exposure around 60 percent.

Immunization will ensure that Boots will have significantly lower fluctuations in their pension costs. However, the trade-off for this lower volatility is a higher expected pension cost over the long term. Boots determined that this trad-eoff was worthwhile and in the best interests of its shareholders so that now Boots shareholders can own shares of the company and be exposed to the risk inherent in investing in a pharmacy retailer but not be exposed to the risks of running an "insurance company" subsidiary in the form of a DB plan. So if you are managing a company with a DB plan, it may be wise to consider Boots' decision more thoroughly.

Investment Options—Too Many Choices?

Since this pension earthquake was caused by the shift to DC plans in which participating employees make their own investment decisions and thus bare the risk of the investment performance, HR directors have begun allowing them more and more choice. For example, in the early 90s the average number of investment options from which participants could choose was only about six.

Now it has more than doubled, with some plans having as many 100 funds available. As you can imagine, HR directors have always felt safe adding more and more funds, the thinking being that the company's liability is less when participants have more choice.

Now, following the Enron disaster and all its aftershocks, the government agency responsible for pension plans, the Department of Labor (DOL), has taken a very expansive view of the role of the DC plan sponsor. In a brief to the courts during Enron-related litigation, the DOL took the view that plan fiduciaries must (a) inform plan participants of any significant information that could adversely affect their investments, and (b) ensure that all of the plan investment options are prudent.

No longer, for example, will plan sponsors be able to claim that more choice is only good. More choice now means more due diligence and oversight! Both HR and Finance managers need to reassess their due diligence of all their investment choices and plan for continued monitoring.

Pensions in the Spotlight

Before the great benefits planning earthquake, the investment community of shareholders and analysts didn't pay much attention at all to pension plans. Pension figures were typically presented in a footnote tacked on to a company's overall financial statement. This footnote contained the balance sheet of the pension plan along with the assumptions used in calculating the liabilities. No one really delved into these assumptions very much, and even analysts admitted they never made any adjustments when comparing two companies with different pension assumptions. The reason they made no adjustments was because they felt the pension plan didn't affect in any way the total valuation of the company.

That's the way it used to be done but not any more! Today everyone is looking at the assumptions used to calculate the liabilities of pension plans. Even the Securities and Exchange Commission (SEC) is getting into the act. One client of mine received a letter from the SEC asking for additional backup for assumptions presented in their financial statement. Never before in my 15 years as a practicing actuary have any of my clients received such a letter!

A letter from the SEC gets the attention of any CEO. And, if this were not enough, CEOs and CFOs are being asked to defend their pension assumptions during quarterly conference calls with Wall Street analysts. Yes, the days of burying the pension footnote are long gone.

Outsourcing

Many, if not most, plans are managed by outside professionals to a large degree. A mutual fund company, for example, may be taking care of the administration and investments for the 401(k) plan at your firm. Managers feel good about letting professionals take care of their complicated plans so that the corporate staff can stay focused on their core skills. In the typical outsourcing model, these outside professionals try to limit their liability by saying they are only following the plan documents and decisions of the fiduciaries. The common term for this is a "directed trustee" but times are changing here too.

During the Enron meltdown, the DOL felt that several outside professionals blindly followed the instructions of Enron fiduciaries to the detriment of plan participants. In litigation, these same professionals have been using the classic defense of "We were only following orders." Yet in today's heavily

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No longer, for example, will plan sponsors be able to claim that more choice is only good. More choice now means more diligence and oversight!

outsourced environment, these directed trustees are typically the only professionals watching over the operation of the plan, with most company fiduciaries focused on other duties and spending very little time watching over company pension plans.

The DOL sees this as a ripe area for problems—companies wanting to outsource as much as possible while outsourcers hide behind the "directed trustee" label. So, the DOL sent a strong message when it ruled that that directed trustees might not simply follow the instructions of fiduciaries when they know such action would not be in the best interest of plan participants.

What does this mean to today's management teams? One implication is that management should review all its outsourcing contracts and processes. That is, an "administrative audit" on all procedures and documents may be in order. Two, don't be surprised if your outsourcers take a more proactive role in reviewing any instructions you send them. Currently, if directed trustees have questions about an unusual situation, they will ask fiduciaries to sign off explicitly to document their instructions. With new advisories and regulations in place, this by itself may not be enough. Expect your directed trustees to want to discuss such instructions in more detail. A third implication is that top managers today would do well to review and document who exactly is a fiduciary and precisely what authority they have. The DOL is now taking a very expansive view of who is and who is not a fiduciary. Making sure to know who's who and what's what will go a long way toward clarifying the lines of communication.

Finally, many companies may be surprised by the NUMBER of people who are fiduciaries. You should also take this information and compare it against your directors' and officers' insurance. You may be surprised who is and is not covered.

Aftermath

The great benefits and pension earthquake has left us with much to sort through, examine and rebuild. That means carefully attending to its ramifications. Just doing the same thing in the same way—riding out the "perfect storm"—will not help a company in today's world survive the new landscape.

Albert Einstein, speaking of other matters decades ago, may have nonetheless aptly described today's pension management scene best when he remarked: "The significant problems we face cannot be solved at the same level of thinking we were at when we created them." Though the ground has stopped moving and the dust has settled, it's now up to each company's management to put things in order. By mapping a course that's right for their company, they can help shareholders and employees together traverse the shambles of what went before on the path toward new ground based on new assumptions.

*In 1978, section 401(k) of the United States Internal Revenue Code authorized the use of a new type of deferred compensation retirement savings plan for the benefit of employees of most private firms. Employees who participate in employer-sponsored 401(k) plans choose to defer part of their salary, and the employees themselves determine how much of their salary to defer and how to invest the money.

Dan Cassidy, FSA, MAAA, is president of Argus Consulting Ltd of Concord, Mass., and a member of the Smaller Consulting Firm Section. He can be reached at danc@arguscl.com.

This article is scheduled to appear in *Emerald's 2004 Handbook of Business Strategy.* It is reproduced by permission.

Smaller Consulting Firm Section Plans Orlando Annual Meeting Workshop:

Developing and Marketing the Smaller Consulting Practice

Thinking about striking out on your own as a consulting actuary? How should you set your priorities? Where should you spend your resources? This session (41WS) will cover some key considerations:

- Finding and marketing your value proposition.
- Targeting and reaching potential clients
- Advertising, marketing and publishing.
- Resources and networking.
- Financial management of the small practice.

Participants will be equipped with the knowledge to:

- Consider a smaller consulting environment as an option.
- Understand marketing in the smaller practice.
- Understand the financial aspects of the smaller practice.

The session has been designed as a workshop format, so that participants can ask questions and share experiences. We will have a number of experienced independent consultants participating to ensure diversity of experience and opinion.

The workshop leader is Ken Lizotte (note change from the preliminary program). Ken Lizotte, CMC, is chief imaginative officer (CIO) of Emerson Consulting Group Inc., a Concord, Mass. consulting firm that enables consultants, law firms, companies and individual business experts to establish their competitive edge by becoming "thought leaders." Author of three books and hundreds of published articles, Ken gets his clients published, arranges speaking engagements and implements "visibility campaigns."

A popular keynote speaker at professional conferences, Ken currently serves as president of the Institute for Management Consultants/New England chapter and as an advisor to Harvard University. A co-founder of the National Writers Union and a featured business writer of the American Management Association, his clients include actuarial consulting firms Argus Consulting and Thomson Management Solutions, as well as non-actuaries such as Keane Inc., the MIT Enterprise Forum, The Levinson Institute and Chadwick Martin Bailey.

This session should be a lively introduction to our section!

SESSION 41 WS **2-3:30 PM**

SPECIALTY TRACK: SCF

DEVELOPING AND MARKETING THE SMALLER CONSULTING PRACTICE

FACILILTATORS: Ian G. Duncan, Carl Friesen

Are you thinking about striking out on your own as a consulting actuary? How should you get started? Where should you spend your time and start-up capital? This session covers key considerations of:

- Finding, marketing and advertising your value proposition
- Targeting and reaching prospective clients
- Managing the small practice

This session seeks to broaden your underwriting of developing, marketing and managin a new consulting practice.

SESSION COORDINATOR:
Ian G. Duncan