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Actuarial Employment in the New Millennium: How to Prepare Today for Tomorrow

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Summary: Actuarial recruiters and managers discuss current developments in the employment marketplace for pension and health actuaries. Discussions focus not only on the recruiting process, but also on issues affecting current employment opportunities. In addition, the speakers share their thoughts concerning what the 21st century holds in store for today's actuary.

Mr. Ronald L. Klein: I am an executive vice president and chief pricing officer for Swiss Re Life and Health America. We're going to have each of the panel members introduce themselves, and maybe give a brief outline of where the industry is going from their perspective. The session will be half pension, half health. I think we're going to start with the pension questions, so if you have some health questions, please hold them.

Ms. Lisa Evans: I'm an executive vice president and recruiter with Andover Research in New York, a company that has specialized in placing actuaries for the past 14 years. The company I'm with consists of eight full-time recruiters, and we focus on life, health, and pension actuaries at all levels.

Ms. Valerie A. Paganelli: I've been with Watson Wyatt in Seattle for almost four years, and have been in the consulting industry as a pension actuary since the

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mid-1980s, first with Towers Perrin and now with Watson Wyatt. In my current position, I'm responsible for the retirement actuarial team in the northwest, which consists of about 15 consultants. Recruiting has been a pretty strong part of my job since joining Watson Wyatt in Seattle four years ago. That's the perspective I'll bring.

Mr. John M. Stenson: have been with Deloitte and Touche since it was just Touche Ross, back in 1988. I have responsibilities for our national health actuarial practice, as well as other consultants that do work for payers and providers and clinicians with administrative expertise. I've been recruiting, and been involved with recruiting, for a long time. I went from Minneapolis to our New York office. When I started, we had five people. When I took national responsibilities, there were 35 people. I was involved with hiring all of them. I've done a lot of recruiting and understand the issues.

Mr. Kevin Truax: I'm from Des Moines, Iowa, and I work for a company named Insurance Edge. I've been recruiting for four years. Our specialty is primarily the actuarial side, however, we do have both life and health, as well as property/casualty. I've seen all aspects of the insurance industry.

Mr. Klein: Valerie, as a pension consultant, what do you think the clients find of most value in your field of expertise, and how could one work on those skills to maybe make them better?

Ms. Paganelli: How many pension actuaries are in the audience? Just a couple. The value is in progressive thinking. What our clients are looking to a consulting firm to do has changed over the last five years. As an organization, you must be a couple of steps ahead of them but each day it's harder to be a couple of steps ahead. Many of our clients are as up to speed on the issues as we are, which probably wasn't the case before. The people that we bring on board not only have to be technically strong, but also have to be very strategic and visionary. They must look ahead at the next issues, proposed legislation, proposed ideas, and they must anticipate how that's going to affect a client environment and the direction they need to head. Clients hesitate to think much further ahead than two or three quarters on their issues, and look to us to be thinking a year, two, or three years ahead.

The other thing is we must be people people. We, as actuaries, are pretty stereotyped as to whether we're people people or not. In my opinion, we're all people people; we're different kinds of people people. Our clients are different kinds of people people, too. Although we on our team are compatible in our goals, in our culture, and in the way we want to serve our clients, we are all, as a team, very different individuals from a social standpoint and in the way we interact with clients. As our clients differ, we have some flexibility in the kinds of expertise, both technically and personality-wise, that we're able to bring to the table. For me, I think, clients value the technical expertise. They expect it, no matter who they're working with. They want to be able to leverage off that technical expertise into what's important for the future, as well as be able to interact on their level, across a variety of circumstances and individuals on the client side.

Mr. Klein: I always hear how great the pay is for pension actuaries. Why would someone choose to leave a pension firm when they're getting paid a lot of money, and they have their own pension plans in place? On the life side, when someone becomes an FSA, it is a really good time to leave. You have all your exams, you learned a lot from a big mutual company, and now you go off and do something else and make a lot more money. Is it the same in the pension field, Lisa?

Ms. Evans: Yes, I'd say it's comparable. There are several reasons why an actuary would choose to look for new employment. One is growth, both personal and professional. Another would be if your company has consolidated and your position is eliminated. You don't have a choice. In other cases, the new position or the new role that you find yourself in isn't what your old one was. There might be cultural issues, philosophical differences, or geographic reasons. There are definitely other reasons people leave. Generally speaking, within a consolidated consulting universe, compensation and job descriptions are pretty comparable among the firms. Consequently, at senior levels, within benefit consulting firms, people tend to move less frequently. You generally find the reasons that they do choose to move are more cultural, geographic, or personality issues. At the mid-to-junior levels, where there are more technical-type or valuation actuaries, they tend to look for new employment because of growth opportunities. Perhaps they're not able to get into a client-consulting role or a project-management-type role within their firm. Certainly, the critical points in one's career, when one might consider moving, are the credential markers. When you get your ASA, FSA, or EA designation, it seems to be a time to evaluate and assess your career opportunities and your long-term objectives.

Mr. Truax: I think you see quite a bit of hiring. Jobs are either entry level, created, or you might rob and steal from your competitors. I see very little movement from the insurance companies into the pension consulting firms, because life insurance companies have gotten out of the traditional pension actuarial work. Twenty-five years ago, most of the major insurance companies had pension valuation units, and there was movement from insurance companies into the consulting firms. If you take an FSA who has only been at a life insurance company, their knowledge and skill sets are probably not that attractive to a pension consulting firm.

Ms. Paganelli: I'll use my own case as an example. I know I started with an insurance company for three-and-a-half years. I ended my stay there within the pension area, and that was my favorite. Based on what was available within the insurance industry, consulting had more of an appeal. It had more resources, and it had more knowledge and research behind it, as opposed to being part of a product-oriented environment for pension purposes. Switching firms, ironically, came a couple of years after my FSA. I wasn't interested in leaving the firm I was with right after obtaining my FSA because I'd invested a lot of time there, and I believed it was the time to reap the benefits. But much like what Lisa was saying, I got an out-of-the-blue call from a recruiter. I told them, "No." They called again. I said, "No," again. It was more of a market check. Here I am within my firm, and here's the contribution I'm making. How does that compare to the contribution and growth potential I might have somewhere else? In my particular situation, it was vastly different. It was compelling enough, beyond monetary issues, to have the opportunity to leverage those skills in a much broader sense. Depending on what the market is doing, and depending on who's robbing and stealing from whom, those opportunities are either very slim, or they're very broad.

Mr. Stenson: Basically, I would be surprised if you found somebody taking the career path today that I took. I started out for four years at an insurance company, got my FSA, and five months later, was recruited into a major consulting firm in the pension department. I had never done a pension actuarial valuation.

Mr. Truax: I've actually seen the opposite case. There are people who are leaving pension consulting firms after they've been there four years, right out of college. I usually get a call, about two years later, and they say they're getting pounded with work. They're not getting their exam time, and things are not happening. That's the other side that I'm starting to see. If you're coming out of college, and you're going into consulting, you're going to have a hard time going someplace else in the insurance field.

Mr. Klein: Talking about compensation issues, what type of compensation do you see for new and seasoned actuaries in the pension field? Are there signing bonuses, four-year contracts, and part ownership?

Mr. Stenson: There is one thing that we had to face for a few years. I think we've dealt with it, but there was a perception that to get a big advancement, in either pay or opportunity, you had to move. Perhaps you looked more attractive to another potential employer than you did to your current employer. That happened to us, and it happened to a lot of our competitors. What we found was, we were competing pretty intensely for a new FSA in his early 30s who had good technical experience. What we found was people were moving for significant salary amounts. We realized that by the time you get done paying either of my esteemed colleagues, plus relocation costs, and start-up costs, you might be spending $100,000 cash, plus any salary adjustment. What we've decided is that it is important to get people thoroughly convinced that they have a viable career path ahead of them, at all times. The limit is based on their own abilities, and we try to make sure that they understand that or know that all the time.

Mr. Klein: Let's switch gears. The little bit I know about pensions is because of my own pension. I know about defined-benefit plans, and I know about defined-contribution plans. I had heard that some actuaries are actually specific to the field of defined benefits and defined contributions. With defined-benefit plans on the way out, and everybody going to defined-contribution plans, what's in store for the defined-benefit-plan actuaries? Is there a difference? Can they switch?

Ms. Paganelli: Defined-contribution plan experts typically don't have to be actuaries. Good actuaries are balanced in both, and I think what you'll see is that you're grooming and training your own people. There better be grooming and training in both the defined-benefit and defined-contribution areas. It is more than likely that half your clients will not have a defined-benefit plan that you're actually consulting on. You're still consulting on the retirement event and the financial commitment of an organization to its employees around your retirement benefits. I personally don't believe that defined-benefit plans will ever die. There will always be cohorts of the market that strongly adhere to defined-benefit plans, whether it be public sector, collectively bargained groups, or large organizations.

Certainly, in the Seattle area, as an example, there is so much new business that we have a real teeter-totter effect in the marketplace from a recruiting standpoint. You've got Boeing, on one hand, which has been around forever, with its defined-benefit and defined-contribution culture, and they still turn to actuaries. They have internal actuarial staff. It's a very strong foothold. They've made some changes to make it more progressive, but they still believe in defined-benefit plans. On the flip side, you have Microsoft and all of the affiliated organizations, and Amazon.com that are building their retirement programs based on stock options. Are we, as actuaries, prepared to consult on retirement benefits in the form of stock options? That is a whole different realm for us. In the Seattle market, executive compensation and incentive-based compensation consultants are in very high demand. To a certain degree we must look beyond defined-contribution as being an expertise for us in retirement issues. We as professionals are savvy about other forms of compensation that can serve as retirement in some of the strategic development of programs, with these newer organizations. I think there's still a wealth of areas to which we can contribute, whether or not defined-benefit plans exist in their current form and volume.

Mr. Klein: I couldn't agree with you more, as far as defined-benefit plans not dying. Being well-rounded is obviously great for everybody. But the thing I hadn't thought about, which I think is very interesting, is being an expert in the stock-option-type retirement plan, which is obviously very important. That is very interesting, so maybe that's something you can get interested in that would be good.

We're going to start moving a little quicker and switch over to health, because it seems like a lot of people are interested in health. Maybe I'll ask one more question on the pension side, and then we'll switch over to health. If we have time, we'll come back to pensions. One of the things I was interested in, again, as a life actuary, is that with the enrolled actuarial exams, do you need to be an FSA? Is being an EA enough? Is an MBA something that's good for a pension actuary? Lisa, would you like to comment?

Ms. Evans: An FSA designation certainly gives somebody an added advantage, in terms of lending credibility with the client. Depending upon the type of role you're in, it could certainly be a big plus. Sometimes, it depends on the company doing the hiring, some of the consulting firms are more "image-conscious." Some firms won't give you client responsibilities until you're an FSA. It really depends on what firm you're with. Other consulting firms aren't as concerned about credentials, as they are with the kind of experience you bring to the table. Being an FSA is certainly more of an advantage than not being one. But I think that there are other actuaries that have their ASA or EA, that don't go onto Fellowship, that do achieve significant roles. It just depends on what kind of firm they're working for and what kind of role they're in.

Today, I don't think it's as sufficient anymore to just have your EA. It's an important credential, but I think that not having an ASA or an FSA with your EA can definitely put limits on where you can go in your career. I think an MBA certainly is an added plus. It may not be critical to achieving success in the pension industry, but as a client manager, in a consulting-type role, for example, it's an advantage to have an MBA. It does lend the credibility, as I said, and it offers a broader business perspective and approach, in addition to the ASA and FSA designation.

Ms. Paganelli: How many people in the room, beyond FSA, have a master's degree?

Mr. Klein: Let the record show no one raised a hand. Actually, I was just overseas in Switzerland at a training course, and I met a guy who's a medical doctor, and then got his FSA. The medical doctor stuff wasn't too exciting. I want to ask John the first question on health insurance, and then maybe we'll get some questions from the floor. Is national health care ever going to get passed?

I guess my personal opinion is that it never will, but let's say it does. What's going to happen to health actuaries? Is it going to help or hurt?

Mr. Stenson: I think we have to understand what the potential nature of a national health-care program can be before we look at that question. When we, and Hillary and her group, were looking at the potential national health-care programs, we looked at a couple of different options. Single-payer clearly revolves around what the government's going to take control of. Is the government going to take control of all the funding? Or is the government going to take all the risk? Is the government just going to dictate what the program is and have private sector solutions to that? Is the government going to dictate employer-mandated coverage and state pools for the various people who fall through the gaps, like the uninsured and uninsurables, etc.? Much of it depends upon the nature of the program. Whenever we are looking at anything that's going to be coming out of Washington or various state capitals (if there are statewide programs) in order to determine where our future employment opportunities are, we need to always remember two things: Who is it that has the risk in the program? Is it employers? The government's just driving it, and I think we will do more work for employers if payers start to fall out of the mix. Are payers going to become management service organizations? In Minneapolis, for instance, there is a model called the Business Healthcare Action Group, where the providers take all the risk for services. We started doing a lot of work for providers there.

What kind of risk is it that they're taking? Are they taking pure capitation-type risk, so they need risk assessment and risk adjustment techniques like we have? Or are they taking a kind of risk inherent in a per-service reimbursement arrangement, whether it is dictated by a private payer or by the government? The federal government moved away from cost-plus reimbursement when it passed the Balanced Budget Act. It moved to more of a fixed-based reimbursement level. If they get paid on a per-service basis, that doesn't mean that this is eliminated because that single payment applies to a series of services that actually vary in underlying cost. If the government drives payments down to a fairly detailed level with all of health care and drives the funding, then actuaries will have to become better at helping providers' understand the risk of their underlying costs around that more structured reimbursement rate. If there's risk that is based more on a population perspective, we're going to have to help the new entities who bear those risks understand the drivers. We will help them with the risk assessment and risk-adjustment techniques that we've been using to help either our client companies, if we're consultants, or our employers for the past years.

Mr. Klein: I know I don't look this old, but I remember when ERISA was being talked about, and all the actuaries were nervous. They thought, there goes the whole actuarial profession. It opened up a whole new area for actuaries. How many health-care actuaries are there in the room? A number. Are your companies doing anything special because of national health care, or are you taking a wait-and-see attitude? There is more of a wait-and-see attitude.

Let's move on to the trends in opportunities for health-care actuaries, which you're probably interested in hearing about. Lisa, maybe you'd like to tell us where the greatest demands are for health-care actuaries.

Ms. Evans: Sure, I'll talk about some of the hot trends in health care today. Medical cost analysis is a hot trend today, as I'm sure a lot of you know. With the increase in medical costs, especially drugs, there's a need to get more innovative in controlling costs. As John was saying, there's a lot more opportunity with these provider groups. The emphasis is shifting now, and the provider entities are taking on the risks that have been traditionally assumed by the insurance companies and the HMOs, so there's a lot more need there for actuaries. The providers are realizing the need for actuaries to not only quantify the risks, but they also help create cheaper products and better analytical tools to help them analyze the costs. We're also seeing a lot of the consulting actuaries providing the value-added services to these groups in that fashion, as well as HMOs needing actuaries to help create innovative product features to manage this under a more competitive environment.

Another hot area today where there is a lot of activity is mergers and acquisitions. There is no surprise. In terms of increasing your marketability, any kind of experience or exposure you can get to valuing companies is beneficial. The Blues organizations are still hiring quite a bit. I'm still seeing activity within the insurance companies, although now the positions we're seeing are less group medical and more group life, disability, long-term care (LTC), and dental. There is less on the medical side. There are a number of chief actuary opportunities within the HMOs right now. Reinsurers that were traditionally property and causality are asking us for health-care actuaries.

Another trend that's very hot now, as you probably know, is pharmacy pricing. Some HMOs are actually designating entire units to pharmacy pricing, and employing actuaries in those areas to determine what the leading indicators are in predicting and controlling costs. Despite the fact that there are fewer insurance companies today with all the consolidations, there's still a great demand for health-care actuaries nationwide. I think the greatest demand that we're seeing in the industry is primarily from the consulting firms, the provider groups, and the HMOs who are doing most of the hiring right now.

From the Floor: Let me ask a general question. I work for an individual major medical carrier. Are we health carriers so few and far between, that when we are looking at doing some hiring or doing some work, we get inundated. I've got an HMO actuary that you need to look at, and I have a large group health actuary. I find that it's really difficult to find individual health insurance actuaries.

Ms. Evans: That's right.

From the Floor: Is it because we're such a small market?

Ms. Evans: Yes.

From the Floor: Either you can't find them or there's not really a market to go to. Or maybe you guys just don't understand that there's a real difference between individual and group?

Ms. Evans: There are fewer individual health-care actuaries in the country.

From the Floor: But they're very much in demand, right?

Ms. Evans: They are in demand, and there's a scarcity of them.

Mr. Klein: You're talking about individual health?

From the Floor: I'm referring to what companies are willing to pay individual health actuaries?

Mr. Klein: Is it even disability insurance, or just health. Are you talking about health?

From the Floor: I'm talking, specifically from my perspective about major medical, preferred provider organizations (PPO) because we do our own pricing of all the individual pieces, such as the drug companies.

Mr. Klein: Lisa, do you have anybody who has that expertise?

Ms. Evans: On the individual side? Yes, but they are really few and far between. I mean, there's a scarcity of health actuaries. There are never enough. You know, right now, the demand is outweighing the supply, and it's even more so on the individual health side.

Mr. Klein: It seems like somebody who was not sure which direction to take would get some expertise in the individual health area.

Ms. Evans: Yes, if they're interested in that area, absolutely.

Mr. Klein: Or they would speak to you.

Mr. Stenson: If you decided that you couldn't find somebody with the exact experience, and you had to look outside that paradigm, where would you be more interested? Would you look for somebody who had applicable health experience or somebody who understood individual products better? Would you maybe take them from the life side.

From the Floor: That's a good question. It depends on the type of person, and what his or her technical skills are. We don't hire a lot of people. I would probably then go to somebody fairly fresh out of college who has a little bit of group or small group or HMO experience who understands the health side, rather than trying to convert a life actuary to a health actuary.

Mr. Stenson: I would look for someone who knows what a deductible is.

From the Floor: Absolutely.

Ms. Paganelli: Lisa raises a good point about supply versus demand. I think, in general, whether you're talking about the health or pension industry, I can't really speak for the entire insurance industry, there is a decreasing supply of experienced actuaries, as well as actuaries or student actuaries who are well on the track to getting their credentials. I don't know if anyone in the room is closer to this than I am, but the SOA even publishes some numbers that show the shrinking number of people taking exams. We must recognize that the pool that we're going to have to choose from over the next 10 years is going to be smaller than what we've been used to in the last 10 years. We will be doing a lot of scrambling. We will be asked to look at people who don't necessarily have the exact skill set that we normally would be willing to consider. We have to think outside the box with respect to our profession. We had a lot of the same underlying training, although our exposure and our career may have been different. We need to be as flexible as possible with our own careers, as well as looking at other peoples' careers and abilities to change direction. We will be fighting for a shrinking amount of expertise.

Mr. Klein: Yes, Valerie, I completely agree. I find that there are those people who work in that field who have a certain expertise. It's almost like a language. Some people just speak many languages, and they can just pick them up. It's one of those things. They could just go into another field using business sense and the technical stuff comes. You could learn that from a book. You have to pick up the business sense. Some of them are good, and I think that's really a good point. If you can be flexible in that way, it would probably make you a lot more marketable.

Mr. Stenson: It's important to know that as the world is getting smaller, the type of specialization among existing U.S. actuarial fields does not exist overseas. They have fewer products and such, but in some instances, they don't even separate casualty actuaries from other actuaries in countries that we're working in. As we get more global, the world gets smaller. We are going to have to look for different types of people that are more expansive and more adaptable in their thinking.

From the Floor: I just wanted to comment on the supply side. I am speaking from the perspective of a university professor and a vice president of Education and Examination. We went through a very difficult cycle in the early 1990s when, in fact, people were not hiring. There's virtually a missing birth and entry cohort of about a three-year duration. And if you're looking for senior students, or very young Fellows, you're looking at that very small part of the pyramid. It's coming back, but you can't produce an actuary in two weeks. The numbers for courses 100 and 110 are up, and up measurably. There is a 25% increase in registrations and students taking those exams. But it's a long time from there to perhaps where you would be interested in them. At our university we have a five-year program because we have co-op education. This takes the student away from the campus for 24 months while they are working on their degree. In 1988, when things were really hot, we graduated about 35 students for about 105 jobs. In 1989 we got a huge first-year class. In 1993-94, we graduated over 100 students from our degree program for about 35 jobs. This week I'm going to math convocation, and I will see about 41 people pick up an actuarial science degree. This year, I can't even tell you how many jobs there are: 200, 300, 400, 500. How many interviews can they take? My first-year class next year is way up. Are you going to be there to hire them in 2004? That's what I want to know. There's a five-year cycle here, and when it looks good, get out.

Ms. Evans: My statistics show that you are correct about a few cycles ago. We look for anywhere from four to seven years' worth of experience, and it's difficult to say where that places them. Are they ASAs or FSAs?

From the Floor: Can I answer Rob's question of whether we'll be there to hire? Having gone through the pain of trying to recruit that missing cohort, and seeing what it does to an organization, we have moved on a dime and changed our approach to hiring. We're committing to hiring a fixed number of people as a minimum at the entry level. The competition to succeed, as they move up, will change. To the extent that there is a cutback, it will not be at the entry level, but it will be selection among the people who now have moved up a slot. And that will be the real differentiator.

Mr. Klein: Yes, the danger in that is that you hire them at entry level when maybe you don't need them. Then you train them, and five years down the road, all the other companies say, thank you very much for training them and paying all that money. Now we're going to steal them and it costs us nothing. But we applaud you for training them for the rest of the industry.

From the Floor: We will just make sure that we don't lose them by giving them good career paths and good compensation.

Mr. Klein: That's the way to keep them.

Mr. Joseph D. Bogdan: I wanted to get a sense from the panel about both the people being employed as well as the employers. Are people tending more towards specialization or generalization? What do the people want out of their careers, and what do the employers want them to be successful at?

Mr. Stenson: We want people who will start off with deep technical expertise or we will train them in an area of deep technical expertise. Early on in their career, we will give them opportunities to work other areas, but they're working at a technical, kind of task management level. We're a consulting firm and involved in certain tasks of a project. We'll hire them into one of our specialty areas, but if the world were perfect, we'd know exactly how much work we're going to have in each of our areas. It doesn't always work that way. They're not a typing pool, but they will sometimes go and do spreadsheeting for one of our other practice areas. They tend to grow up in that area. When those that are successful get to the 7–10-year point in their career, they hold on to that deep technical expertise. They are much more expansive in their ability to manage clients and recognize clients' needs in their entire business operations. They do not only have that specific technical area of expertise. Those who are successful in our organization are lead client service partners, but they can be the trusted business advisor to their client regardless of how they got in there technically. They have a working knowledge of their clients' business and the needs that they have in that business. We're a big firm, so if there's a technical need, we've got it somewhere.

Mr. Klein: When I was in charge of the student program, I always spoke to the students and said there are two career paths. One is a very technical actuary, in which case you'd want to know what you know really well. There are a lot of students like that, and we all need them. The other path is more general, for those who like to know a little about everything. But the path is sort of laid out in front of each one, so I don't think there's one right answer.

Ms. Paganelli: I know within our firm, I talked about staying a step ahead of the market, otherwise we provide no value. From the get-go, when we bring people in the door, we want them to be people who are innovative and who can stretch. You pick up the technical capabilities, but you have to go beyond that. One of our values within the organization is that, yes, hierarchy might exist within the organization to function, but we don't value it. From the standpoint of how we serve our clients, we value maverick innovations. We're looking at people right out of college who are interested in taking exams, becoming an actuary, and learning the basic technical stuff, which obviously you need to have. They also are willing to think on their own feet. They are willing to stand in your doorway and challenge the way it has always been done. As painful as that is, for those of us who have been there awhile, you want those people who will be innovative mavericks.

Ms. Evans: In consulting, and also in insurance, it's great to have strong technical skills. In fact, as you develop as a professional, you really should try to keep those technical skills as sharp. We're finding companies are always much more attracted to someone who, if they're going to be hiring an FSA, hasn't really gotten that far away from it. We need people who are still willing to roll up their sleeves and get their hands dirty, but also possess management skills. They really need to have both. We're finding you really can't just rely on your technical skills alone; it's just not sufficient anymore. As you develop, you really need some other key skills, and the biggest one is effective communication skills—the ability to communicate effectively and influence others. I think the other key skills that you need are strong management skills and also the ability to be a team player. Although a cliche, it really is true! Our clients look for that. They look for somebody who's creative, with a broad business perspective, and the ability to think outside the box, in addition to having good technical skills. We need somebody that can deal with a wide range of disciplines at this point, being that the opportunities for actuaries are not just within insurance companies anymore. There is a wider range with the HMOs and providers of all different kinds. It's not just one particular area anymore. You really need to deal with a wide range of professionals and disciplines, and consequently you need to be able to communicate effectively and possess both the technical and management experience.

From the Floor: I just have a general question. I've never worked for a company that has a rotational program, so I may not fully understand the value. I guess I'm wondering which type of person would be more valuable to a company. Would it be a student who has been through a rotational program and has a broad knowledge of a lot of things, or would somebody who has been in the same field for the same period of time, but doing the same things be more valuable? What are employers looking for at this time?

Mr. Truax: I'll pick that up, because I've thought of that a lot over the years. I really think its a double-edged sword. Like most things in life, there is always good and bad in every situation. I'll start with the rotational program first. The rotational programs are obviously what gives you the perspective of many different areas of the company, and that's great for people who are going into the management roles and those going into the executive roles who climb the corporate ladder, per se. I was going to add onto Lisa's comment that it's great to have somebody with effective communication skills and great management ability. We want somebody who's going to grow in the organization, who can be a leader of people. But do you really need 100 of them? No. You don't want that many leaders. You're not going to build a team. I think team building is an effective thing. You need someone who can be the general and someone who can be a sergeant. These are people who you just really want to fight with you.

If you are only doing LTC, then you just need somebody who's an expert in LTC pricing. You have these people who are just doing the pricing of the product. You have people who are doing the valuation work. You have the people who are building up your computer systems and keeping everything effective. I see specialization. That's the direction I see companies going. That is unattractive to some candidates, because I have candidates who come to me and say, "Kevin, I want to expand my knowledge, but I've been doing strict valuation work for the last 12 years." I might respond, "I don't know if I can get you a pricing job. "When you bring somebody in, they might need all of these increases and salaries and bonuses and things like that. John pointed out that it is not uncommon. I don't care if you're a senior executive or if you're a five-year student. When everything is put together, the company puts out $100,000. It's real hard to switch somebody over.

Mr. Klein: I think you answered your own question. If you go through a rotational program in your first three or four years of life, you've had a little pricing, a little of this, and a little of that, and you're in valuation for five years. It's a little easier to go back over to pricing because you have the skill set. I think from the perspective of the student, the rotational programs are great. How could you come out of college and know what you want to do for the rest of your life? In the first three or four years, you get a little pricing and you get a little valuation. I have a very good friend who is a valuation guy. He went through the rotations and he liked valuation. I don't understand it, but he does. That's one less position that I have to work with.

Now, for the company itself, there's danger in having one person come up through a straight line and be the expert. First, they could be hired out, and, second, they just burn out and want to do something else. I think a couple of rotations are preferable. It doesn't have to be five or six years of rotations, but I think two or three different areas really help everybody.

Ms. Evans: You know, I think it also gives you a broader business perspective of what's going on in the complete picture. Being more well-rounded is ultimately a good thing; it adds flexibility to your career.

Mr. Stenson: I think we're also trying to flush out what the definition of a rotation program is. The days of big, huge multi-line carriers are not what they were. Aetna is not out there doing everything that Equitable, Prudential, and others are doing. What I'm seeing, anyway, as I'm trying to hire people out of these larger companies, is that the rotation is very siloed. It's health pricing, health valuation, and health product development. I want somebody who has health experience in all those areas, and in a consulting firm like ours, we do valuation projects, product development projects, and so on. I think when you're looking through and trying to determine how to grow and develop people, and how you set up rotation programs, just understand what types of deep technical expertise you're going to want down the road. Are you going to want people who are pricing or valuation specialists? And if you are, then fine. But if that's not what you're going to want, you're going to want people whose special key area is broader. Then develop a rotation program in those areas and get people through them, and do it differently.

From the Floor: Expanding a little bit on what Ronnie was saying, I do think the value of a rotational program is that, over time, people do choose to specialize. I think the advantage of that is if you allow them to explore different areas, it makes them a longer term fit for the company. They feel confident that they checked out a lot of things, and in fact, they do like health-care valuation. The other thing I would say is, I don't see a lot of companies doing long-term rotational programs that are through the career-long rotations.

In response to John, at least at the more senior levels, I do think there's still a desire to put people that might not fit in an actuarial systems area or the investment area. If you're a larger corporation, there are advantages to having people with the kind of cognitive skills that actuaries have, in broader management roles. As long as you're going to be open-minded to doing that, I think there is an advantage to continuing to build broad business skills.

Ms. Evans: One other rotational area that I know we've invested in over the last few years, and will continue to do so, is global exchanges. We transfer individuals from domestic offices to international offices for up to a two-year stint, and that has proved to be very successful. Some of them have decided to stay overseas, and some of them have decided to go back. None of our people have decided to quit during that interim or cut it short. I think they really view it as an opportunity to leverage their careers beyond domestic issues, whether it be national domestic or international domestic. I'd be curious to know if that's taking place pretty actively elsewhere, as well.

Mr. Truax: We're finding that is true when we're on the campuses of the Ivy league colleges and recruiting new students. They're all asking for global opportunities.

Mr. Klein: Maybe you should all learn a different language.

Ms. Evans: Yes, language is important, but if the person is motivated, it can be learned. It doesn't have to be something they come to the table with, in my opinion. More important are the technical skills and the ability to be flexible in those arrangements; we can deal with the language barrier.

Mr. Klein: If you have a really good student, and the student likes a specific rotation and asks to stay another year, then if you're worth half your weight as a student director, you will let the student stay. There's no way you're going to tell a really good student to move on. But if he or she is not a really good student, then I would tell the person that someone else wants that area and you're going to go work for the person who makes you input data.

From the Floor: I'm going to address the issue of the rotation program. I'm a recruiter with D.W. Simpson and Company. We do a lot of entry-level recruiting, and one thing you'll find, if you really want to get the entry-level students, which I know that's the big draw right now, is that the rotation programs are good. All the students are asking, "Am I going to get experience in this? Am I going to be tracked in this way?" That's one thing. When you're trying to recruit college kids, tell them you'll get to do this, if you like this area.

From the Floor: You're going to have to lie.

From the Floor: No, I don't lie to them. Then they'll leave after two years. But that's a big issue for the college kids, because they'll ask us, "What do I do? Do I go into life? I don't know anything about it. Do I go into pension? I don't know anything about that." We try to get the juniors into these presentations and we say, "Do an internship. Find out what you like so you know which way to go. But if you're graduating, and you don't know which way to go, find a company that's going to allow you to rotate, and get a good experience."

From the Floor: I asked for the senior actuary. This is the person who has been around five or six or seven years. If I've spent five or six years going through a rotational program, and I've gotten a year-and-a-half experience in four or five years, am I more valuable when I want to move on, than if I spend five or six areas in one area that I like? I've got six years of experience doing one thing, and I have more expertise to bring to the table for another job. Have I stalled my progress a little bit by going through a rotational program? That's kind of where I was going with that question.

Mr. Truax: I'm not saying that there isn't merit in the rotational program. Let's just go through the process here. Somebody has a phone interview, and they're saying, wow, this person has great communication skills. He seems to have a good understanding. You bring them in for a formal interview. However, when they come in to interview, they don't have as much expertise as I thought I wanted. I had my medical director talk to someone. The medical director threw out all these technical questions, and a guy who had four years of experience in a rotational program, and a year-and-half doing the bare-bones basic work was sitting here saying, "I don't know." That medical director comes back and says, "This kid doesn't know anything. I don't know why you brought him." That's what I was getting at. I think it is a double-edged sword. The person might not have as much exposure to different things that he might be involved with, but you want him to get hired, and you really want him to move into a new position. People are looking for those hard-core skills, if they're going to put out six figures to hire somebody.

Ms. Evans: Yes, I think it depends on who is hiring, too. Some companies don't have the luxury of time. It depends on the position they need to fill. If they have a critical need, or they need somebody with life and disability because they're going to be running that product line, that influences their choice.

Mr. Truax: They have four people in the department.

Ms. Evans: Yes, it just depends on what the goal is.

Mr. Klein: I do the compromising around here. I would say, in the six-year situation, three years of different areas and three years in one area would be sort of what you'd be getting in a rotation system. As you get to an officer level, you slow down. One person with six years only wouldn't be as attractive as someone who had two or three years experience in other areas and then three years in the area that I was looking for. That person would be much more attractive to me. There's a happy medium in there.

Mr. Truax: I think there is a difference, depending on if you have a year-and-a-half life, a year-and-a-half health, a year-and-a-half pension, and a year-and-a-half of totally unrelated areas. That's one type of candidate. On the other hand, if you have a year-and-a-half of LTC, a year-and-a-half of major medical, a year-and-a- half of long-term disability, and a year-and-a-half of group life, you're in the same general ballpark. You're very well-rounded for a particular part of the company or a consulting firm.

Ms. Evans: That's a good point.

Mr. Klein: I agree. At my company, Swiss Re, long-term care and critical illness are two very hot topics. I'm always one of those who jump up and down and say, in the U.S. stay away from LTC and critical illness. They're real iffy. Kevin, what do you see for the opportunities for critical and LTC?

Mr. Truax: I'm seeing the LTC people are much more flexible. They will say, I want somebody who is broad-minded because of the difficulty of pricing LTC insurance. The opportunities are endless out there. I see a lot of people hiring seven-year and eight-year people to run their LTC department. These people suddenly become the department heads of major insurance companies.

From the Floor: Do you want to comment on how your business is going on LTC? Is it heating up?

Mr. Klein: Where are you from? I'm not being funny about that, I'm just curious.

From the Floor: I am from Bankers Life and Casualty in Chicago. Yes, our company has been in LTC since 1985, and we're one of the larger carriers. I've been in LTC for six years, and I'm very happy in that job. I think it's a fun and exciting field. Our business continues to grow every year. We're selling more and more every year.

Mr. Klein: Corporate or individual?

From the Floor: Individual.

Mr. Klein: Individual long-term? What about critical illness?

From the Floor: We just started selling critical illness about two years ago, but we have had very small sales. We're trying to get into it, but it's just not taking off for us at all.

Mr. Truax: Have you been trying to sell that as an addendum, so to speak, of a LTC policy, or are you just trying to sell it individually?

From the Floor: No, we sell it as a stand-alone policy.

Mr. Klein: What we've been discussing has been the actuary of the 1990s or maybe the first three or four years into the new millennium. What I was really looking for is how to deal with the various firms and the various practice areas. What do you see as the hot issues or areas for actuaries in 2010-2015? If someone is early in their career now, what should they be looking toward in developing skill sets or interest, so that they will have the needed skill set when a new area breaks out? Just like in surfing, you're riding the wave. What do you see as the issues and arenas?

Ms. Paganelli: In our arena, it really is the shifting demographics, and we all, in our profession, are probably dealing with that on some level. Within our environment, though, what it is doing is reshaping the workforce. There is recruiting and retention of employees. These are the dynamics with respect to the compensation and benefit programs that they are putting together in order to have the key talent on staff to execute their strategic goals. In my particular area of expertise, it is reshaping retirement.

As we see the baby boom generation anticipating retirement at age 50–55, the way their parents perhaps did, we see a shrinking workforce at a time when we don't have the opportunity to recruit those workers. We are working and looking ahead at 2010 and beyond as to what is retirement. What is the definition of it? It may go back to, on some level, what it was in the early part of this century. You work almost until you die. You don't end up with that 20–30-year vacation at the end of your career.

Employers are looking for ways to shift costs from turnover and recruitment and retention toward encouraging workers to stay longer. I think in our profession, we're being looked at to understand the research, understand the trends, understand the demographics, and begin to shape some new programs for employers to use in the strategic development of their workforce, and the evolution of their workforce. I know the younger generation of our firm is being asked to be familiar with the research that we call demographics and destiny. There's a ton of information out there. As an educator, I guess I would encourage that to be a part of the program. They understand the demographics of our workforce, as well as the lack of boundaries of the potential workforce when you go outside of our country. There is also the movement of people so the potential is there.

Mr. Stenson: That's especially key. I'll just add in one quick comment, because the demographics of the U.S. are a lot different from the demographics of other countries. We have the baby boom. There is no baby boom in Europe, the Soviet Union, and China. In some countries, half the population is under the age of 25. The demographic needs are a lot different. In World War II, our soldiers came home and had babies. After World War II, in parts of Europe, Eastern Europe, and China, a lot of men who would have come home and had children, didn't come home. The demographics and the population are a lot different in a lot of the other countries in the world, and that does affect, as Valerie said, where we may have to go to get our future labor pool. The problems that they face are different. They're not going to have the people aging in the early part of the next century that we are; they're going to have so many people coming into the labor force that are going to be looking for things to do.

From the Floor: Let me just put another spin on this because we've been talking about demographics. I have a small actuarial department. There are four students, another associate and me. One of the issues that I have is my PC at home can do more than my PC at work can do. I have several women that work for me, and they sometimes have to be at home to take care of their children, so there's that request of working at home. I was wondering if other people are dealing with that issue? Does that come up? I see more of that coming up in 2005, 2010. I could see where corporations might even save money by not having to provide office space or parking space.

Mr. Klein: That's a great question. As far as telecommuting, and also more flexibility towards families, we see that companies are doing that now. It's sort of frowned upon, at least from my perspective.

Mr. Truax: I have had quite a few requests for that, especially coming from mothers that have school-aged kids. They don't want to pay out three hours' worth of daycare or something. It's just a real pain. Apart from doing work at home, I think it's more of the part-time issue.

Mr. Klein: We're talking about full-time and real telecommuting.

Mr. Truax: I'm not seeing the real telecommuting. What I'm seeing is someone working in the office three days a week, and then working from home two days a week. They might be inputting data or doing data processing. There's still that need to have people in the office from eight to five to make sure people are doing their work. It's real hard to let go. I think it's really hard for the boss not to be present, and not know if the person is really doing his or her work or goofing off. When a deadline comes up, and nothing is done, who's going to be hanging out at that point.

Mr. Stenson: We deal with it in two different ways. One, we take the outlook that people, men and women, come upon times in their lives when they have other things pulling on them. It could be responsibilities with children or elderly parents. You get pulled sometimes from both sides of the equation, and we've come to the firm conclusion that we work with these people on an individual basis, and we will work with them, based upon their availability and their flexibility, because we'd rather have them part-time than no-time. We do allow for telecommuting. Telecommuting is difficult when you're in a consulting firm, because we do a lot of our work at our clients' offices, and they are paying us based upon how often they see us. In certain instances, it does work, and we'll do it, and we are very flexible with part-time arrangements. We've found that we just have to be.

Ms. Evans: As a recruiter, I'm finding that employers are becoming somewhat more flexible in that regard. However, in more cases than not, employers are hesitant. It's not so much because they don't know what the person's doing when he or she is not in the office; it's more the notion that they need to be part of the synergy in the office and find out what's going on. It really depends on what you're doing. I'm seeing a lot more clients willing to set people up than 10 years ago. It also just depends what the job is. The trend is definitely more liberal.

Mr. Klein: As an employer, I like to feel like a team. There has to be some face-to-face interaction to be a team. I agree totally with what John was saying. You need to be flexible, and you'd much rather have someone part-time than no-time. Also, it's so difficult to find good people. It costs money to find them, and you don't know if they're really going to be good. If you have someone dedicated, that's great. I always find that when you have part-time staff, working three days a week, they're always putting in more than three days a week, because they're always thinking about the job on their two days off. If you need to call them, they're always home. It's actually to your advantage. You're paying them 60% and getting closer to 100%.

From the Floor: I think you're going to get more telecommuting with a person who worked for you for a few years.

Mr. Klein: Right. It's hard to hire someone to telecommute.

Mr. Stenson: I just want to make one quick comment. We were talking about the actuaries of the future. What I would love to see is the switchover of these exams. I think that's going to be much more attractive to kids who are in college. I can just imagine a freshman or sophomore math major saying, "I don't know if I want to take the next 10 years of my life and go through exams. What happens if I don't pass them?" They just come up with all the what-ifs. I think the switchover exams are going to be a feature that attracts more students. That's just my opinion.

Mr. Klein: That's a really good point. As Pat noticed, because she's on the Education and Examination Committee, and I'm sure Robert knows, the new exam structure is supposed to be more globally oriented. It's not supposed to be country-specific. In some ways, we fought that because it's very hard to test material if you don't have anything you can sink your teeth into. On the other hand, it's really a good direction to take, because everything is becoming more international or global, and it would be really nice if we had more knowledge about what was going on globally. I think there are going to be many more global actuaries and hopefully the exam structure will help.

From the Floor: It will probably change with the new exam structure, but how important is the Fellowship designation? I'm seeing a lot more career ASAs, especially at the higher-level positions. How important is Fellowship?

Ms. Evans: I think that is the case in the health-care arena, and it is in general as well. It's different now in health care versus the life side. As I mentioned before, due to the scarcity of health-care actuaries, I think the distinction is not as great as it is on the life side. Certainly it's to an actuary's advantage to have their FSA. In chief actuary roles, where you're clearly a mentor and setting an example for others, having the FSA is important. It is important in a management-type role or in a consulting role, where it lends credibility. I would say that a lot of our clients do ask us how long it takes a person to get his or her Fellowship, or what was his or her exam track record? They still ask the question, because to them, right or wrong, it's an indication of how sharp the person is or how successful he or she might be at his firm. Having said that, others in the health-care arena have not found that not having an FSA has been a disadvantage either. Many career Associates on the health care side have gotten into significant roles within insurance companies and HMOs. I think that it just depends.

Mr. Klein: I would say, if you don't have the FSA, it really will hamper your career. With the new exam structure, it's probably going to be a moot point. If you go make it to Associateship, it's a small leap over to Fellowship. There are lots of career ASAs that do well, but people refer to them as "career ASAs who are doing well."

Ms. Evans: Right, you're asked the question: are you pursuing an FSA, or why wasn't it pursued?

Mr. Klein: Do you find that you encourage your students to go all the way to Fellowship now, even in the health arena?

Mr. Stenson: Yes, and it makes it very difficult for some of them to want to work for a career ASA. I have seen some of that. We cut to the chase right away when I hire them. If you get beyond me and you have a problem with that, I'm sorry. You might as well go ahead and look. I've got to deal with that with everybody that works for me. I have students that work for me that have more exams, but when we're together working on a project, it's very clear who's directing the project and who understands more. And I think there's a changing mind set in that.

Mr. Truax: I think it's a very individualistic type of a situation, and it is probably a little bit of a regionalistic situation also. I find people in the Midwest, the Southeast, and the South, are probably much more willing and able to put Associates into management roles. That's a question you have to ask right up front. When you go into an interview, you ask, "What are my possibilities? What's the situation I'm going to be going into?" I think it's different company by company.

Ms. Evans: Sometimes it's supply and demand, too. If employers are looking to hire, and they have an FSA in mind for a managed care pricing position, and they've been looking and looking, and they find a great career Associate, they'll hire that person.