



SOCIETY OF ACTUARIES

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CHAIRPERSON'S CORNER

By Aaron Weindling

I'm writing this on the flight back from Toronto, where the Pension Section Council just met. We welcomed our three new members (David Cantor, Grace Lattyak and Judy Ocaya) and thanked those whose terms have reached their end (Azita Bassiji, Claudia Baxter and David Driscoll). I am particularly grateful to Azita for her leadership of the group over the past year. I appreciate the opportunity to have observed her and her predecessor, Faisal Siddiqi, perform this role over the past couple of years. Despite this, I confess to being somewhat apprehensive about both assuming the role of chair and about writing these columns.

I've now been a pension actuary for about 20 years. In my early years, the environment for pension plans was fantastic. Capital market outcomes were favorable, plans were well-funded, additional contributions were often not required and plans even generated income for their sponsors. That was all I knew. I didn't appreciate the exceptional nature of these conditions. As a junior actuary, I was also soaking up (and accepting unquestioningly) the teachings of those around me. It seemed that sound—perhaps even infallible—approaches to designing, valuing and managing retirement plans were clearly established. My task was just to absorb and apply this knowledge.

But as Bob Dylan sang, “Ah, but I was so much older then. I'm younger than that now.” Circumstances and introspection have led many actuaries (including me) to collectively question what we once thought certain. This is inherently an uncomfortable process, but I believe it to be both necessary and healthy. In most scientific endeavors, new observations lead to modification of prior explanations and theories. That doesn't mean that earlier ideas were devoid of value, and it shouldn't bring shame to those who developed and applied them. Copernicus and Newton weren't idiots, even though their theories have been amended over the centuries. We must also feel empowered to examine without defensiveness, the successes and failures of what we have championed, to move forward confidently and to apply newly acquired knowledge in our work.

RISK SHARED PLANS ACTIVITY

This perspective has influenced the council to select “shared risk” plans as an area of emphasis in the coming year. These plans live along the spectrum between traditional DB plans and traditional DC plans. At the 2014 SOA Annual Meeting & Exhibit, a series of four sessions was designed to address various aspects of shared risk plans:

- Global Programs
- Actuarial Considerations
- Best Practices
- The Future of Risk Sharing



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We think that this is only the start. Many more retirement systems can be envisioned (and have been implemented) than we typically consider. Not all of these designs are compatible with the current legislative framework of every country, and that can make their study less immediately applicable for day-to-day work. But exploring this topic can still present valuable lessons. It makes clear that some design aspects we take for granted are actually choices, and alternatives can exist. It leads to a more informed discussion about what stakeholders truly want from our retirement systems. It may illuminate ways in which changes that are permitted under current law can align plans more closely with objectives. And it encourages us to be more effective contributors to a dialog about how to re-shape the retirement systems for the future.

OTHER COUNCIL ACTIVITY

These sessions are only four of more than 20 sponsored by the Pension Section. The development of meeting sessions and webcasts are the mission of our Continuing Education Team. After only a short break, the team will start planning for next year's meeting. This involves identifying session topics, recruiting speakers and arranging the development of material. The team also coordinated the recent Investment Boot Camp for Pension Actuaries sessions in Chicago and Toronto. It is also finalizing the topics for the coming year's webcasts.

Our recent council meeting also included updates on about twenty research projects. These span a range of topics including assumptions, plan design, valuation approaches, the impact of longevity, and societal impacts. The Research Team, along with its associated project oversight groups, oversees the execution of selected projects from beginning to end.

The third major team is the Communications Team. This group is responsible for sourcing and making available information of interest to our members. Current publications include the *Pension Section News*, *Pension Forum*, and a series of podcasts.

The Pension Section Council also works closely with various other committees, task forces and professional organizations. We received updates from the Committee on Post-Retirement Needs and Risks and the Pension Finance Task Force.

PROVIDE INPUT

All of these functions are performed by a diverse group of pension actuaries. We share the goal of trying to further the mission of the Pension Section, which “encourages and facilitates the professional development of its members through activities such as meetings, seminars, research studies and the generation and dissemination of literature in the retirement field.”

We'd appreciate your feedback. Please feel free to reach out to me or any other council member. Let us know what you would most benefit from. And also consider whether you'd like to participate in any of these efforts. I'm sure that we'd find something that's compatible with your interests and your availability. ■