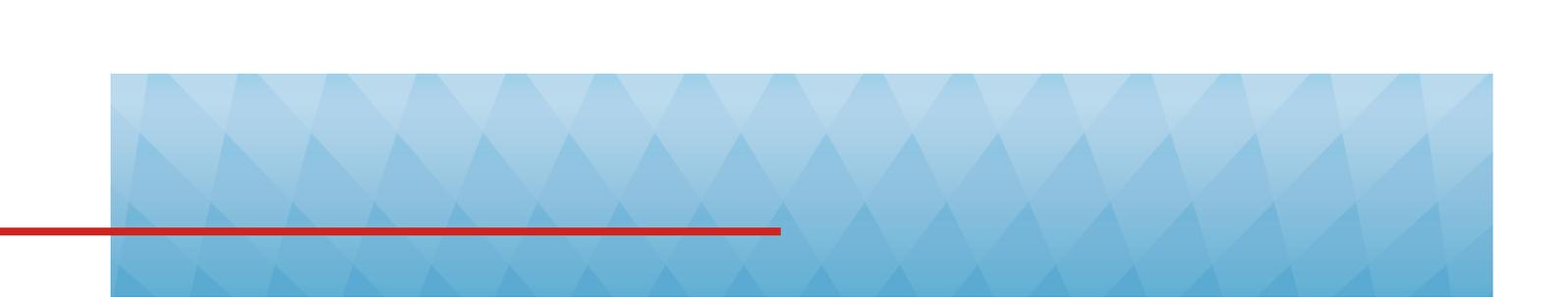




**Actuaries
Institute**

Annual Review 2011



Actuaries are trained to deal with risk and uncertainty – understanding and measuring it and helping to mitigate or manage those risks for the benefit of their clients, their employers and the community. Today many actuaries are helping insurance and investment houses deal with an uncertain economic environment and volatile financial markets. As the global economy struggles to reshape and rebuild itself, actuarial skills are being deployed in new ways, with new aims.

Actuaries provide crucial insight and direction into the design of retirement income systems, health policy and banking and financial services reform. They are at the forefront of debate on global issues such as climate change and, in areas such as flood insurance, are using evidence-based analysis to help crystallise the issues around the balance of private and public risk.

These debates are where a focus on the data, on deep analysis and an understanding of risk and opportunity are critical. They fit neatly into actuaries' areas of core competence. And they reflect the profession's abiding commitment to the development of sound public policy.

To meet the challenges of the 21st century, the profession of actuaries is changing and the Actuaries Institute is changing too. It is refocusing its education efforts, increasing its emphasis on service and marketing and contributing ever more analysis to the public policy process. Its strategic plan recognises that long-standing professions need to do more than set out new goals – they must constantly redefine themselves so they can better serve those who need their expertise.

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From the President



BARRY RAPE, PRESIDENT

From the President

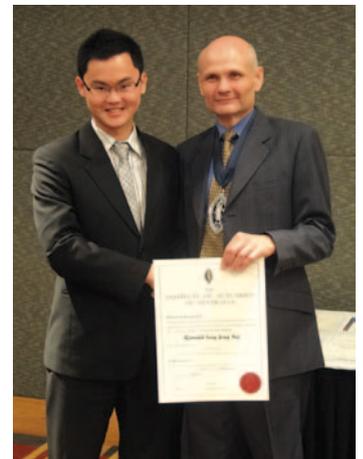
The presidential duty I have enjoyed the most has been hosting the graduation dinners for new actuaries. I think these events best symbolise the future of the profession. We have held three this year, one in Melbourne and two in Sydney. These are a celebration because they recognise the hard work and dedication required to become part of the actuarial 'tribe'. Families, friends and work colleagues cheer the new actuaries onto the stage when they receive their certificates. This year we admitted around 180 new actuaries, almost 50% women and over half originating from Asia. Our profession is stronger for this diversification. Our challenge is providing support to our disparate membership; in fact, the Australian profession is potentially the most multicultural actuarial profession in the world.

In 2010 Council approved a strategic plan that included three strategic objectives namely, to enhance the brand of actuary and reputation of the Institute, to expand the mandate and to add value to members beyond the mandate. The Secretariat in 2011 has been tasked with implementing these strategies. It is well understood that implementing strategy is significantly harder than setting strategy. The strong working relationship between Council and the Secretariat has brought the best out of both, with important decisions made including a revamp of the education system, new branding for the profession, a new fee basis, a focus on developing policy in the public interest and the development of a capability framework for the profession going forward.

My address to the new actuaries was titled "professionalism as loyalty to the public". My objective in the address was to stress the fact that, as actuaries, we have a responsibility to the broader public interest. An important mechanism to achieve my vision was to strengthen the Public Policy Council Committee. This committee was

established in 2010 to proactively contribute to the public debate where the issues are important and the profession can have a meaningful contribution. We have been particularly successful in 2011 at positioning actuaries as professionals who are pragmatic and can facilitate rational public debate. Two particular issues dominated our efforts this year, namely the fallout from the devastating floods in various parts of Australia and the retirement incomes debate.

Many public policy debates are ideological and hence it is not possible for us to develop firm policy. We can however provide informative commentary on public issues where we have particular insights. To enable public debate the profession has organised for opinion



BARRY PRESENTING A FELLOWSHIP CERTIFICATE

From the President

pieces from our thought leaders. On the flood debate, we provided a forum for the various interested parties to expose their positions to public scrutiny. There was much intense argument regarding the responsibilities of insurers and the Government. On retirement incomes, the profession has been active in promoting the need for increased compulsory contributions recognising that people will likely live a lot longer than they expect. Recognising that superannuation funds are our sovereign wealth funds, the profession has also been active in promoting good governance and the harmonisation of prudential standards between superannuation funds and other financial services businesses.

As President, I have come to appreciate the importance of volunteers to the profession. Not only do we require 300 volunteers for our education program but we also have many hundreds of volunteers working in the various Practice Committees, task forces and ad hoc working groups. Our volunteers do good work and there is much personal satisfaction to be gained from contributing to the profession.

I would like to thank my fellow Council members. It is hard work and does require dedication and a vision for the future. There have been a number of important decisions made this year that showed strong leadership from Council. Often in professions like ours, it is easy to defer difficult decisions on the excuse that we need to test them with the membership. My view is that we have been elected by members to lead and the best decisions are often those that test the limits of the profession. We owe it to our new members to position the profession for the future. It is clear to me that we are limiting ourselves if we look at our future through the lens of traditional actuarial work. The actuary's skills and approach to problem solving, combined with our commitment to the public interest, mean that we should not place artificial barriers around the work that we can do. Whilst being respectful of the opinions of their fellow Councillors, Council has acted with a sense of urgency. Special recognition needs to go to Melinda Howes and

the Secretariat. There is a natural tension that exists between a Council, its Chief Executive Officer (CEO) and the business. Melinda stands up for the profession and her team and is constantly challenging Council to be bold. Whilst Presidents come and go, the CEO and the Secretariat are the real heroes.



AT THE BIENNIAL CONVENTION

From the Chief Executive Officer



MELINDA HOWES, CEO

2011 has been a fantastic year with lots of new initiatives and some very positive feedback from our members.

The business

My first goal when starting here less than two years ago was to stabilise the business and get it running efficiently, effectively and electronically. Great progress has been made in 2011, and I think we have now achieved this. We have documented procedures, automated manual processes and digitised paper processes and member records. We have tightened and strengthened the financial and risk management of the business, and have achieved strong financial performance. We have made further improvements to our new CRM and website. My fantastic team have been shaped into a new configuration with an emphasis on service and marketing. The team have been supported, developed and trained. Managers have received management training. We have a clear strategy and business plan which cascades into team and individual goals. We are building a proactive, problem-solving culture.

The members

Our next set of projects has been all about the value proposition for our members. After listening to member feedback, we know that members want value for their membership subscription. They have also told us they want:

- ▲ support in development of knowledge and skills;
- ▲ a sense of belonging to a professional community;
- ▲ leadership in the field; and
- ▲ building of the standing of members.

In response we have revamped the membership fee scale, and have radically reduced exemption fees for students. We're providing more free or low cost member events in more locations and increased opportunities for networking. We have launched live webinars and entered the Twittersphere. We have revamped our electronic communications to make them shorter, smarter and more relevant. And we are tracking the things members don't like... and changing our processes to address them.

I have really enjoyed working with Council this year, under the leadership of President Barry Rafe. Council have provided thought leadership this year. They have been strategic and forward-sighted and together I think Council and the Secretariat have made some important changes which will position us for the future – like our new corporate identity including a new promotional name and new logo. There have also been some key decisions made about some fundamental changes to our professional education program which will be implemented in 2012-13. I look forward to more great achievements in 2012.

Delivering the strategy

Strategic intent

Enhance brand of actuary and reputation of Institute

Strategic outcomes

- ▲ more members identify themselves as an actuary;
- ▲ increased demand for actuaries by boards, employers, clients and Government;
- ▲ the Institute is sought after for authoritative comment; and
- ▲ the Institute is the professional body of choice for actuaries in Australia and adds member value

2011 key achievements

- ▲ launched new corporate identity;
- ▲ established proactive thought leadership public policy program with significant resulting media attention;
- ▲ successful promotion of major events and high profile actuaries;
- ▲ CPD training on being an influential actuary;
- ▲ enhanced website functionality and access including improved search, personalised member pages, better webinars;
- ▲ assisted universities in greater promotion of graduates to new employers;
- ▲ leadership and capability campaign developed for release in 2012; and
- ▲ range of new practice regulation and information released

Strategic intent

Expand the mandate

Strategic outcomes

- ▲ actuaries are doing new types of work in 'traditional' practice areas; and
- ▲ actuaries are recognised as valuable practitioners or experts in more areas

2011 key achievements

- ▲ events developed to explore the breadth of the actuarial role in the business community and in evolving fields such as climate change policy, risk management for extreme events, data confidentiality and complexity science;
- ▲ commenced strategic CPD program review to include a focus on expanding the mandate and refreshed communications;
- ▲ reviewed and re-focused the research program; and
- ▲ developed new Part III Module 1 options for release in 2012

Strategic intent

Add value to members beyond the mandate

Strategic outcomes

- ▲ more actuaries working in wider fields think the Institute adds value; and
- ▲ actuaries breaking new ground are supported by the Institute

2011 key achievements

- ▲ additional networking opportunities provided, with more non-members in attendance;
- ▲ introduced global access to events and knowledge through innovative technologies, such as live webinars, second generation system for SMS questions, instant polling capability and the Presidential blog;
- ▲ significant website improvements, including search functionality to more easily access intellectual property of profession;
- ▲ promoted actuarial contributions to the expanding areas of natural disaster policy; and
- ▲ revamped member fee structure and e-renewals introduced

Delivering the strategy

In 2011, the work of the Secretariat and Council was focused on delivering on the three strategic intents outlined in the Institute's 2010-2012 Strategy:

- ▲ enhance the brand of actuary and the reputation of the Institute;
- ▲ expand the mandate; and
- ▲ add value to members beyond the mandate.

A review of 2011's activities highlights how they have been directed towards these goals and so furthering the interests of members and the profession.

Enhancing the brand of actuary and the reputation of the Institute

New corporate identity

One of the most important initiatives aimed at strengthening the brand of actuary was the launch of a new corporate identity – the first update of the Institute's "look and feel" since 1996. This update included a new logo and a change to a new business name – Actuaries Institute.

A variety of important forces drove these changes. The existing corporate identity looked dated compared with similar organisations and was difficult to render in digital media. The new, more accessible identity and business name also helps the Institute to reach out to the wider range of stakeholders it now serves. Developing

and implementing the new corporate identity involved working with brand, marketing and communications experts and in-depth research with external stakeholders and members to ensure that it enhances the brand, boosts the reputation of the Institute and contributes to increasing the value of members' professional designations.

Thought leadership

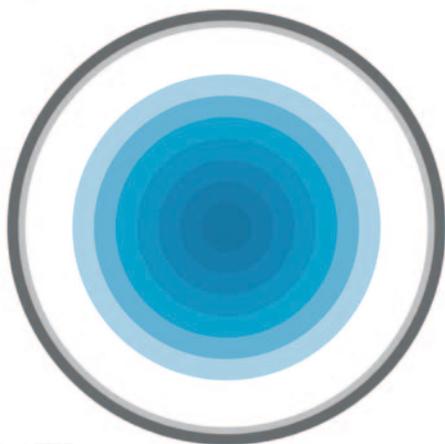
The Institute's brand and reputation is a valuable asset that needs to be managed. Marketing is a key part of that. Of even greater importance, however, is the Institute's role as an educator and thought leader in areas such as regulation and public policy.

A major part of promoting the Institute's thought leadership is the delivery of events. In 2011, more events were held, delivered to more attendees and across a wider range of topics:

- ▲ 98 separate CPD or networking events were held in 2011 - an increase of 21 events on 2010;
- ▲ attendance at Institute events increased by 29%; and
- ▲ the Institute's flagship Biennial Convention attracted over 400 delegates – from Australia and 16 other countries.

The Institute continued to demonstrate its thought leadership through engagement in public policy issues with industry, business and the community. During 2011, 28 policy submissions were made, not only contributing to debate but also building on the profession's profile with employers and other key stakeholders. Proactive policy positions on retirement incomes, energy and the environment, health financing and management and enterprise risk management were also produced. All of this work was supported by widespread media activity, contributing to over 100 newspaper articles, radio interviews, TV spots and media releases.

Also building on the Institute's reputation for thought leadership was its support of actuarial research – \$147,466



IDENTITY COLOUR PALETTE

Delivering the strategy

worth of research grants, and \$22,220 in research prizes, were awarded in 2011.

Governance and regulation

The Institute's professional standards and guidance are critical to safeguarding the public interest and protecting the reputation of the profession. During the year, an updated professional standard on external peer review for general insurance liability valuations and a new professional standard on financial condition reports for private health insurers were released. In addition, a revised practice guideline on economic valuations and discussion draft of a proposed practice guideline on financial condition reporting for superannuation funds were released, along with new Information Notes on asymmetric risks, private health insurance rebate means testing and actuarial advice re risk management.

The Institute also worked with numerous professional and industry bodies such as the International Roundtable on Standards Setting and with regulators and government departments, including the Private Health Insurance Administration Council and the Commonwealth Attorney-General's Department.

Expand the mandate

The Institute's 2010-12 Strategy aims to expand the mandate of the profession, both leading and supporting members as they expand their range of skills, the services they offer and the industries in which they work. In 2011, the Institute's Biennial Convention focused on this issue, exploring the breadth of the actuarial role in the business community.

Throughout the year there was also a concerted effort to widen the reach of the Institute's activities. The Institute's third Enterprise Risk Management seminar for example covered evolving fields where actuarial expertise can have real impact – in areas such as climate change policy, risk management for extreme events, data confidentiality and complexity science. The push to attract more non-members and non-actuaries to Institute

events was highlighted by the fact that 52% of attendees at the Institute's 13th Accident Compensation Seminar were non-members.

Add value to members beyond the mandate

In delivering on this strategic intent, the Secretariat and Council have worked hard to capture the feedback of members and work on the changes that will make most difference to their professional lives. Research collected over the year suggested that members were most interested in:

- ▲ support in development of knowledge and skills;
- ▲ a sense of belonging to a professional community;
- ▲ leadership in the field; and
- ▲ building of the standing of members.

Some of the initiatives designed to add value in these areas included a revamped membership fee scale (including dramatically reduced fees for students). To ensure Institute communications reach a wider audience, are more relevant and less time consuming, the Institute launched live webinars, put the President and CEO on Twitter, launched the President's blog and dramatically upgraded the website and CRM. Improvements to all the Institute's electronic interfaces are designed to track how members use this technology so processes can be adjusted to fix problems and to provide more of what members want.

The Institute's CRM has been used to automate key education business processes and aspects of the examination process changed to reduce the workload carried by volunteers. Most importantly extensive preparatory work was completed for major changes to Part III education assessment that will be implemented in 2012 and significantly reduce volunteer efforts. A number of improvements were also put in place designed to improve services to members and management, reduce costs and simplify key business processes. These efforts included installing new

Delivering the strategy

accounting and payroll software, moving to an in-house payroll system and a management reporting upgrade that gives Business Unit Managers the financial data to make more informed operational decisions.

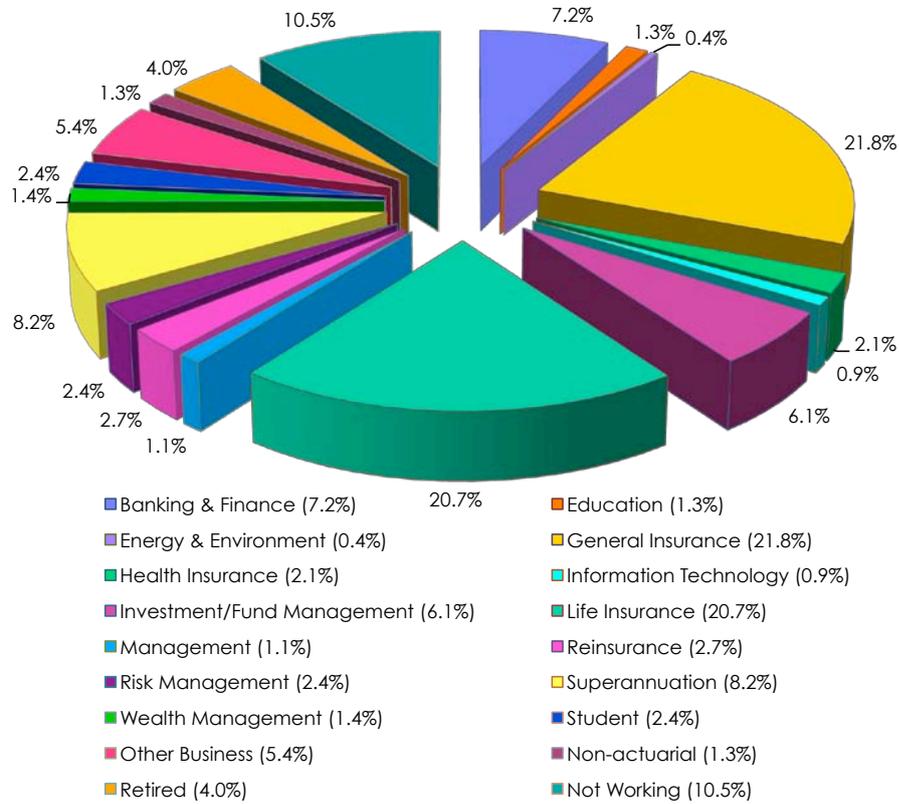
And now 2012...

In 2012 the Council, CEO and Secretariat will continue the work done this year on achieving the Institute's Strategic Intent. This will be driven by a focus on efficient and effective management but also through a continual process of consultation and communication with members and other stakeholders.

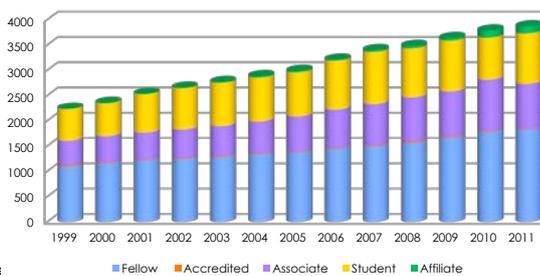
Above all - and as in 2011 - the Institute will work to deliver a growing range of high quality services that help actuaries manage the global and local business, economic and policy issues they will confront in 2012 and beyond.

Member statistics

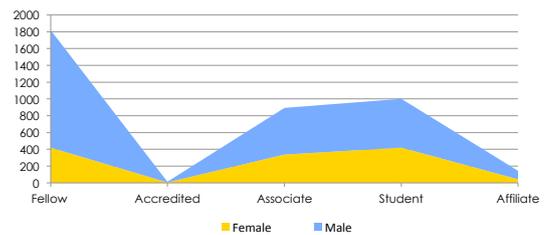
Membership by practice area



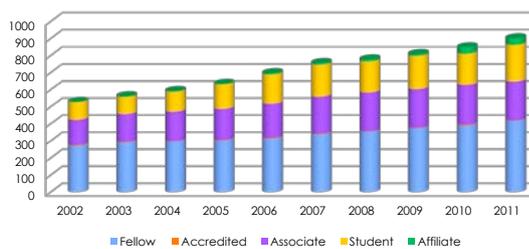
Membership by member category



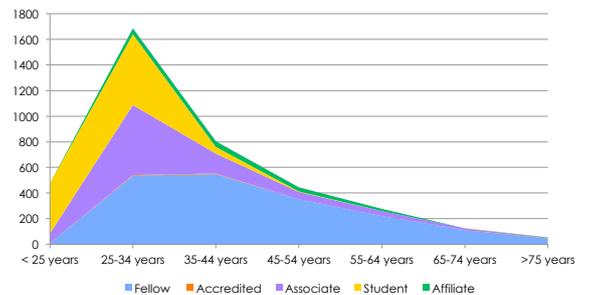
Membership by gender



Membership based overseas



Membership by age



Council

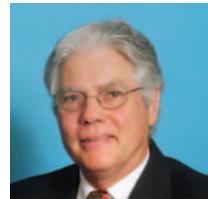
The Council members during 2011 were:



Barry Rafe
President



David Goodsall
Senior Vice
President



John Newman
Vice President



Caroline Bayliss



Jules Gribble



Andrew Huszczo



Michael O'Neill



Estelle Pearson



Lindsay Smartt



Daniel Smith



Stephen Woods



Gloria Yu

Key Issues

Council has primary responsibility for the governance, leadership and stewardship of the profession. As such, a diverse range of issues are addressed by Council in any given year, many of which will shape the future of the profession in the years ahead. In 2011, topics considered by Council included, for example:

- ▲ the policy positioning of the Institute;
- ▲ re-branding of the Institute and the profession;
- ▲ Part III education strategy and reduction of volunteer efforts;
- ▲ membership value propositions;

- ▲ risk management, of both the Institute and profession;
- ▲ mutual recognition arrangements;
- ▲ professionalism CPD; and
- ▲ strategies for maximising the value of the profession's intellectual property.

Vice President for 2012

At its December 2011 meeting, Council elected Cr Daniel Smith as Vice President for 2012. He will be President in 2014.

Milestones

New Fellows

The Institute congratulates the following 88 members who achieved Fellowship in 2011 through the Institute's education program:

Ankit Bansal	Alina Fainshraiber	Wing Lam	Alana Paterson	Alice Truong
Li Wen Beh	Roland Fan	Karen Lau	Pravesh Ponna	Jessica Twigg
Matthew Carle	Peter Fang	Doan Le	Mary Poon	Nelson Vasconcelos
Chris Chan	Claire Ferguson	William Liang	Kamal Sattar	Shona Vij
David Chan	Surath Fernando	Simon Lim	Jacob Sharff	Ben Wang
Nion Chang	Amitoz Gill	Wei Yin Lim	Jaan Simpson	Nina Xiao
Shijia Chen	Lucy Hammerman	Lin Liu	Nanthini Skandakumar	Pu Shen Xin
Min Chen	Debbie Hansen	Stephen Lum	Zoe Song	Chen Qi Xue
Chongling Chen	Silvia He	Wilson Luu	Hitoshi Sonobe	Calvin Yap
Jack Cheng	Thuan Ho	Claymore Marshall	Aris Stavrou	Vivian Yeung
Gigi Cheung	Simon Ho	Philip Mullins	Robert Street	Wynnie Yeung
Lee Hung Choi	Jeremy Holmes	Paul Ng	Wynne Tan	Zeming Yu
Joo Choo	Yi Hao Huang	Siang Chin Ng	Merry Li Si Tang	Fang Yuan
Nikola Cristine	Wen Ji	Ronald Ng	Shemin Tejani	Wei Zhang
Vivian Dang	Iwan Juwono	Jonathan Ng	Mark Thambyrajah	Hui Zhang
Liang Dong	Muhammad Korim	Jonathan Nicholls	Anthony Tockar	Zheng Zhou
Riley Ellsmore	Sohila Kwan	Andrew Parker	Bonnie Tong	
Ashley Evans	Andrew Kwok	Bradley Parry	Sonia Tripolitano	

John Walsh – appointment as a Member of the Order of Australia

The Institute congratulates 2011 Actuary of the Year **John Walsh** on his appointment this year as a Member of the Order of Australia for service to the community in the areas of disability and health policy, to people with a spinal cord injury, and to the actuarial profession.

This appointment is a wonderful recognition of a lifetime of work by John in improving how the Australian community tackles policy, funding and service delivery in the health and welfare systems.

John's background as an actuary has allowed him to provide unique and valuable insights.



JOHN WALSH

Milestones

Education prizes

Andrew Prescott Major Prize

Awarded for best overall performance in the Fellowship examinations:

Garreth Sweeney

Andrew Prescott Prizes

Awarded for meritorious performance in each subject examination:

Yunfing (Jacqueline) Liu

Investments

Jesse Haines

Life Insurance

Joel Atputharaj

Global Retirement Income Systems

James Wu

Investment Management
and Finance

Aniket Das

Commercial Actuarial Practice

Katherine Robertson Prize

Awarded for best performance in the General Insurance examinations:

Andrew MacKessack

Research prizes

AH Pollard Scholarship 2011

Ramona Meyricke

for her PhD project on *The study of globalisation and technological change increases in economic and financial integrations and dependence between firms*

Early in 2011 the following 2010 Research Prizes were awarded:

HM Jackson Memorial Prize 2010

Awarded for excellence in a paper published in an overseas journal, presented to an international or foreign

conference, or published in or presented to an Australian non-actuarial journal or conference:

Jiwook Jang

for *The cost delay in Mortgage/Credit Loan portfolio*

AM Parker Prize 2010

Awarded annually for articles published by the Institute in the Australian Actuarial Journal or presented to a conference that was run by or on behalf of the Institute:

Jamie Alcock and

Anthony Hatherley

for *Asymmetric dependence between domestic equity indices and its effect on portfolio construction*



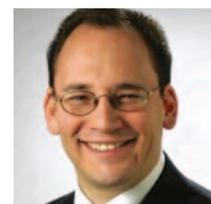
ANTHONY HATHERLEY

Melville Practitioners Prize 2010

Awarded to actuarial practitioners in recognition of considerable research undertaken by members of the Institute in non-academic work. It encourages the publication of research undertaken in pursuing normal professional practice that has practical application:

David Schneider and **Denis Sams**

for *UniSuper's Approach to Risk Budgeting*



DAVID SCHNEIDER



DENIS SAMS

Melville Health Prize 2010

Awarded for a paper effecting significant advance in the profession's understanding or knowledge of a specific subject or sphere of knowledge; or collecting or presenting existing material in such a way as to raise the awareness of the profession regarding an important contemporary issue:

Andrew Gale

for *Pennies from heaven: health insurance demutualisations*



ANDREW GALE

Milestones

Philip Burns Bequest Research Grant

A bequest of \$25,000 was made by Mr Philip Burns, following his passing in 2011, for the promotion of research or study of morbidity in Australia and the development of actuarial theory regarding morbidity. The Research Council Committee will be seeking applications for the Philip Burns Bequest Research Grant in 2012.

The bequest was accepted on the Institute's behalf by John Newman (Vice President), Melinda Howes (Chief Executive Officer) and Anne Peters (Company Secretary).



MRS GWYN BURNS PRESENTS THE PHILIP BURNS BEQUEST OF \$25,000

In memoriam

Sadly, the Institute lost a number of members in 2011. As strong supporters and contributors to the profession, their loss was felt by all who knew them.

Mr Philip Anthony Burns BSc, FIA, FIAA

Mr Leonard Thomas Hinde FIA FIAA

Mr Geoffrey Charles Lane FIA ASA FIAA

Mr James Lang MA FFA FIA FIAA

Mr Robert Ian Purry MA AIA ANZIIF (Fellow) AIAA

Mr Ainslie Ray Taylor BA BSc FIA

Operational plan achievements

Business priority

Business process improvement

- ▲ greater efficiency of operations i.e. lower costs or higher output (eg. higher staff efficiency)

2011 key achievements

- ▲ redesigned communication methods and delivery;
- ▲ continued and enhanced use of the CRM system by all business units;
- ▲ strengthened relationship with universities;
- ▲ completed a full review of financial processes and implemented more efficient systems integrated with CRM system;
- ▲ finalised HR salary and bonus policy, job descriptions and performance review process; and
- ▲ provided group administrative staff training and approved individual skill specific training

Business priority

Effective use of volunteers

- ▲ more effective use of volunteers i.e. higher output or fewer volunteers required for same function

2011 key achievements

- ▲ approved volunteer reduction implementation plan to commence in 2012;
- ▲ developed more varied roles for volunteers; and
- ▲ introduction of Committee Compendium to support volunteers

Business priority

Risk/compliance

- ▲ compliance with legislation; and
- ▲ reduction in business risk

2011 key achievements

- ▲ implementation of risk treatment plans;
- ▲ reviewed and updated risk register;
- ▲ implementation of a change management process and staff training;
- ▲ developed and implemented necessary OH&S policies;
- ▲ developed business unit user manuals;
- ▲ created online member records for whole membership; and
- ▲ developed and deployed disaster recovery and business continuity plans

Communications and Marketing

The focus of the Communications and Marketing team in 2011 has been to deliver value-add services to members and enhance the 'actuary' brand.

2011 milestones

- ▲ improved member communications;
- ▲ social media - President's Blog, LinkedIn and Twitter;
- ▲ web app for the 2011 Accident Compensation Seminar;
- ▲ new corporate identity; and
- ▲ research focus groups.

Improved member communications

Throughout the year the Institute's digital communications were progressively updated with personalised greetings and a new 'look and feel'. In conjunction with the I.T. team, web analytical tools and embedded tracking software were introduced to generate data on website traffic, e-communications readership and topics of interest, allowing us to continually review and customise member communications.

Social media

The Institute's social media strategy is focused on creating dialogue - giving members the opportunity to communicate with each other and with Council - quickly and openly. The President's Blog, Actuaries Institute LinkedIn and @ActuariesInst Twitter were launched this year. President Barry Rafe stimulated debate across numerous topics and CEO Melinda Howes 'tweets' regularly on behalf of the Institute - the number of followers is growing steadily.

Social media is a rapidly changing area and new initiatives will be rolled out during 2012.

A web app for the 2011 Accident Compensation Seminar was also developed providing delegates with easy access to key seminar information via their smart phones. Working closely with the I.T. and the Events teams, this was the first step in our program to deliver cutting edge communication channels at Institute events.

New corporate identity

On 24 October 2011, the Institute launched its new corporate identity, the first change to the look of our brand since 1996. The key components of the new look were a new logo and a new business name - Actuaries Institute.

A more attractive and relevant corporate identity affects how we are perceived by key stakeholders - members, businesses, employers, policy makers and the students who are the actuaries of tomorrow. In the past our corporate identity addressed an internal audience. Now and in the future it needs to appeal to this wider range of key stakeholders.

The media we use to communicate with members and other stakeholders has changed dramatically in the last 15 years. The previous logo did not perform well in digital formats such as email, the web and social media. Additionally our PR consultants advised that our lengthy name (The Institute of Actuaries of Australia) limited our ability to capture media attention.

The new logo works extremely well in digital media as well as hard copy publications like newsletters and event signage. And our shortened business name - Actuaries Institute - is more media friendly.

Importantly, the traditional Institute logo of 'Father Time' and the full name 'The Institute of Actuaries of Australia' will still appear on all qualification certificates and legal documentation. Members' post nominals will not change.

Research focus groups

As part of updating its corporate identity, the Institute resolved to replace the existing tag line, "measuring and managing risk and uncertainty". With assistance from external marketing and research consultants, two research focus groups were run in November 2011 to test a series of tag lines that had been shortlisted. In accordance with marketing practice, this tag line

research was mixed in with other qualitative research about the Institute. The members of the research groups included actuaries and senior business people to ensure there was a balance of internal and external views.

The results of the research were presented to Council in December. The new tag line "Calculated Advice" will be launched early in 2012.

Business area strategies and goals

Communications

- ▲ continue to:
 - implement the Institute's social media strategy, promoting our existing features and rolling out new initiatives;
 - review and improve our e-communications;
- ▲ enhance the 'look and feel' and digital delivery of *Australian Actuary Journal (AAJ)*
 - undertake a review of the current format of the AAJ with the objective of encouraging more submissions, and expanding the appeal of the AAJ to practitioners and members in Australasia, while continuing to contribute to the Institute's research program;
- ▲ work with other business units to:
 - improve all communications;
 - implement a marketing communications plan for events;
 - contribute to the implementation of the revised CPD Program;
 - develop the *More than Maths* website; and
 - contribute to the ongoing upgrade to the Institute's website.

Enhance the 'actuary' brand

- ▲ support the Institute's Leadership Committee on various initiatives being rolled out during 2012 to increase awareness of the need for leadership and the capabilities of the profession; and
- ▲ work with the Nominations Council Committee and Leadership Committee to revamp the criteria for *Actuary of the Year* and other Institute awards to

broaden eligibility for awards and enhance the 'actuary' brand.

Conclusion

The Communications and Marketing team has had a busy, productive and exciting year. In 2012, we will be engaging further with members and other key stakeholders to identify additional opportunities where the Institute can add value and enhance the actuary brand. We will continue to work collaboratively with other business units to deliver improved and innovative services to our members.

Katrina McFadyen

Communications and Marketing Manager

Education

2011 milestones

- ▲ approval of the changes to Part III pathways in 2012;
- ▲ approval of the reduction of Part III volunteers implementation plan;
- ▲ commencement and significant completion of the Actuarial Capabilities Project;
- ▲ award of the Chartered Enterprise Risk Actuary (CERA) designation to the first Actuaries Institute members; and
- ▲ approval of the Leading Experienced Practitioners and Academics Pathway (LEPAP) to CERA.

Part III pathways

The Institute is introducing new Part III Module 1 options from 2012. Relevant PhDs, recognised accountancy qualifications, the Certified Financial Analyst (CFA) Charter Holder qualification, and the UK ST1 Health subject will all be recognised from 2012. It is anticipated that this will encourage members outside traditional areas to feel supported and valued by the Institute.

Business process improvement

The Institute's Education Team has continued to improve business processes through the use of the CRM database for automated reports to identify members who have met milestones, such as Associate/actuary and Fellowship status, and for managing volunteers.

Effective use of volunteers

The approval of the reduction of Part III volunteers project implementation plan by Council will lead to an anticipated 30-40% reduction in volunteers by 2013. This will be achieved by replacing the assignment with a discussion forum participation mark (weighted at 10%), streamlining the pass criteria and exam development and review process from Semester 1 2012.

Further reductions will be achieved by phasing in multiple choice questions (weighted at 30%) and longer answer questions performed on computer using MS Word and Excel (weighted at 60%).

Education program achievements and changes

- ▲ exemption fees were reduced from \$250 to \$200 for Part I subjects and \$1500 to \$1000 for Part II subjects;
- ▲ Part II 2011, comprising Part IIA *The Actuarial Control Cycle* and Part IIB *Investments and Asset Modelling* introduced in 2011;
- ▲ 35 members achieving the CERA designation; and
- ▲ free access to Part III course sites in the Learning Management System introduced for Fellows for CPD purposes.

Volunteers

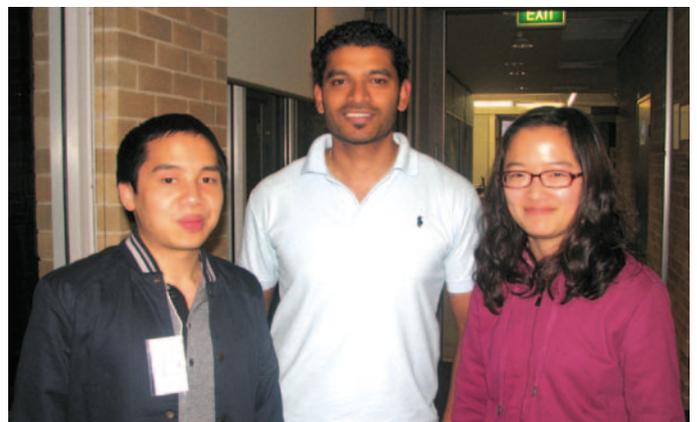
A total of 213 volunteer roles were required in the Part III education program in 2011. 172 volunteers filled these roles, with 41 members taking on more than one role. This figure does not include Investments courses, which were sub-contracted to Access Macquarie.

Conclusion

2011 has been a productive year for the Education Team, which has focused on the Institute's strategic intent and operational plan. A lot of the preparatory work in 2011 will pave the way for significant improvements to the education program to be implemented in 2012.

Philip Latham

Head of Education



STUDENT ATTENDEES AT SEMESTER 2 CAP COURSE

Education pass rates

	2011/2	2011/1	2010 /2	2010/1	2009/2	2009/1	2008/2	2008/1	2007/2	2007/1
1 Investments	31%	33%	31%	35%	30%	49%	51%	39%	42%	33%
2A Life Insurance	16%	30%	31%	28%	60%	40%	48%	34%	39%	34%
2B Life Insurance	12%	39%	41%	44%	39%	38%	42%	39%	33%	22%
3A General Insurance	22%	33%	36%	37%	30%	37%	41%	52%	21%	38%
3B General Insurance	29%	34%	40%	35%	29%	32%	37%	40%	48%	48%
5A Investment Management and Finance	62%	n/a	53%	n/a	37%	n/a	n/a	49%	n/a	35%
5B Investment Management and Finance	n/a	38%	n/a	56%	n/a	50%	31%	n/a	34%	n/a
6A Global Retirement Income Systems ¹	n/a	50%	n/a	25%	n/a	36%	n/a	58%	n/a	47%
6B Global Retirement Income Systems ²	63%	n/a	54%	n/a	53%	n/a	56%	n/a	n/a	n/a
7A Enterprise Risk Management ³	26%	21%	35%	19%	n/a	n/a	n/a	n/a	n/a	n/a
10 Commercial Actuarial Practice ⁴	55%	59%	55%	59%	60%	55%	71%	49%	67%	57%
Overall	33%	36%	41%	40%	40%	44%	49%	44%	41%	38%

/1 = Semester One

/2 = Semester Two

¹ 6A Global Retirement Income Systems replaced 4A (Superannuation and Planned Services) in Semester 2 2008

² 6B Global Retirement Income Systems replaced 4B (Superannuation and Planned Services) in Semester 2 2008

³ Both Fellows and non-Fellows take this course. The figures here represent non-Fellows. 7 Fellows also sat the course in Sem 2 2011 and 2 passed resulting in a 29% pass rate for Fellows. The overall pass rate was 26%.

⁴ Figure represents the overall pass rate for the CAP course including those in transition who have passed one assessment under the pre-Sem 2 2009 model and are only required to pass the other assessment.

Events

The Institute had another busy year producing 98 events, a 27% increase on the previous year. The 2011 calendar included the Institute's flagship event, the Biennial Convention, the Accident Compensation Seminar, a highly successful Flood Seminar and the third Enterprise Risk Management Seminar in addition to a range of new and existing events.

2011 milestones

- ▲ produced 98 separate CPD or networking events for members worldwide over the 12 month period – an increase of 21 events on the previous year;
- ▲ increased the number of attendees at events by 29% across all events – up 1,085 attendees;
- ▲ produced a highly successful Biennial Convention attracting over 400 delegates including 44 attendees from 16 different countries;
- ▲ the Institute's 13th Accident Compensation Seminar attracted 269 delegates, up 5% from the previous event;
- ▲ continued to take the lead in hosting forums for industry discussion on APRA's Insurance Capital Review and the National Disaster Insurance Review; and
- ▲ introduced a number of innovations across major events including interactive remote access to Sydney Insights through WebEx, (the conference delegate web app), the development of a second generation system for SMS questions, instant polling capability and the provision of coding to indicate the degree of prior knowledge required to participate in concurrent sessions at major events.

Business area strategies and goals

- ▲ to reinforce and strengthen the position of the actuarial profession within the Australian and international business sectors;
- ▲ to present the leading edge of actuarial thinking to the broader community;
- ▲ to provide CPD for actuaries;
- ▲ to achieve budget or better;
- ▲ have a well trained and responsive Events Team; and

- ▲ produce an effective business plan for the 2012 events calendar.

2011 Biennial Convention

The Biennial Convention is the Institute's flagship event and attracts senior actuaries from around the globe. The 2011 Biennial Convention was held in Sydney from 10 – 13 April 2011 with the theme 'Beyond the Mandate.' The event attracted a number of high level speakers to the plenary sessions which were supported by 46 concurrent sessions on topics of interest across the profession. Over 400 delegates attended including 44 attendees from 16 different countries.



GALA EVENT, BIENNIAL CONVENTION

13th Accident Compensation Seminar

The Institute's 13th Accident Compensation Seminar was held from 20 – 22 November attracting 274 delegates. The Hon Bill Shorten MP presented a videoed update on progress made on the National Disability Scheme which he first announced at this seminar in 2009. Non-members made up 52% of participants compared with 48% at the previous event. This seminar provides an excellent opportunity for members to network with industry professionals.

Flood Resilience Seminar

The Institute co-hosted, with the Insurance Council of Australia, a highly topical Flood Resilience Seminar, which attracted 147 delegates and industry professionals.

Events

The Attorney-General Robert McClelland MP led an impressive list of speakers who focused on risks, mitigation and funding and represented a wide range of stakeholders. High levels of media resulted from this event.

Enterprise Risk Management Seminar

The third Enterprise Risk Management Seminar was held in Sydney on 20 September with keynote speaker Ross Garnaut. The theme of '100kph through the Minefield' incorporated climate change, risk management for extreme events, data confidentiality, complexity science and a ratings agency's perspective.

Facilitated industry discussions

The Institute was again pleased to team up with the Financial Services Council and the Insurance Council of Australia to host a half day seminar in Sydney on 9 June for APRA to respond to submissions to its Insurance Capital Review. A total of 352 delegates attended representing the life and general insurance professions.

We were also pleased to assist the chair of the Natural Disaster Insurance Review, John Trowbridge, by jointly hosting a half day seminar, with the Insurance Council of Australia, in Sydney on 6 July. The aim of the session was to provide the Review Panel with an opportunity to provide an overview and respond to questions on the Panel's issues paper. Over 100 senior industry professionals attended.

Be an Influential Actuary – Relationship Mastery

In October members were treated to a fast-paced interactive CPD training session provided by US actuary and author of *The Influential Actuary*, David C Miller. Dave's sessions in Brisbane, Canberra, Melbourne and Sydney were fully subscribed and received excellent feedback from members. Watch this space ... Dave's returning in 2012.

Other CPD and networking events

During the year the Institute ran CPD and networking events, including Presidential dinners, in Brisbane,

Melbourne, Sydney, Canberra, Adelaide, Perth, Auckland, Wellington, Singapore, Hong Kong and London. In July we co-hosted the annual joint regional seminar with the Society of Actuaries and the UK Actuarial Profession in Kuala Lumpur, Bangkok, Taipei, Hong Kong and Beijing. Other events included meetings for the Retired Actuaries Group of Sydney, Young Actuaries Program, ERM Community events, Leadership forums, international webinars, business lunches, breakfasts and workshops.

Most importantly we also hosted volunteer cocktail parties in Sydney and Melbourne to thank the many members who gave their time during the year.

Conclusion

The Events Team's focus is always changing to meet the needs of the membership, whilst staying commercially sound. The events program continues to grow and has delivered CPD opportunities across all practice areas of actuarial work. Topics targeted members and industry professionals in superannuation, general insurance, life insurance, banking and finance, investments, wealth management, enterprise risk management, health, academia and wider fields.

The Institute has continued to take the lead in hosting forums for public policy and regulatory debate and has introduced interactive remote access to Sydney sessions together with a number of innovations at major events.

A productive and busy year for the Events Team.

Sarah Hodgkinson

Senior Events Manager

Governance and Regulation

2011 has continued to see major strides made in updating the Institute's governance regime, both in terms of practice regulation as well as internal governance arrangements. This major program – supported by the efforts of numerous volunteers across a range of disciplines and roles – will continue to assure the recognition of the profession and the Institute as leading proponents of best practice regulation and risk management.

2011 milestones

- ▲ updated Professional Standard on external peer review for general insurance liability valuations (PS 315) and a new Professional Standard on financial condition reports for private health insurers (PS 600) released;
- ▲ revised Practice Guideline on economic valuations (PG 199.03) and discussion draft of proposed Practice Guideline on financial condition reporting for superannuation funds released;
- ▲ new Information Notes on asymmetric risks, private health insurance rebate means testing and actuarial advice re risk management released;
- ▲ audit of members' compliance with CPD requirements;
- ▲ new Rule for Actuarial Firms released;
- ▲ completion of review and update of all Council policies; and
- ▲ release of new Committee Compendium and 'Leading your Profession' brochure about joining Council

Business area strategies and goals

Key goals for the Governance and Regulation unit in 2011, which were achieved, were:

- ▲ the development of the first detailed operational procedures for the unit, thus significantly reducing key person risk within the business unit; and
- ▲ the development of the Committee Compendium which provides a range of relevant information and policies to assist committee convenors and members in meeting the Institute's governance requirements and expectations.

Disciplinary Scheme

Under Rule 9.5 of the Disciplinary Scheme, Council is required to report annually to members in relation to the activities of the Professional Conduct Committee and any proceedings before any Tribunal or Appeal Board during the year. Accordingly, the following information is provided for the information of members:

- ▲ two new complaints were made under the Disciplinary Scheme and are currently before Investigating Sub-Committees; and
- ▲ of two complaints lodged in 2010, one was finalised in 2011 and the other remains before an Investigating Sub-Committee. The complaint finalised in 2011 resulted in the expulsion of the member concerned and was the subject of a publicity notice available on the Institute's website.

Anne Peters

Director, Governance and Regulation



Member Services

The primary focus of the Member Services Team is to administer all membership processes and deliver an optimal member experience. The team also assists the Education and Events Teams with data processing.

2011 milestones

- ▲ new team in place and membership processes restructured;
- ▲ implementation of streamlined fee structure for membership renewals;
- ▲ e-renewals delivered for the first time to those members who had opted-in;
- ▲ reduced number of members who did not renew compared to 2010;
- ▲ reinstatement drive undertaken to engage with members who had recently resigned; and
- ▲ certificate assurance process implemented to ensure that member class transfers are managed efficiently and certificates distributed in a timely manner.

New Member Services Team

During the year the Member Services Team underwent a restructure to provide members with a single point of contact and improve the speed and efficiency of processing member transactions. The team comprises three full-time and one part-time staff member and is responsible for processing membership renewals, event registrations, education enrolments, PER forms, LMS access and other membership processes. This cross-functional structure provides members with a single point of contact for the majority of their routine communications with the Institute.

Implementation of streamlined fee structure for member renewals

Further changes were made this year to complete the changes to the renewals structure that began in 2010. The payment deadline was moved forward to 30 September and the membership fee categories were further streamlined. No fee increases were applied in any member class. As a result members paid no more in 2011 than they had in 2010 unless their membership

designation had changed during the year. The new fee structure included a full-time student category for every member class and offered a discount to any member pursuing a full-time course at university. Deemed CPD compliance was reinstated, thus avoiding a delay in the payment processing due to unsigned compliance statements being received. Member feedback on the new fee structure and online payment options was very positive.

e-renewals

For the first time, members who opted for renewals by email were emailed their renewal notices together with a personalised letter from the CEO and a copy of the revised fee sheet. More than 50% of renewals were transacted online and, although this provided some challenges for the I.T. and Member Services Teams, the lessons learned will ensure an even smoother renewals experience for members next year.

Decrease in number of defaulters

This year personalised membership renewal communications were sent to all members, followed by phone calls to raise awareness of the revised deadline dates. This ensured that member renewal invoices had been received and any outstanding queries resolved. This resulted in a reduction in the number of members who did not renew their membership compared to 2010.

Reinstatement drive

A reinstatement drive was undertaken in the last quarter of 2011 with support from the Communications and Marketing Team. Targeted communications were sent to members who had resigned in the last 2-3 years outlining the Institute's activities during the last year and the plans for 2012. They were also offered an incentive of no re-joining fee if they decided to reinstate their membership. This was a moderately successful campaign with several members deciding to rejoin the Institute.

Certificate assurance process

A certificate assurance process was implemented to ensure Fellow and Associate certificates are sent to members as soon as the member class transfer is approved by Council. Member Services is now the central point of contact for issuing certificates and ensuring this important service to members is delivered to a high standard and on time.

Business area strategies and goals

- ▲ continue to ensure members' needs and expectations are met;
- ▲ undertake regular reviews of existing services and identify areas for improvement; and
- ▲ build on the existing continuous improvement process to ensure an optimal membership renewal experience by maximising the use of the member database and utilising technology.

2011 has seen the successful establishment of the new Member Services Team. The year ahead will undoubtedly present new challenges as we strive to deliver a premium service to our members. Working closely with other business units, our focus will be on process improvements and enhancing member services across the board. We look forward to the challenges and opportunities within Member Services during 2012.

David Thompson

Chief Information Officer

2011 milestones

- ▲ upgrade of website past events and search functions;
- ▲ implementation of a change management process and staff training;
- ▲ successful implementation of risk treatment plans;
- ▲ replacement of the current accounting software and conversion of data;
- ▲ switching from an external payroll bureau service to an in-house payroll system;
- ▲ changes to Aptify database to facilitate automated interfaces to the replacement accounting system and implementation of the automated interfaces;
- ▲ introduction of more streamlined physical processes for financial transactions;
- ▲ removal of multiple processing of financial transactions by utilising the functionalities of the replacement accounting system; and
- ▲ improved monthly reporting (timely and content).

Information and technology

During the year the I.T. Team has spent considerable time enhancing various aspects of the website to improve the web user experience. A key change has been the redesign of the search function to improve access to the many information resources held by the Institute. Members will now find it easier to locate papers, presentations and audio files from past events with this material being added to the past events database reached via the Events tab.

Behind the scenes the Aptify membership database is now in constant use and allows us to more effectively communicate with members. Following the scanning of nearly 5,000 paper-based member records, all member records are now held electronically, enhancing security and allowing Institute staff to more rapidly access information and deal with member requests.

Change and risk management

One constant in all organisations is change and the Institute is no exception. During the year long-standing

employee Carmen Joseph was appointed to the position of Change Manager. This role will see her responsible for major project management and risk identification and mitigation. As part of her responsibilities she maintains the risk register and monitors implementation of risk treatment plans. Carmen has recently completed courses in Risk Management and Project Management and is to be congratulated on attaining international certification as a licensed Prince 2 practitioner in project management.

Finance

During the second half of the financial year the Finance Team undertook a major project to improve and streamline the processing of financial data and to provide more meaningful and timely financial information. To achieve the objectives it was agreed that changes to the existing accounting systems and processes were required, in particular the progressive replacement of manual processes with automated processes and interfaces.

Significant improvements have been achieved in a very short period: reduction of manual processes; increased efficiency through the introduction of automated processes in payroll; and integration of financial systems. Improved automated reporting of financial position and data has been achieved with the introduction of the replacement accounting software. Changes to the physical processes of transactions have significantly reduced inefficient manual processes.

David Thompson

Chief Information Officer

Glyn Thomas

Chief Financial Officer

The Institute gets involved in the public policy debate on matters where it is felt that the actuarial profession has expertise and where it fits with broader strategic objectives including enhancing the brand of actuary and reputation of the Institute. The Institute responds to calls for submissions by government bodies, organises events on topical issues and maintains relationships with governments and other stakeholders. Policy is the responsibility of the Institute's Public Policy Council Committee and much of the work is done by Practice Committees and their working parties.

2011 milestones

- ▲ a series of opinion editorials by leading Institute spokespeople on floods published in national newspapers;
- ▲ solid media coverage (including print and broadcast) of actuarial speakers at the Biennial Convention, Flood Resilience Seminar and Natural Disaster Review Seminar on flood policy issues;
- ▲ solid profile-focused and news coverage of leading actuaries John Trowbridge and John Walsh; and
- ▲ ongoing coverage of Institute views on retirement incomes (in particular, longevity risk) through a Federal Budget submission, a press release and an opinion editorial – all of which prompted further opportunities on these topics over the months following.

In 2011, the Institute was actively involved in the natural disasters public policy debate, in particular, floods. The Institute organised two well-received seminars on floods, prepared submissions on flood issues for the Queensland and Federal Governments, had several meetings with Government and the Natural Disaster Insurance Review (NDIR) and liaised with other interested bodies. The Institute also contributed to the Garnaut Climate Change Review and contributed to the discussion of MySuper options as part of Australia's wider Super System Review. Four statements of Institute policy were finalised: Energy and the Environment; Risk Management; Retirement Incomes and Health Financing and Management. Efforts

have been made to improve co-ordination of different committees and working parties, and we have initiated a review of the Institute's committee roles and structure.

In public relations terms, 2011 was also a very busy year, underpinned by the Institute's decision to contribute actuarial expertise on Queensland flood policy issues. A series of opinion editorials on the Institute's flood submissions were published in national newspapers. We also initiated an Institute survey on flood insurance which attracted interviews and coverage across broadcast and trade media. We secured media attendance and solid coverage of three Institute events showcasing flood issues including the Flood Resilience Seminar and the Natural Disaster Insurance Review Seminar.

Aside from floods, there were the usual opportunities to showcase actuarial expertise at events such as the Biennial Convention and the Enterprise Risk Management Seminar.

Business area strategies and goals

The Institute's PR advisers, Honner Media, made solid progress towards achievement of the strategic objectives for public relations including:

- ▲ securing press coverage which highlights the broad role of the actuary across target press – consistent coverage of Institute retirement incomes/annuities policy was achieved quoting Melinda Howes, Institute CEO. There was solid coverage of flood issues quoting various actuaries on insurance and other flood policy issues; and ERM Survey coverage in trade press and through an opinion editorial in the *Australian Financial Review (AFR)*;
- ▲ maintaining thought leadership position on areas of comment – opinion editorials were published in national newspapers as previously outlined. The Biennial Convention provided an opportunity for an Institute survey on flood issues, the findings of which were published in a national newspaper and

which led to numerous trade press and broadcast interviews. The ERM Seminar provided an opportunity for an Institute survey on key ERM issues for business, a press release, followed by an opinion editorial in the *AFR*;

- ▲ promoting actuarial careers opportunities and educational excellence – articles have variously been published in the *AFR* and the *Sydney Morning Herald* regarding actuarial careers;
- ▲ reinforcing Australia's leadership position in a global profession – promoted the Actuaries Institute's role in the development of the Chartered Enterprise Risk Actuary (CERA) designation and promoted this in newspaper education sections; and
- ▲ improving media accessibility and processes – determined and promoted relevant spokespeople for areas of comment including retirement incomes, energy and the environment (natural disasters) and enterprise risk management. Carried out media training where required.

Conclusion

2011 was a successful (and above average) year in public relations terms for the Institute, which resulted in solid coverage of traditional areas such as retirement incomes policy, as well as for newer areas of comment such as energy and the environment, in particular, with reference to natural disasters.

We hope to replicate our success in 2012 following a review of the PR strategy.

Rick Shaw

Public Policy Actuary

Audit and Risk Council Committee

During the year the Committee has continued the implementation of the Council-approved risk management framework. Risk identification, assessment and regular risk reporting are in place and the annual review was completed towards the end of 2011. It is evident that a risk culture is developing well within the Secretariat. It is important that committees continue to pay close attention to risk matters at all times.

Financial control and reporting processes have been strengthened considerably during 2011 while achieving further efficiency improvements.

The Committee has now implemented regular issues and incidents monitoring and reporting, which is now embedded in Institute staff activities.

Wayne Lonergan, who has provided valuable service and an external (from the actuarial profession) view for a number of years, stepped down from membership of the Committee. Wayne's extensive commercial and board experience has been a major driver of the enhanced financial and risk governance achieved. The Committee is in the process of appointing a suitable replacement.

Lindsay Smartt

Chair

Education Council Committee

The Education Council Committee (ECC) held six meetings in 2011, with the major focus being on the "new Part III Pathways from 2012" and "Reduction in Part III Volunteers" initiatives. ECC also worked on university accreditation issues, the actuarial capability framework and several matters relating to CERA.

2011 milestones

- ▲ finalisation and approval of new Part III pathways from 2012;
- ▲ finalisation and approval of proposals for reduction in Part III volunteers and administrative effort; and
- ▲ achievement of CERA initiatives – Institute's application for the CERA LEPAP process has been approved by the CERA Treaty Board; UNSW's application for its ERM courses to be CERA accredited have been referred to the CERA Treaty Board for approval.

Support of the Institute strategic intent

ECC's initiative in adding new Part III pathways, including allowing Module 1 to accept PhD's, professional accounting qualifications, the CFA and UK Institute subject ST1 on Health, will help to expand the mandate and hence broaden the Institute's membership.

Committee strategies and goals

New Part III pathways from 2012 and reduction in Part III volunteers (RIV): these two initiatives are covered together

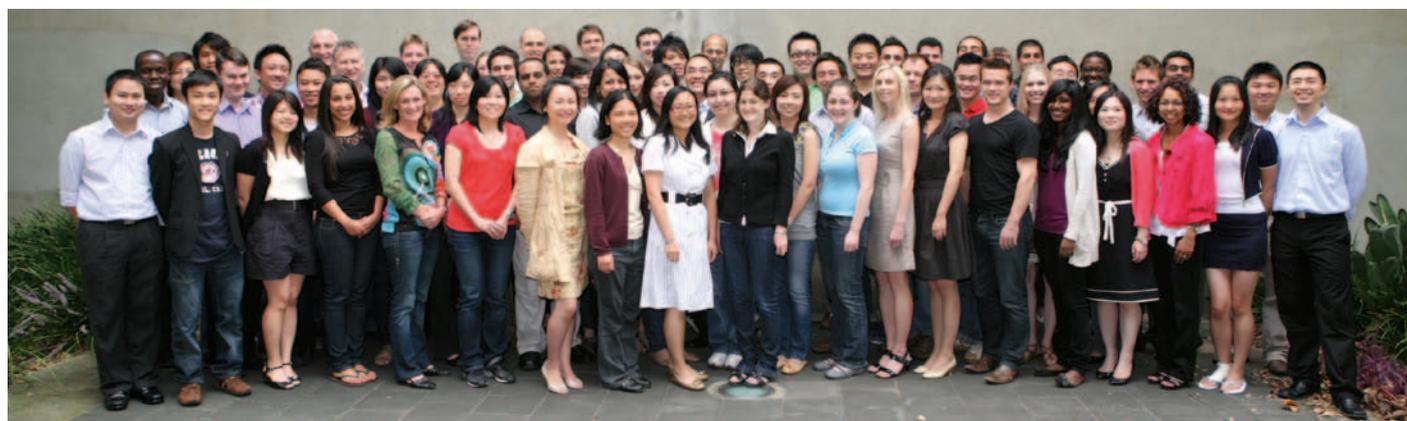
here because they overlap. The changes to Part III Module 1 from 2012 have been agreed and are now in place.

The RIV implementation plan has been agreed and will be rolled out over the next 3 semesters. The key changes are:

- ▲ in semester 1 2012: assignments will be dropped and replaced by a discussion forum participation mark for courses 2 Life Insurance, 3 General Insurance and 6 Global Retirement Income System;
- ▲ in semesters 2 2012 and 1 2013, a new style exam will apply, with a multiple choice component at 30% and a long answer component using a computer at 60%. The participation mark is 10%;
- ▲ the number and cost of education resources (course leaders, examiners, markers, Board of Examiners, reviewers) will reduce significantly; and
- ▲ the pass criteria will be simplified.

Communication with the membership

Philip Latham, Head of Education, provided many communications to the membership on education, with focus on upcoming changes, operational issues and exam results. Philip also ran an online member survey on the 2012 Part III pathways to canvass views across the membership. In general, the members' responses strongly supported the changes.



PROFESSIONALISM COURSE ATTENDEES

Events and activities

- ▲ ECC members attended the Australasian Actuarial Education and Research Symposium on 1 December 2011 and contributed to discussions.
- ▲ Monash University were approved to award exemptions for all Part I subjects.
- ▲ changes to the Investments Bridging Course were made to improve the pass rate; and
- ▲ Actuarial Capability Framework – Professor Gonzci and Professor Hager were engaged to map out the capability framework for actuaries. Focus groups have been held to consider 8 functions (including problem solving, valuing uncertain cash flows, risk management, product pricing, investment management and business strategy). Work is continuing on this project.

Future committee goals and activities

In 2012, ECC will focus on:

- ▲ implementing the agreed changes to reduce Part III volunteers and administrative effort. The changes have been spread across the next 3 semesters and will involve significant attention by ECC, the Board of Examiners and Institute staff;
- ▲ finalisation of the Actuarial Capability Framework and rolling it out to members;
- ▲ bringing subjects 5A and 5B Investment Management and Finance in house from 2013 as they will no longer be taught by Macquarie University.

Trevor McMahon

Convenor

The HR and Remuneration Council Committee's efforts in 2011 were on consolidating a number of changes that were implemented in 2010 and the start of 2011. The changes included salary reviews being based upon roles and bonuses based upon performance.

2011 milestones

- ▲ staff and CEO performance reviews;
- ▲ CEO KPI's;
- ▲ salary reviews – role based;
- ▲ bonus – performance based;
- ▲ remuneration policy; and
- ▲ performance excellence model.

Support of the Institute strategic intent

The Committee supports the strategic intent by ensuring that staff and CEO of the Institute have an appropriate remuneration, pay and bonus structure to achieve the goals set for the Institute. Staff and the CEO are then rewarded for supporting the strategic intent through the goals and KPI's for each.

Committee strategies and goals

The Committee's goals are set out in the Terms of Reference for the Committee from the Council. The Committee is responsible for:

- ▲ remuneration and bonus recommendations to Council for the CEO;
- ▲ ensuring appropriate processes exist for staff remuneration and bonus; and
- ▲ ensuring the remuneration is aligned with the goals and strategic intent of the Institute.

Future Committee goals and activities

To continue to develop and support the Institute through the appropriate KPI's for staff and the CEO and ensure the HR and remuneration policies assist in motivating staff to achieve the KPI's.

Blair Nicholls

Convenor

International Council Committee

The International Council Committee (ICC) facilitates the Institute's links with our members, and with actuarial associations, in other countries.

It acts as a strategic communication channel, aiming both to learn from experiences in other jurisdictions and to influence international developments, often through participation in the International Actuarial Association (IAA). These interactions are expected to result in cost synergies for the Institute, and other benefits to our members' competitive positioning.

Members of the Committee also take part in, or facilitate, CPD activities overseas – with a growing focus on Asia.

Where appropriate, ICC negotiates mutual recognition agreements (MRAs) with overseas associations.

2011 milestones

- ▲ significant technical and leadership contribution in many IAA Committees, including Presidents' Forum, Executive, Education, Professionalism, Accreditation, Enterprise and Financial Risk, etc. and the Mortality Working Group;
- ▲ CPD and Presidential member contact meetings in London, Hong Kong, Singapore, and several other venues in Asia. Participation in the East Asian Actuarial Conference in Kuala Lumpur;
- ▲ meeting between the Institute's Presidential group and the China Actuarial Association leadership group during the IAA Committee Meetings held in Sydney, April 2011;
- ▲ initial consultation (with the Young Actuaries' Program) on the possibility of hosting the IAA's International Congress of Actuaries in 2022 (ICA2022); and
- ▲ review and re-drafting of the Institute's Policy for MRAs.

Support of the Institute strategic intent

Participation in international activities by senior Australian actuaries, in both technical and leadership roles, has

reflected well on the international reputation of the Australian actuarial profession for many years. This brings considerable brand benefits and influence for the Institute around the world.

More recently, this influence has contributed to the expansion of the actuarial mandate, through leadership and participation in the implementation of the CERA global ERM credential for the actuarial profession.

Committee strategies and goals

The ICC is about to review its Terms of Reference to reflect a greater focus on CPD and other communications with the Institute's members overseas, emphasising Asia. At the same time, a planned renewal of the ICC's membership is underway, increasing the number of ICC members resident in Asia.

Public policy input

During 2011, ICC members gave considerable input to the re-designed IAA process for (model) International Standards of Actuarial Practice (designed for implementation by IAA member associations) – and to IAA promotional activity with supranational bodies (IAIS, OECD, IMF, G-20, etc).

Fred Rowley

Convenor

2011 Milestones

- ▲ a casual vacancy on Council for 2012 was filled; and
- ▲ Council approved a review of awards.

New Councillor

Although there were no Councillors whose term was due to expire at the end of 2011, a casual vacancy arose following the resignation of Barry Rafe from Council following the end of his term as President. The Nominations Council Committee considered a number of potential candidates from the pool previously identified as well as a number of other candidates and recommended that Andrew Boal be appointed to fill the casual vacancy. Council endorsed this recommendation.

Actuary of the Year

An award for Actuary of the Year was not made this year as, despite the nomination of members who had made an excellent contribution to the profession, none met the criteria for the award.

Review of Awards

The Committee noted that there are a number of awards relating to quite specific circumstances that were developed some time ago in a different business and professional environment. As a result, members who are contributing to the profession in different ways worthy of recognition may not be eligible for an existing award. To address this Council has approved a review of the awards to be led by the Nominations Council Committee in conjunction with the Leadership Committee.

David Goodsall

Convenor

2011 milestones

- ▲ the profession took a high public profile in the NDIR (flood review) through the press and by facilitating forums where industry, consumers and Government could debate issues in a rational and constructive fashion;
- ▲ four key public policies were developed and tested with membership (available on the Institute's website);
- ▲ a number of opinion pieces were published in major newspapers covering retirement incomes and insurance topics;
- ▲ the profession was mentioned constructively over 100 times in the press; and
- ▲ 28 submissions were made to Government on public interest issues.

The Committee's role

To achieve the Institute's mission:

*"to **represent** the profession in Australia, and **develop and promote the actuarial profession's value**, including **contributing to and informing debate on public policy and business issues**",*

the Committee agreed that the profession needs to take a high profile in the press and with Government and to be on the front foot and constructive on those issues where we believe that we can make an important contribution. Clearly we are only a small profession, so to make sure that we manage our scarce resources effectively we (that is, the Council of the Institute) have developed a number of policy principles which are used to decide if an issue should be actively pursued. The principles are:

- ▲ the public benefit – that is, as a professional body, the Institute holds the 'public interest' or 'common good' as a key driving principle in developing policy;
- ▲ risk-focused – that is, in developing solutions to public policy problems, actuaries take an evidence-based approach that focuses on risks;
- ▲ transparency and disclosure – that is, as a profession, actuaries are held to account for the policy positions

we take. We therefore need to be transparent and disciplined in our approach and analysis. This requires use of data sufficient to underpin our positions;

- ▲ equity of outcomes and the 'equal playing field' – for individuals, this principle means that individuals are given equal and fair treatment, without unlawful discrimination. For commercial enterprises, this principle means that all entities are allowed to compete on an equal playing field; and
- ▲ 'good' regulation – that is, excessive or unnecessary regulation can obstruct an efficient market from functioning and can ultimately undermine the 'public interest'.

Policy priorities

The following sets out our policy priorities:

- ▲ assisting financial services enterprises (particularly those prudentially regulated by APRA) to better manage risk;
- ▲ securing adequate retirement incomes for an ageing Australia;
- ▲ ensuring adequate healthcare financing for an ageing Australia; and
- ▲ mitigating and managing financial risk arising from energy, water and other environmental issues.

Barry Rafe

Convenor

Research Council Committee

Strategic objectives

The strategic objectives under which the Research Council Committee (RCC) operates are to foster:

- ▲ practising members' engagement and involvement in research;
- ▲ prioritisation/concentration of research;
- ▲ more, and more balanced, high-quality, dynamic research;
- ▲ effective deployment of research resources;
- ▲ establishment and lubrication of research-application channels; and
- ▲ effective and efficient governance and research management arrangements.

A strategy review in 2010 concluded as follows:

- ▲ the overall level of funding previously committed by Council was too high; and
- ▲ the existing administration costs were too high, reflecting the complex nature of the AARG (Grants) and AARC (Contracts) process. All efforts would be made to simplify the process and hence reduce internal costs.

However no changes were made to the original strategic objectives.

Activity

Selection of recipients of 2011 grants

In December the Committee met to adjudicate on the second round of AARGs. This is now the only Institute vehicle for general funding of research, with the AARCs being disbanded.

The total amount sought was \$341,510 from 13 submissions (compared to 23 submissions for \$462,000 in 2010).

Disappointingly there were no sole applications from practitioners, although in two cases a practitioner was joined with an academic.

Ultimately grants totalling \$147,446 were awarded to seven successful applicants. Their names and topics

were published in *Actuary Australia*. Topics covered most practice areas.

The total amount awarded was very similar to that in 2010 (\$141,000), and compares with a budget of \$200,000 including administration expenses.

Prize winners

Some 20 papers were received for the various Institute research prizes on offer. They were formally reviewed by a number of people with experience in the subject. Recommendations were considered by the Committee and decisions made in February.

The Parker, Jackson, Melville Practitioner and Melville Health prizes were awarded (refer to page 14).

Pollard PhD scholarship

Five applications were received for the 2011 Pollard PhD Scholarship and duly considered. It was awarded to an outstanding candidate with both an academic and business background based at Cambridge University in the UK. The thesis investigates default dependence, extending stochastic models to include inter-firm linkages.

Biennial Convention

The Committee maintained a booth at the Biennial Convention in April, which included a poster presentation by a PhD student from ANU. Interest shown in the booth by members was lukewarm.

Australian Actuarial Journal

The relationship between the Committee and the Australian Actuarial Journal (AAJ) was considered at our May meeting, attended by the AAJ Editor.

Given its fundamental role in promoting research, it was agreed that the AAJ should be included under the Committee's umbrella, with the Editor being a permanent member of the Committee.

Future AARG recipients would be required to provide a synopsis of their work for publication in the AAJ, and AAJ would have the right to publish the work if it met their standards.

In general there would be a closer alignment of interests of the Committee and the AAJ. There is continuing discussion on the role of the AAJ, starting with its overarching Mission Statement.

AARG register

A complete register of all AARGs is to be created so that their details and status are available in a single document.

Output from the 2009 AARGs is starting to emerge. Many have provided synopses for publication in Actuary Australia. Papers are being sought for inclusion on the Institute's website.

Conclusion

Following the strategy review in 2010, the Committee's aspirations have become somewhat more modest, reflecting a reduction in the original financial commitment to research.

It still remains a challenge to engage members in research. As noted above, applications for the 2010 AARGs were essentially all from academics. This forthcoming year we will be specifically encouraging applications from practitioners.

Chris Latham

Convenor

From the aftermath of the January 2011 floods to Life and General Insurance Capital (LAGIC) developments to the release of the new Professional Standard 315, the General Insurance Practice Committee (GIPC) has had a busy year in 2011 responding to industry events and strengthening the Institute's services to general insurance practitioners.

2011 milestones

- ▲ submissions and responses to a number of high profile industry inquiries, reviews and changes;
- ▲ received requests for input or attendance at a number of government inquiries, reviews and sponsored discussions;
- ▲ delivery of a number of seminars, including flood, disasters, APRA capital reforms (LAGIC) and the Accident Compensation Seminar;
- ▲ delivery of new Professional Standard 315;
- ▲ significantly enhanced communication with general insurance members;
- ▲ significantly increased the number of research working parties over previous years; and
- ▲ continuing consultation with APRA.

Support of the Institute strategic plan and public policy input

The GIPC and its sub-committees have been active in the industry, and in particular, in contributing to various inquiries and reviews into high profile industry events this year. These contributions included:

- ▲ submissions to the:
 - Garnaut review;
 - Queensland flood inquiry;
 - APRA LAGIC discussion papers;
 - Natural Disasters Insurance Review; and
 - House of Representatives Social Policy and Legal Affairs' Inquiry into the Operation of the Insurance Industry during Disaster Events;
- ▲ GIPC and other members representing the Institute:
 - by appearing before the House of Representatives Social Policy and Legal Affairs' Inquiry into the Operation of the Insurance Industry during Disaster Events;

- at a closed door invitation-only discussion from the Commonwealth Attorney General's office in relation to disasters; and
- before the Productivity Commission's consultation in respect of its Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation;
- ▲ organising a number of seminars on topical issues such as flood and LAGIC changes, which attracted a significant number of non-actuaries many which have had little visibility in relation to the actuarial profession in the past;
- ▲ GIPC and other members authored a number of opinion pieces that appeared in the *Australian Financial Review* and *The Australian*. These were in relation to climate change and disasters; and
- ▲ the Institute released a number of press releases in relation to the various submissions and opinion pieces described above.

The contributions above provided opportunities to increase the Institute's profile in broader practice areas, and for actuaries to demonstrate their skills and expertise to a wider audience. But more importantly, our involvement has enabled actuaries to contribute to discussions on topical issues that can have a significant impact on the Australian community.

Committee strategies and goals

The main parts of GIPC's strategy during 2011 have been:

- ▲ to take a very pro-active approach to public policy in relation to various inquiries and reviews into high profile industry events especially floods and disasters;
- ▲ a focus on delivering more CPD to members on topical matters;
- ▲ an increased focus on undertaking research;
- ▲ increased and more effective communication with general insurance members; and
- ▲ continuation of consultation with APRA on issues impacting actuaries and the general insurance industry.

Events and activities

A number of seminars were successfully run in 2011:

- ▲ flood Resilience: Risks, Mitigation and Funding;
- ▲ natural Disaster Insurance Review Seminar;
- ▲ insurance Capital Review Seminar; and
- ▲ accident Compensation Seminar

Some of the highlights from 2011 seminars were:

- ▲ the Flood seminar saw presenters from engineering, banking, actuarial and government backgrounds providing their perspectives on flood mitigation, mapping, insurance and funding. It was run with supporting partners Engineers Australia, ICA and ANZIIIF;
- ▲ the Insurance Capital Review seminar, run in conjunction with the ICA and FSC, provided a Q&A opportunity in which APRA responded to queries from seminar attendees; and
- ▲ the Accident Compensation Seminar attracted over 270 delegates, with 10 concurrent sessions covering 40 presentations as well as three plenary sessions. Two plenary sessions covered the highly topical National Injury Insurance Scheme (NIIS), with insurance, scheme, actuarial, academic and other plenary speakers providing their perspective on the NIIS.

Anecdotal feedback on the seminars was positive and the topical ½-1 day seminars were well attended by a wide spectrum of industry professionals.

Liaison with APRA

During 2011, liaison with APRA mainly focused on LAGIC. In addition to periodic APRA/GIPC liaison meetings, a meeting of general insurance Appointed Actuaries with APRA was initiated in Sydney and Melbourne and is expected to continue in future years.

As noted above, a seminar on APRA's LAGIC proposals were organised in conjunction with life insurance actuaries and other bodies including the Insurance Council of Australia. Submissions were made in response to APRA's discussion papers in relation to LAGIC.

Communication with the membership

2011 saw the rollout of regular monthly GIPC bulletins as well as the quarterly GIPC newsletters, which are distributed to members of the Institute who work in general insurance. The monthly bulletin is a short summary containing headline items, whilst the longer quarterly newsletter contains feature articles on topical issues, ranging from an address given by Sir Owen Woodhouse on the PAYG scheme in New Zealand to the Productivity Commission's report into Disability.

This rollout represents the first time that the GIPC has provided regular communication to the Institute's general insurance members. The five-member editorial committee is to be highly commended for their work in this space over 2011.

Professional standards

Professional Standard PS 315 External Peer Reviews for General Insurance Liability Valuations commenced on 31 December 2011. The Standard was completed after a drafting and consultation process.

Work on reviewing other professional standards was put on hold until APRA releases its reforms to general insurance capital standards.

Research initiatives

During 2011, areas for research working parties for 2012 were identified and expressions of interest were sought. Seven working parties are expected to be run over 2012, and are listed below:

- ▲ LAGIC – non-property PMLs (probable maximum loss);
- ▲ LAGIC – property catastrophes;
- ▲ ERM – risk appetite;
- ▲ ERM – operational risk;
- ▲ Management accounts and financial targets;
- ▲ Micro-insurance; and
- ▲ Framework for reinsurance pricing.

It is envisaged that the ERM working parties will contribute

to the Financial Services Forum in mid 2012 and all working parties will contribute to the General Insurance Seminar to be held in late 2012. Membership in these working parties is broad, with some parties incorporating members from life insurance and other professions.

The number of research working groups is a significant increase over previous years.

Future committee goals and activities

GIPC's focus in 2012 will be similar to 2011 with possible additional focus on education, the National Disability reforms under consideration by the Federal Government and future CPD for members. An online survey on areas of CPD of interest for general insurance members was conducted in late 2011. Based on feedback from this survey, GIPC will consider the shape and form of CPD and seminar activities in the future. Planning for the 2012 General Insurance Seminar will commence early in 2012.

Conclusion

2011 has been a busy year for GIPC in light of the plethora of industry events ranging from flood inquiries to APRA's LAGIC changes. 2012 is also shaping up to be a busy year, carrying on from the momentum of the work carried out in 2011.

GIPC would like to thank its sub-committees (Flood/ NDIR, Garnaut and LAGIC) and its members for their contribution to numerous submissions and industry responses over 2011. Lastly, GIPC would like to recognise the contribution of its departing members – Julie Evans, Keith Tomkins and Karl Marshall.

Peter McCarthy

Convenor

2011 milestones

- ▲ Professional Standard PS600 drafted and introduced;
- ▲ public policy document finalised; and
- ▲ eight health papers presented at Biennial Convention

Support of the Institute strategic intent

Peter Broadhead (First Assistant Secretary, Health Reform Transition Office, Department of Health and Ageing) presented at the Biennial Convention in 2011 – a recognition of the skills of actuaries in health reform.

Committee strategies and goals

Enhance the brand of actuary

- ▲ review of professional standards: PS 600 has been completed (replacing GN 670), and drafting of Practice Guidelines to replace GN 650 and GN 660 is in progress.

Expand the mandate

- ▲ understand our relevance to health financing outside Private Health Insurance (PHI) and promote the brand of actuary in the area

Education and CPD

- ▲ continue to promote and maintain the PHI CPD course; and
- ▲ explore education opportunities in wider health financing

Add value to members beyond the mandate

The Committee has been informed that over 94 Institute members selected 'health' as their field of work. We are seeking to engage with those members. The initial route will be a networking/insights event.

Events and activities

- ▲ eight health papers were presented at the Biennial Convention; and
- ▲ Peter Broadhead presented at the Biennial Convention and is confirmed to present an Insights session in early 2012, and

- ▲ Appointed Actuary lunch: October 2011.

Communication with the membership

Regular PHI newsletters have been produced, both formal newsletters and the 'scandal rag'.

An Information Note on means testing of private health insurance was circulated in August 2011.

Conclusion

The Committee continues to have its primary focus on private health insurance but increasingly draws its membership from actuaries working outside of this area. In 2012, 'maintenance' activities will continue in PHI, and there will be more activities undertaken in health financing to support and promote expansion of the mandate.

Sophie Dyson

Convenor

Life Insurance and Wealth Management Practice Committee

2011 saw a significant change in membership of the Life Insurance and Wealth Management Practice Committee (LIWMPC). The new members appreciated the enormous amount of work of the previous committee and were focused on building on the great foundations laid in addressing the regulatory change agenda. In particular sub-committees addressed APRA's review of capital standards and related matters such as discount rates and liquidity premiums. The progress, or lack of progress, in the proposed changes in international accounting standards was continually monitored.

2011 milestones

- ▲ submissions (cross-practice) to APRA on LAGIC, discount rates and allowances for liquidity premia;
- ▲ Practice Guide on Economic Valuations issued;
- ▲ Information Notes reviewed or created: Asymmetric Risks; Development and Use of Volatility Assumptions; and Product Advice (yet to be released);
- ▲ refreshed membership and the membership of various sub-committees; and
- ▲ reconstituted Wealth Management Sub-Committee.

Committee strategies and goals

The LIWMPC's key strategy is to get a diverse group of members to address the issues concerning the life insurance and wealth management industries. Task forces are established to address specific matters under the auspices of specific Sub-Committees.

The LIWMPC has 4 main Sub-Committees addressing the issues in Wealth Management, Life Financial Reporting, Life Faculty and Life Product Development. The last of these committees is in the process of being formed.

The key priorities of the other three Sub-Committees over the next year are shown below.

To address those matters that cross practice boundaries, such as risk management and the development of retirement income solutions, members of the LIWMPC have joined in with cross-practice working committees.

Activities

LIWMPC took part in cross-practice Insights sessions on LAGIC.

LIWMPC quarterly newsletters have been firmly established as the main means of communicating with the wider membership.

The LIWMPC currently has a research group addressing longevity risk.

Priorities for 2012

Wealth Management Sub-Committee

- ▲ take a leadership position on short-termism and peer-obsession by funds and investment managers;
- ▲ review the guidance provided on measuring the riskiness of investment options and products in more relevant ways; and
- ▲ consider how the Institute should train actuaries in holistic investment concepts.

Life Financial Reporting Sub-Committee

- ▲ once members' feedback has been received, finalise Information Note on "Development and Use of Volatility Assumptions"; and
- ▲ prepare Information Note on "Reporting on Sensitivities".

Life Faculty Sub-Committee

- ▲ review of the course notes and textbook for courses 2A and 2B (Life Insurance).

Conclusion

2011 has been a year of change in the membership and a focus on re-setting the agenda.

Kevin Allport

Convenor

Risk Management Practice Committee

Enterprise Risk Management is a rapidly evolving field. This presents an important opportunity for the actuarial profession to position itself alongside other professions as one of the pre-eminent professions in this area. Risk management builds on our core competencies, both in terms of technical skills and business acumen.

2011 milestones

- ▲ Enterprise Risk Management Seminar;
- ▲ ongoing development of the CERA qualification;
- ▲ development of an Enterprise Risk Management Policy Position; and
- ▲ information Note on Actuarial Advice regarding Risk Management of a Life Insurer (LPS 220) or General Insurer (GPS 220)

Support of the Institute strategic intent

The third annual Enterprise Risk Management Seminar was held, which enhances the brand of actuary and the reputation of the Institute in the area of risk management. Participation is not limited to the profession, but targeted at the broader community of risk management professionals.

The additional media coverage from this event, and also risk management related presentations at the Biennial Convention, support the reputation of the profession.

The Risk Management Practice Committee (RMPC) has progressed the initiative to offer an opportunity for leading and experienced practitioners and/or academics to qualify for a CERA qualification. Approval has been obtained from the CERA Treaty Board to proceed and a period for applications will open in early 2012.

Events and activities

In addition to the Enterprise Risk Management Seminar, the RMPC has supported other events in providing speakers in the field. We are currently reviewing our activities in terms of how we can extend activities in 2012 and would welcome feedback from members.

Communication with the membership

RMPC currently provides a newsletter to members periodically. We also operate a discussion forum via LinkedIn. A number of ERM Community Insight Sessions were organised throughout the year.

Public Policy input

A policy position has been developed entitled "Managing Risk in Australian Financial Services Providers". In addition to providing a definition for ERM, it has three key positions:

- ▲ the Institute considers Enterprise Risk Management tools and disciplines to be the optimal approach to managing the risks faced by organisations and should form the basis of risk management;
- ▲ the Institute supports the continued development of the regulatory environment to encourage companies to implement a robust risk management framework consistently across the financial services industry. This should be supported by periodic review of the financial condition of the company; and
- ▲ the Institute considers that, as a matter of best practice, each APRA-regulated or PHIAC-regulated entity should have at least one relevantly qualified, skilled and experienced risk management professional on its Board.

Conclusion

The RMPC is focused on continuing to support the profession through education, training and other initiatives in expanding our contribution and recognition as a profession to the field of risk management, both in financial services and other industries.

Kent Griffin

Convenor

2011 milestones

- ▲ supporting the brand of actuary through proactive and high quality input into public policy matters, including in 2011 the Stronger Super changes, APRA Standards, improved disclosure and reporting, and post retirement issues to improve the efficiency and adequacy of the retirement income system for individuals;
- ▲ through the Superannuation Risk Management and FCR Taskforce, supporting the development of important new work for actuaries in the superannuation field;
- ▲ continuing its review of all the existing professional standards and guidance to make sure that they are all up to date and also comply with the Institute's revised approach; and
- ▲ a strong presence at the Biennial Convention and continued success of the Super Policy Forum.

Public policy input

The Superannuation and Employee Benefits Practice Committee (SEBPC) continues to be very active in its dealings with the Government, Treasury and other regulatory bodies on matters affecting the superannuation industry and Institute members working in that field. During the year the Institute sent 17 submissions to various bodies on behalf of the SEBPC, including in relation to the deductibility of TPD insurance premiums, Stronger Super and matters related to the treatment of pensions and income streams. The Benefits Projection Working Group (BPWG) also assisted with the drafting of submissions in relation to benefit projections for superannuation funds, MySuper and fee disclosure, and the new Standard Risk Measure. The SEBPC also made a submission to APRA in response to the discussion paper that describes its proposed approach to introducing prudential standards for the superannuation industry to implement those elements of the Government's Stronger Super reforms that come within APRA's mandate.

The SEBPC also now has regular meetings with Treasury to discuss various outstanding matters, including the

treatment of notional taxed contributions, allocations from reserves, lapsing of Benefit Certificates on any benefit amendment, the treatment of accumulation members in Benefit Certificates, concessional contribution caps for over 50s, and reportable employer superannuation contributions (RESCs).

During the year, the Institute was invited to nominate representatives for two of the Stronger Super Working Groups. As a result, David Knox joined the MySuper working group and Darren Wickham joined the Governance working group. While the consultation papers were confidential, our representatives were allowed to consult with the SEBPC on a number of important matters such as single versus multiple pricing of MySuper products, operational risk reserves, insurance issues, the treatment of defined benefits and transitional issues.

The SEBPC continued to engage with the Tax Practitioners Board (TPB), Treasury and the Minister regarding whether actuarial services would, in fact, constitute tax agent services under the relevant legislation and would therefore require actuaries providing such certifications and advice to be registered tax agents.

The SEBPC worked on the following 17 submissions and letters during the year:

- ▲ a letter to ASIC outlining various case studies which investigate the implications of using standardised assumptions in the calculation of benefit projections in line with the draft regulatory guide contained in ASIC's CP122;
- ▲ a submission to Treasury regarding concerns that the definition of RESC in the Taxation Administration Act 1953 (Cth) was too wide and would have the effect of including employer contributions which were not provided in lieu of salary;
- ▲ a submission to the ATO in connection with Draft Taxation Ruling TR 2010/D9 which relates to the tax deductibility under section 295-465(1) of the Income

Tax Assessment Act 1997 of premiums paid by a complying superannuation fund for an insurance policy providing Total and Permanent Disability (TPD) cover in respect of its members;

- ▲ a letter to Treasury outlining a number of concerns with the current legislation relating to the determination of notional taxed contributions for defined benefit interests for the purpose of the concessional contribution limits;
- ▲ a submission to Treasury regarding the discussion paper released by the Assistant Treasurer and Minister for Financial Services and Superannuation on 28 February 2011 on the concessional superannuation contribution caps for individuals age 50 and over;
- ▲ a submission to the ATO regarding the treatment of member benefits involved in superannuation fund mergers;
- ▲ a submission to Treasury regarding MySuper and important related issues in the Stronger Super proposals;
- ▲ a submission to Treasury regarding the tax exemption for income on current pension assets, in particular the treatment of reserves in the calculation of "superannuation liabilities" for the purposes of taxation law;
- ▲ two submissions to Treasury regarding deductions for the cost of TPD insurance provided through superannuation;
- ▲ a submission to the Minister for Financial Services and Superannuation in relation to the application of the Tax Agent Services legislation to actuaries;
- ▲ a submission to the ATO regarding interpretational and implementation issues associated with Tax Ruling TR 2011/D3 "Income tax: when a super income stream commences and ceases";
- ▲ a submission to Treasury regarding MySuper and its fee disclosure requirements;
- ▲ two submissions to the Australian Government Actuary regarding Benefit Projections for Superannuation Funds;
- ▲ a letter to the AGA regarding legislative changes

that will be required if the Superannuation Guarantee increases from 9% to 12%; and

- ▲ a letter to APRA regarding the introduction of the Standard Risk Measure developed by ASFA and the FSC. The SEBPC will also shortly be making a submission to APRA in response to the discussion paper that describes its proposed approach to introducing prudential standards for the superannuation industry to implement those elements of the Government's Stronger Super reforms that come within APRA's mandate.

A copy of all submissions can be found on the Institute website.

Professional Standards and Practice Guidelines

During 2011, PG 499.03 (Prudential Reporting under the SIS Act) and a new PG 499.04 (Accounting for Superannuation and Long Service Leave Liabilities under AASB 119) were approved by Council. After reviewing the contents of GN 455 regarding Pre 1 July 1998 Funding Credits (PJFCs) and considering the number of funds which still have PJFCs, it was decided to simply withdraw GN 455 and not replace it. PS 401 (Summaries of Actuarial Reports on the Financial Condition of Defined Benefits Superannuation Funds) was also withdrawn during the year.

PS 402 (Determination of Accrued Benefits for Defined Benefit Superannuation Funds) is currently being revised based on comments received from members on the Exposure Draft that was released during the year. Initial work has also commenced on drafting a new Professional Standard (PS 406) to replace Guidance Notes 451 (Unsegregated Superannuation Liabilities) and 452 (Segregated Assets). However this work was suspended until certain matters of principle were agreed with Treasury and the ATO, in particular the treatment of reserves or surplus assets when determining the amount of income in respect of current pension assets that should be tax exempt. A first draft of a Professional

Superannuation and Employee Benefits Practice Committee

Standard to replace GN 459 (Payments from Funds to Employers) has also been prepared and is currently being reviewed.

Also note that PS 405 (Cost of Death and Disability Benefits in Superannuation Funds) will need to be revisited now that the TPD premium deductibility issue has been resolved with Treasury and to accommodate the withdrawal of IT 2617. Guidance to replace GN 454 (AAS 25 "Accrued Benefits") will be considered further after the AASB releases an updated ED 179, which is expected in the next few months. GN 465 (DB Pensions) will also be reviewed after PS 406 is completed.

The Superannuation Risk Management and FCR Taskforce has drafted a Practice Guideline regarding Financial Condition Reports for Superannuation Funds which has been released to members for feedback.

It is also worth noting that PG 199.03 (Economic Valuations) was approved by Council during the year. The SEBPC met with the Economic Valuations Taskforce to discuss the applicability of the Practice Guideline to superannuation and, following those discussions, the Explanatory Memorandum was altered to address concerns.

Significant progress was also made this year on other professional standards and guidance and we hope to complete this major project in 2012.

Events and activities

At the 2011 Biennial Convention, there were nine sessions relating to superannuation and ageing, including the very relevant topic of Managing Liquidity in Superannuation.

A Super Policy Forum was held in both Melbourne and Sydney on "Superannuation Risk Management and Financial Condition Reports" with an excellent panel of speakers from the Institute's Taskforce of the same name. In 2012 this Taskforce will continue working on a draft Practice Guideline for members.

Communication with the membership

The SEBPC also keeps superannuation members up to date on relevant matters through the publication of three newsletters each year.

Conclusion

I would like to take this opportunity to thank all the volunteers who have contributed to the work of the SEBPC during 2011, including members who helped review or draft the various professional standards and guidance, as well as all the sub-committees, taskforces and working groups for their ongoing contribution.

Andrew Boal

Convenor



The actuarial profession plays a crucial role in the modern economy, helping companies, organisations and governments manage risk and uncertainty across a range of areas – in financial markets, insurance and many areas of significant public policy importance such as health, retirement incomes and climate change.

The Actuaries Institute supports its members in Australia and overseas, providing qualifying education, continuing professional development opportunities, setting and maintaining professional standards, contributing to public policy debates and supporting actuarial research. In doing so, its overall vision is to position the profession so that wherever there is uncertainty of future financial outcomes, actuaries are sought after for their valued advice and authoritative comment.

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