



Presidential Address

February 2010

Relevance, change and value

Fellows, Actuaries, Members and Guests, it is a pleasure to address you as President of the Institute of Actuaries of Australia, 2010.

As a bit of background, I asked some actuaries what they would like their President to address them on if they were going to be here tonight. The main themes that came through were:

- A summary of the past year;
- What is on the agenda for next year? /big-ticket items/vision/changes /significant plans;
- A chance to ask questions; and
- A bit about me and my path to the Presidency.

I would like to address these points tonight, centred round the three key themes of

- Relevance;
- Change; and
- Value.

No one said highlights of past presidential addresses, although one person did ask for some membership statistics!

There will also be an opportunity to ask questions, for those who are interested.

But before we go into this, for those who do not know me...

- I am 39, married with four children aged 7 to 12.
- I have mainly worked in life insurance and wealth management although I have spent a few years working in non-traditional areas, including the energy industry.
- I live in Chatswood in Sydney, and have just been given a kitten.

When the opportunity to join Council and then become President came up, at first I was inclined to put it off – it was not the right time. However, as with other things in life, there is never a ‘right time’. Life is all about taking the opportunities that present themselves. With the support of my family, I decided to ‘step up’ and take on the challenge. I thought that I would be able to bring a different perspective to Council from many of our past presidents, and that this might inspire others to get more involved.

To firstly set the scene, my themes of relevance, change and value are closely related. The world is changing. Unless we recognise this, one day we, as actuaries, will find ourselves marginalised. The value and relevance of the services we currently provide are being questioned. We need to evolve.



Relevance

Let me ask you – is the actuarial profession still relevant today? Would you recommend to your children that they embark on an actuarial career?

The growth that we have had in the past is not assured. Continuing on as we have *always* done is not a long-term option, if we are to be a growing, relevant profession. The status quo is more likely to lead to a narrow band of actuaries being limited to technical specialists in legislated areas. Our challenge is to broaden the focus of the Institute, while dealing with the fact that a large percentage of the membership is quite happy with the way things are today.

University student numbers are growing rapidly. We have moved from one accredited University to 5½ - with Monash University accreditation partially completed. But this growth in university student numbers is not reflected in the number of new Fellows, which has been growing at 4% p.a.

Approximately half the students are overseas students, many of whom will return home after the completion of their degree.

Historically actuaries have been in demand and held in high regard. However, the truisms¹ that enticed students to enter the actuarial profession and members to remain members in years gone by no longer necessarily hold. Twenty years ago the 'brightest' students were attracted by generous scholarships, guaranteed well-paid jobs and the recognition of entering a prestigious profession. Today, no scholarships² are available, job prospects are less clear and the actuarial profession is only one of many in the financial arena. Salaries for new graduates have stagnated for many years and while the top students are still snapped up; many others struggle to find traditional actuarial jobs.

The number of traditional employers in Australia has shrunk, with the move away from defined benefit super funds and the continued rationalisation and mergers in the Life Industry. Many students no longer see Fellowship as the end goal, but rather their initial actuarial training as a broad introduction to any financial career.

A traditional actuarial role may not appear favourable compared to that of exciting, high-powered, investment banking, management consulting, financial market roles.

When students begin to investigate the job market, the 'difficult' exams and high exemption fees are seen as an unnecessary and expensive barrier, when other equally viable options are available, many with clearer career paths. A 'narrow' actuarial career appears less attractive. It is not surprising that many students are attracted elsewhere.

Council has been working to increase the *relevance* of the actuarial qualification. A first step has been the introduction of the 'Actuary' designation at the Associate level, equivalent to what is known internationally as the "Fully Qualified Actuary" level. A benefit of this is to broaden the appeal of remaining in the actuarial fold, to

¹ High salaries, good jobs

² The UNSW does offer a Co-op program, with paid cadetships. However, this differs from the company-student specific scholarships of the past.



those who might otherwise have severed connections when they realised that their career paths did not extend to completing the Fellowship.

A related step is making sure all membership classes are acknowledged and valued. The Institute membership classifications must be welcoming, encouraging and supportive to all potential members.

This is something we are continuing to work on.

Another way of increasing *relevance* is by expanding the Part III education.

We are working on introducing new Part III courses, firstly in ERM (which will also qualify for the new global CERA designation) and later introducing other courses for areas such as Banking and Health.

More choices for students should broaden the Institute's appeal.

Council has also approved in principle having PhD qualifications count towards Fellowship and the implementation details of this are currently being investigated.

The Institute is also seeking to increase its *relevance* by providing more CPD. This is an area where we can continue to improve, especially through the use of new web based technologies such as podcasts and webinars, enabling a greater reach to all our members.

Another way is through offering joint events with other Professional bodies, where our participant numbers alone are too low to justify events. This can also serve to facilitate networking opportunities between our members and across the financial services industry.

Providing *thought leadership* is another area valued by our members.

We have been increasing our media presence over the last few years and will be working on getting more public 'value' from the key submissions we make. If we are not being effective in getting our voice heard, then the value of our message is limited. We need to increase the impact we get, so that all our members benefit from the hard work that is put in.

Another achievement has been the introduction of the *University Subscriber* membership class, providing free membership to those studying full time and who are members of actuarial student societies. This initiative will enable new students to initiate a link with the Institute, whether or not they continue with Part III studies.



Change

Change is occurring on a number of levels.

This year Council has undertaken a Governance review, looking at the role of the President, Executive, the CEO, volunteers and of Council itself. Part of this has been to define and reduce the time commitment of the President, to no more than 30% of a FTE role. This means that the President will need to carefully select where they can get most value for their time.

The presidency is evolving. We need to make the Presidential role more accessible to all our members, so that we can continue to encourage a wide cross section of members to take up the challenge, and not limit the choice of candidates.

It is time to move forward.

Change is also occurring at the Institute Secretariat. We have appointed a new CEO, Melinda Howes, who started on 8 February. I am really looking forward to working with Melinda in the year ahead.

As I mentioned earlier, change is occurring in the actuary designation. Implementation is now well underway, with plans for an updated Part II course to come on line in 2011, and in the meantime, there is an online investment bridging course for those who complete Part II prior to 2010 and do not intend going onto Fellowship.

Change is occurring in the education system.

I have been heavily involved in the Education system over a number of years, both on the Board of Examiners and the Education Council Committee.

Current challenges include:

- introducing the new ERM course;
- ensuring core investment teaching is being covered (after first reaching agreement of what this should entail);
- continuing to further develop education links and synergies with overseas actuarial bodies, including developing mutual recognition agreements – our latest agreement is with South Africa; and
- determining our strategy for marketing our exams overseas, particularly to Asian students who have studied university courses in Australia and then returned home.

As CPD has become an accepted part of life, the focus has now changed to education being a life long learning process. Part III courses will be made available online to all Fellows, enabling Fellows to refresh their knowledge, update for new techniques, or perhaps prepare for a change of practice area.

We are working with the Practice Committees to develop CPD strategies to target particular areas of member need.



A vibrant profession is one that continually has new ideas and creativity. The recently established Research Council Committee has been allotted 5% of revenue to allocate to research matters, including research grants and scholarships for promising PhD students. This is investing in our future.

Internationally we have been working to improve links between key CPD and education staff and volunteers at the Society of Actuaries, the Casualty Actuarial Society and to a lesser extent with the Institute and Faculty of Actuaries (who have been distracted lately over their failed merger.) We have also been working closely with South Africa, as they have established their own exam system to be run from 2010. New Zealand has also approached us on how we can work more closely at the Practice Committee level. The globalisation of the profession and the mobility of the workforce have highlighted the need to understand each others' education systems. This begs the question as to which system is 'best' and why?

Local students mainly sit local exams, but overseas students have tended to shop the three major UK based systems, and are full of informative comments about which is 'cheaper' and 'easier'. It is harder to convince students about which course prepares them better for the workforce, when employers value each course equally or perhaps in some cases even prefer the US based courses if parent companies are US based.

Australian exams have lost ground over the last five years in Asia. We need to choose how we invest our time and resources in Asia and consider what the likely return will be.

Another example is Council's decision to initially use a UK exam to assess the new ERM course. Not only does this use less Australian volunteer resources, but also makes sense in terms of a global qualification having a global exam. The downside is that we are unable to introduce an Australian flavour, which will be addressed by holding a weekend practical, Australian based course as an additional requirement. It makes sense that this course also forms the basis for an Australian Part III course in ERM.

Value

Last year as part of the *Member Services and Educator* taskforce, I had the opportunity to undertake a number of focus groups with our members. A key theme was value.

Members want *value* in terms of their annual fee paid – we are looking at possible fee structures that maintain the same level of income for the Institute, but either have a lower up front fee, with more pay-per-use type events, raising revenue from other sources (such as sponsorship) or maintaining the current all-in-one fee. Not surprisingly, no one has advocated cutting services.



We are also looking at ways that we can make sure that we can get *value for money* throughout all the services the Institute provides – some cost savings can be achieved through working more efficiently – and we are installing a new IT system to help with this. Other improvements could be made by making greater use of modern technology.

Members also want value in terms of their *volunteer time*. The secretariat is working hard to support volunteers, so that members can spend the time in areas where they can really add value, with more administrative tasks being performed by the secretariat.

To sum up, I am really looking forward to the coming year. It will be a chance to:

1. seek to increase the **relevance** of our actuarial qualification;
2. continuing to **change** and modernise the profession; and
3. increase **value** for our members.

We will do this by:

- welcoming the new CERA designation for our members; acknowledging new 'actuary' members;
- continuing to develop our international ties and steps towards increasing globalisation;
- expanding our examination system, with new pathways to Fellowship; and
- valuing members' time and membership fees.

Finally, I would like to thank Trevor Thompson, our 2009 President. Trevor has worked tirelessly, constantly and enthusiastically. He has always been willing to support the membership in any way he could. It has been a real pleasure to work with him over this past year.