

# CIPFA Actuarial Summit

**John Bayliss**

**25 January 2017**

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**HSBC, Canada Square**

## Agenda

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### **GAD**

- **what we do and how we operate**

### **Section 13**

- **outcomes of dry run**
- **Next steps**

## GAD – Public Service Pensions

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- To support effective decision-making and robust reporting within government as the first choice provider of actuarial and specialist analysis, advice and assurance

## GAD – Public Service Pensions

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### Public Service Pensions

- Valuation
- Resource accounts
- Factors
- Advice to departments



## GAD – Other services

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**Advice to Government – policy advice, taxation reform, modelling eg National insurance**

**Staff transfers**

**Funded pension schemes – consulting, scheme actuary**

**Insurance and Investment**

**Research & Technical**

## GAD – How we operate

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**160 staff; Charge for time,**

**Onsite actuaries at key**

**client departments**



**Focus on quality and leadership**



### Advisor to DCLG

- **Cost Cap Valuations under HMT Directions**
- **Advise the Secretary of State on actuarial guidance/factors in accordance with regulations**
- **Section 13**
- **Other ad hoc projects**

### Close relationship with Scheme Advisory Board

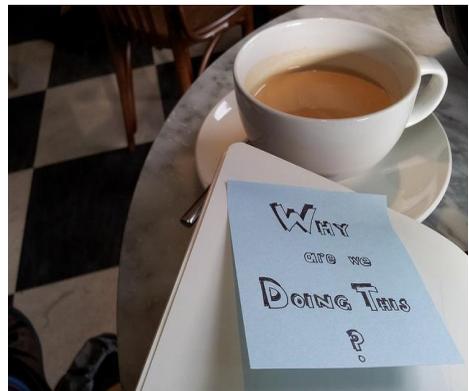


## What the Act says: the 4 cornerstones



## The 2013 dry run: why?

- > Not required under the Act
- > Understand government's objectives
- > Help GAD prepare our analytical and consultative approach to the real thing. (How the \*\*\*\*\* do we go about this?).
- > Help AA's and their actuarial advisors prepare for the real thing and put down some markers to funds
- > Obtain buy-in from stakeholders.
- > Tighten-up on some undefined terms in the regulations



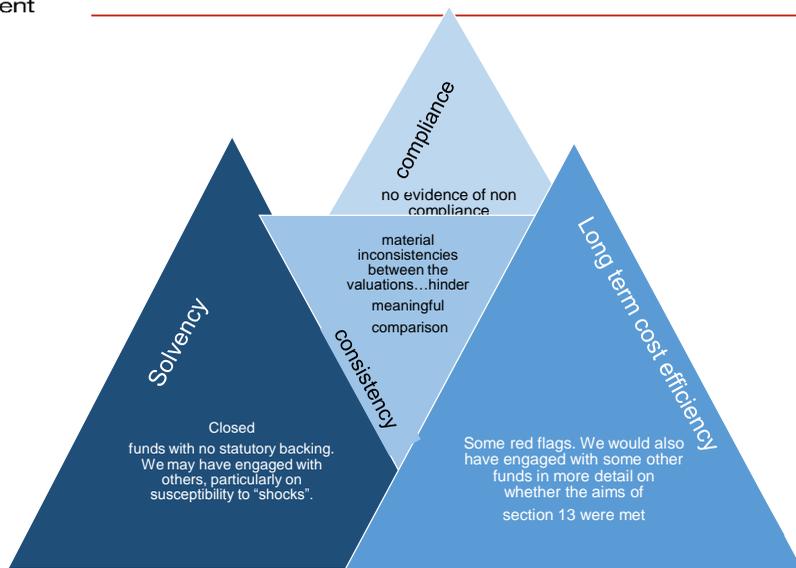


## The 2013 dry run: some important principles

- > GAD is not a regulator
- > Consultation at each stage is both good practice and critical (but ultimately our decision on what goes into the report)
- > We use amber or red flags to help identify areas where we may wish shine a greater spotlight and seek more information, and to show where scheme managers may wish to focus their attention.
- > Amber/red flags do not necessarily mean recommendations for remedial action will follow. Conversely, all green flags does not necessarily mean a clean bill of health – talk to your advisors
- > Our report is our professional view of the facts, following consultation
- > Wish to avoid a “minimum funding requirement” nor a “race to the bottom”
- > We expect this to be an evolving process



## The 2013 dry run: overview of outcomes





## Next steps

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- **Regulatory implications (Review of Regulation 62)**
- **Assessing responses and feedback**
- **Further discussions with the actuarial firms**
- **Preparation for the formal S13 process following 2016 valuations**



## Regulatory Impact

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- **DCLG have put thought into reviewing Reg 62, which deals with the local actuarial valuations**
- **Key was defining primary and secondary rates of contribution, which are now explicitly covered in FSS Guidance**
- **Updated regulations need to follow, but not urgent**





## Responses and Feedback (1)

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### Things we will try to do differently

- **Even more engagement**
- **Data – allow for three years worth of contributions in solvency calcs**
- **More focus on the covenant question**
- **Asset liability modelling will help authorities understand potential contribution variability**
- **Recast the output to make it more accessible to stakeholders**



## Responses and Feedback (2)

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### Comments/Risks

- **Race to the middle vs race to the bottom**
- **Some people believe this, in conjunction with investment pooling, was the thin edge of a wedge...**
- **...also no link from S13 to cost management**
- **Section 13 does not consider affordability. This is a matter for others.**



## Further discussion with actuarial firms

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**The dry run worked because of the good level of dialogue between ourselves and the actuaries, DCLG and other stakeholders**

**Aim to build on that**

**2016 local valuations form the base**



## Prep for Formal s13

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- **Data collection**
- **Initial calculations**
- **Engagement**
- **Report drafting and review**
- **Finalise in 2018**

## Questions?

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