



# eNews from GAD

Supporting effective decision-making and robust reporting

Issue 34, December 2018

**Welcome to eNews** – GAD's regular newsletter. The end of 2018 is a time to reflect on the year gone by, and plan and prepare for the new year ahead. I am pleased that 2018 has been another highly successful year for GAD. Colin Wilson outlines some of our key achievements, and discusses how GAD's behind the scenes focus on value for money has contributed to these.

Just as important is our contribution to wider government successes both within the UK and overseas. Chris Paterson looks at how GAD are using our actuarial skills to support efforts toward the 2030 Agenda for Sustainable Development, which includes seeking an end to poverty worldwide.

Also in this edition, Ian Rogers looks at the future implications of genetic testing for insurance and public health arrangements. As has been the case in many other areas over the last 100 years, GAD skills and expertise are well placed to provide support on addressing the risks and uncertainties here.



I hope that you enjoy this issue. As always, previous issues of eNews are available on our website [www.gov.uk/gad](http://www.gov.uk/gad). Finally I would like to take this opportunity to wish you a very happy Christmas and New Year holiday!

MARTIN CLARKE, GOVERNMENT ACTUARY

## NEWS FROM GAD

### GAD Centenary

2019 will be GAD's centenary year – marking 100 years of successful service as the government's actuarial advisors! To celebrate this achievement, an exciting programme of centenary year events is planned. We are hoping to include as many as possible of those who have been a part of GAD throughout our development. Further details will be made available over the coming months.

### GAD note on Climate change

This [note](#) considers financial risks and opportunities that the long term implications of climate change may bring for GAD and other government departments.

### Recent international visits

In September GAD hosted a delegation of senior insurance executives from China under the auspices of UK Trade & Industry and the Insurance Asset Management Association of China to explain the latest developments with regard to UK pensions and pension savings.

Separately, two officials from NAPSA, Zambia's National Pension Scheme Authority and an established GAD client, spent a week in November visiting our offices to learn more about our work on social security arrangements. They described the visit as invaluable, providing opportunities to have in depth discussions with GAD colleagues, and receive an introduction to our social security calculation models.

## DEVELOPMENTS

### "S3" Series mortality tables

The Institute and Faculty of Actuaries' (IFoA) Continuous Mortality Investigation has published "S3" Series mortality tables based on the experience of defined benefit pensions schemes between 2009 and 2016. A significant amount of the data underlying these tables is from public service pension schemes, submitted by GAD for the first time. Please see [issue 33](#) of eNews for further details.

### GMP equalisation

The High Court has published its [judgement](#) in a case, brought by the pension trustees at Lloyds Banking Group, on equalisation of Guaranteed Minimum Pensions (GMP). The High Court found that pensions must be equalised for the effects of unequal GMP benefits for men and women, and provided some guidance on how to do that in relation to the Lloyds scheme. This judgement follows on from the 1990 Barber ruling (that the right to equal pay for men and women applied to occupational pension schemes).

### DWP pensions consultations

The Department for Work and Pensions has recently published three consultations seeking views on various pensions issues. These relate to the government's: recommendations for creating [pensions dashboards](#), proposals for how [collective defined contribution pension schemes](#) may work in the UK, and the proposals around the [consolidation of defined benefit pension schemes](#). For further details, please see [GAD's Technical Bulletin – "DWP pensions consultations — Autumn 2018"](#).

### Call for evidence on the PIDR

The Ministry of Justice has published a [call for evidence](#) seeking up-to-date data on a wide range of topics relevant to the setting of the Personal Injury Discount Rate (PIDR) under the provisions of the [Civil Liability Bill](#), which (when enacted) will change the way the rate is set by the Lord Chancellor, including a requirement to consult the Government Actuary (as well as the Treasury) before setting the rate. The output from the call for evidence will be used to inform the first review of the rate under the new legislation. For further background see GAD's 2017 [Technical Bulletin](#).

## DELIVERING VALUE FOR MONEY

Philip Hammond announced in his Autumn Budget that ‘an era of austerity is finally coming to an end’. But pressures on public sector spending remain high. As advisors to government, the need to deliver value for money underlies all our work at GAD, making it a key objective in our 2018-19 business plan. Here we discuss some of GAD’s recent value for money achievements and what they mean for our clients.



Colin Wilson

*“The pressures on public spending and services are growing daily and the challenge to provide robust analysis to support strategies that improve services, manage public money and address financial risks more effectively is increasing”.*

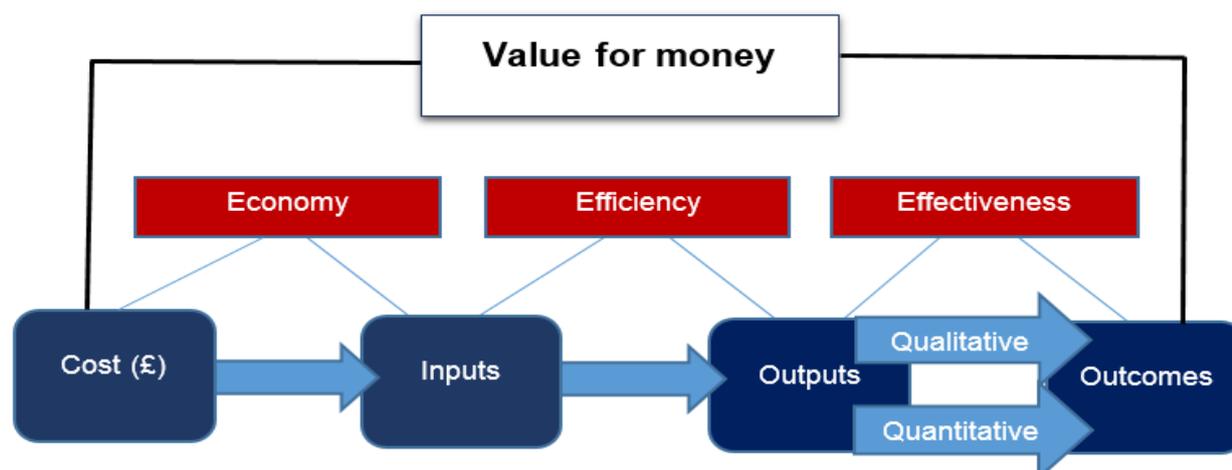
So said Martin Clarke in his introduction to GAD’s 2018/19 Business Plan.

GAD’s annual report and accounts is a high level summary of our performance over the year, including an assessment against the objectives we set. In 2018, [GAD’s annual report](#) highlighted strong income growth and a plethora of new client projects, both of which make for very positive reading.

But, behind each headline success is the story of dedication, hard work, and vision which made that achievement possible. This article takes a closer look at how one such behind the scenes focus, to increase Value for Money, has contributed to our recent successes.

### The value for money framework

The chart below shows a common value for money framework, which is widely used, including by the National Audit Office when making their assessments of value for money in public sector spending. All components are important:



- **Economy:** the base costs of inputs including overheads;
- **Efficiency:** the cost of producing outputs based on inputs available; and
- **Effectiveness:** the relationship between actual output and target outcomes

*“behind each headline success is the story of dedication, hard work, and vision which made that achievement possible...”*

### Value for money in GAD’s business plan

Examples of value for money themes in GAD’s 2018-19 business plan include:

#### **ECONOMY... through workplace modernisation**

*“more efficient use of office space through flexible working and modern workplace technology”*

Utilising enhanced technology, flexible working arrangements and internal hot desking, we have redesigned and consolidated our working space, now occupying 6 m<sup>2</sup> per head compared to the national benchmark of 8 m<sup>2</sup>.

# DELIVERING VALUE FOR MONEY

## EFFICIENCY....through departmental reorganisation

*“further development of Actuarial Services Team (AST)... to provide more efficient processing of actuarial calculations”*

Established AST processes increase efficiency without compromising quality. One recent success saw results for the seven largest public service pension schemes covering over 11.5 million members and over £1 trillion of past service liabilities, produced, and presented, within 3 weeks. Utilising a standardised approach ensured this was achieved before the deadline and within the agreed budget.

## EFFECTIVENESS...through talent management and development

*“creation of a bespoke programme for client engagement specialists, boosting leadership and development opportunities throughout the department”*

Established GAD programmes include:

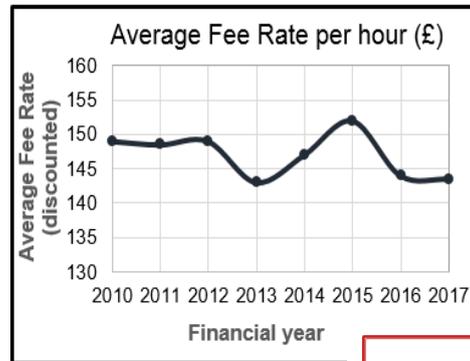
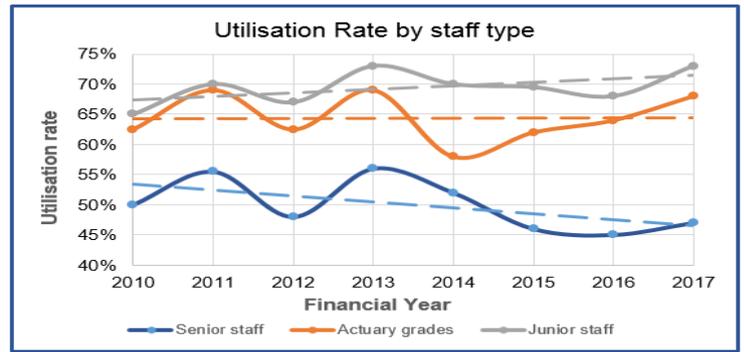
- GAD actuaries spending one day a week working ‘onsite’ with clients;
- increased GAD secondments throughout government; and
- a bespoke training programme for our ‘client engagement’ specialists

Through this, we seek to prioritise the skills and attributes necessary to both develop and maintain in-depth understanding of client needs. In turn our advice can be targeted most effectively toward high value client outcomes.

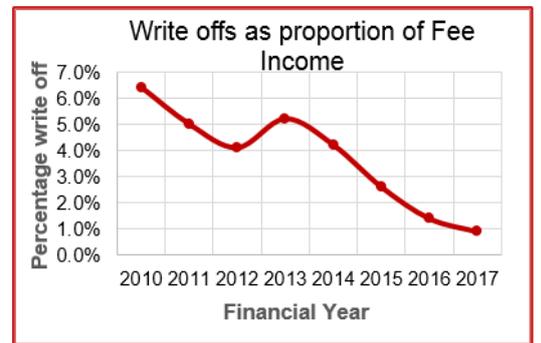
## Measuring success

The charts illustrate some key internal measures showing value for money achievements, and progress, over the last few years:

- **Utilisation rates by grade and average fee rates:** utilisation (a measure of the proportion of hours worked that are directly billable) is increasing at junior levels and decreasing amongst senior staff – this illustrates that work is delegated efficiently, thereby enhancing economy and freeing up senior leadership time to focus on management objectives.
- **Reduction in fee write –offs:** shows an increased effectiveness and efficiency as output produced is deemed valuable relative to time billed.



**Evidence of GAD’s value for money achievements over the 2010 to 2017 financial years**



## Conclusion

At GAD we have long prided ourselves on the quality of our analysis and technical work. Our more recent efforts have focused on developing the skills required to effectively tailor our advice to match client needs. The signs are good:

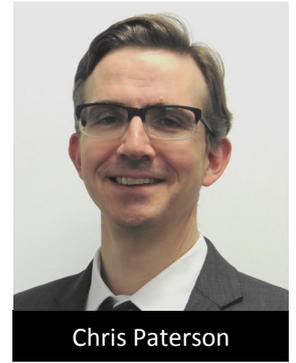
- Our latest Client Survey confirmed GAD is rated as highly valued by 83% of clients
- New business wins totalled £9m in the 2017-18 financial year

However, complacency must be avoided to ensure our continued success. As Paul J Meyer, founder of the US Success Motivation Institute, wrote: *“Productivity is never an accident. It is always the result of a commitment to excellence, intelligent planning and focussed effort.”*

Within GAD that challenge remains; to build on progress already made, embody more fully the ‘ADEPT’ values we target, and enhance even further the value for money of our service. Achieving this will help us secure GAD’s headline successes of the future, both for 2019, and in the years to come.

# ERADICATING POVERTY, AND OTHER SUSTAINABLE DEVELOPMENT GOALS

**A report from recent Institute and Faculty of Actuaries (IFoA) events where GAD have presented our work supporting global efforts to build resilience to natural disasters, eradicate poverty, and progress towards other Sustainable Development Goals.**



Chris Paterson

Opportunities to present at recent IFoA events have rounded off another busy year for GAD actuaries supporting the work of the Department for International Development (DFID), the World Bank, and the Centre for Global Disaster Protection (see previous [eNews](#) for further detail).

Firstly, in late October 2018, the UK actuarial profession’s General Insurance annual conference took place in Birmingham – attended by over 800 delegates and speakers. Amongst a wide cross section of presentations, encompassing areas as diverse as climate change and automated vehicles, two GAD actuaries spoke about GAD’s work with DFID and the World Bank in the international development sphere.

The following week, GAD were invited to be on the panel for an IFoA event titled ‘**The Sustainable Development Goals and the Actuarial Profession**’, to discuss their work with the new Centre for Global Disaster Protection. Evie Calcutt presented a case study exploring ways GAD are harnessing our core actuarial skillset as part of efforts to build resilience to natural disasters, the consequences of which are estimated by the [World Bank to push some 26 million people into poverty each year](#).

## The 2030 agenda and Sustainable Development Goals

[The 2030 Agenda for Sustainable Development](#), was adopted by all United Nations Member States in 2015. At its core are 17 global Sustainable Development Goals (SDGs). The target date for achieving each of the goals is 2030.

Together, the SDGs form a blueprint designed to ensure we meet, and continue to meet, the needs of our people and of our planet. A key aim is to eliminate poverty, and the ‘No Poverty’ pledge is goal 1 of the SDGs.

### How are GAD contributing?

With our risk focused expertise and advanced analytical skills, there is much the actuarial profession can contribute, both to target poverty eradication through disaster resilience, and support wider sustainability projects. Four relevant areas of GAD work are:

- **Tool building and quantitative analysis** including interactive tools to build capabilities in developing countries
- **Providing specialist advice** on DFID programmes and projects
- **Sharing risk management insights** drawing on our actuarial expertise, and in depth understanding of the UK government approach to managing risk and considering how this could be applied in international development
- **Strategic advice to DFID** around the design of the Centre for Global Disaster Protection and its analytical work plan.

### Countdown to 2030

In July, the UN released a [progress report](#), highlighting achievements since 2015 and the current status of each of the 17 SDGs. The report confirms that while overall living standards have continued to improve, the rate of global progress is not keeping pace with the ambitions of the Agenda.

So, to meet the SDGs by 2030, accelerated action by countries, stakeholders, and their advisors is needed. For its part, the UK is stepping up its efforts, including through the mission and work of the new Centre. GAD looks forward to continued involvement in support of this vital cause.

# GENETIC TESTING: INSURANCE AND THE NHS

**Genetic testing can help identify an individual's predisposition to certain medical conditions. Making use of such data helps provide more certainty as to future health risks faced by individuals and the population as a whole, but not without introducing ethical concerns. This article considers some implications of genetic testing on the insurance industry and the NHS.**



Ian Rogers

Advances in medical and data technology are changing our lives for the better. Technology can provide health and lifestyle information at the tap of an app. Smartphones offer diagnoses, assess sleep patterns and help us reach our fitness targets. And along with these, there's also been a rise in genetic testing.

## Genetic testing and health insurance

What does this mean for insurance arrangements? Insurers and their actuaries know that the more accurate information they have, the more accurately they can price risks such as the likelihood of becoming ill or dying.

Any imbalance in knowledge raises the issue of what individuals should be required to disclose when buying insurance. The issues are particularly complex for predictive genetic tests, which help to identify the future risk of disease in individuals who are currently without symptoms. Here, there is a need to balance the ability of a currently healthy individual to access insurance with the question of whether knowledge gained through the greater availability of predictive testing should affect the current insurance market model.

*"...the values underlying the NHS are particularly well suited to capturing the benefits of genetic advances..."*

At present, the government and the Association of British Insurers (ABI) agree people should not be put off from accessing the benefits of predictive genetic testing due to worries about insurance pricing implications. This is reflected in two core principles of their new [Code on Genetic Testing and Insurance](#); namely that an insurer will not require or pressure an applicant to undertake any form of genetic test in order to obtain insurance, and that the results of a predictive genetic test already taken may

only be considered under very limited circumstances set out within the code.

## Genetic testing and the NHS

Unlike traditional insurance arrangements, the NHS was created out of the ideal that good healthcare should be available to all, regardless of wealth. As a result, the values underlying the NHS are particularly well suited to capturing the benefits of genetic advances. Increasing genetic testing within the NHS can improve health outcomes and allow public funding to be more effectively targeted toward key risks.

As set out in the [2003 White Paper on Genetics](#), the NHS model prevents healthcare discrimination on the basis of genetic information. Everyone, regardless of their risk, is 'insured' by the NHS, and any future risks uncovered by predictive genetic testing will not affect how much that individual will pay. Therefore, as testing becomes more widely available, people will not have to fear losing their healthcare cover.

## What next?

When considering risks stemming from genetic testing, the complex interactions between insurance and public health arrangements should not be overlooked. And as technology advancements push the boundaries of what can be achieved even further, these issues will become increasingly relevant. At GAD we regularly provide analysis and commentary around the risk and uncertainty of these kinds of problems. Clients can ask 'what if?' and consider financial and other implications in a range of future options.

To find out more, read [the Government Actuary's blog](#) where Martin Clarke shares his views on genetic testing and insurance or contact [ian.rogers@gad.gov.uk](mailto:ian.rogers@gad.gov.uk).

## GAD contacts

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For details of our management team and office address please visit: <https://www.gov.uk/gad#people>

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