

GOVERNMENT ACTUARY'S DEPARTMENT

ACTUARIAL ANALYSIS

FOR THE PUBLIC SECTOR – FROM THE PUBLIC SECTOR

GAD strategy for period to 2014

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Government Actuary

September 2011



GOVERNMENT **ACTUARY'S** DEPARTMENT

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1 Overview

- 1.1 I have pleasure in attaching the GAD strategy for the three years ending 31 March 2014 taking us up to the time when my contract is due to end in April 2014.
- 1.2 We have enjoyed three strong years since I started, during which time we have invested significant management time in our people, SuperVal, sales and marketing, client service and relationships, improving reputation and winning proposals. We are now reaping the benefits to give us a solid foundation for the future, without the need for such extensive investment of management time going forwards.
- 1.3 So the strategy outlined below is a good news story of how we can continue to consolidate our traditional work and gain work in a wider range of services to protect the long-term sustainability of the Department against the background of tight Government finances and minimal external consultancy in Government.
- 1.4 This new strategy is designed to achieve the following:
- > We will pick up, consolidate and retain all the public service pensions work in central Government
 - > We will expand our wider service offering and grow our activities in the UK and internationally
 - > Our reputation will keep growing and expanding
 - > We will have streamlined and more focussed management; more utilisation and client-facing activities for all; greater focus and broader representation on the GAD management board of the diverse backgrounds of our actuarial staff
 - > There will be more flexibility and opportunity for all
 - > We will have a long-term sustainable GAD as a great place to work.
- 1.5 In summary, the strategy involves no change to the teams as they currently stand. Bill Rayner will stand down from the Management Board to conduct a critical new role in the marketplace to build sales and networks. To improve representation, three Chief Actuaries will join the Management Board in a non-executive capacity. And all our business planning (apart from appraisals, pay and other associated HR matters) will move to a 31 March year-end to align with the rest of Government.

2 Background – Where we were then; where we are now and what we have to do

2.1 Before looking forwards, it's worth comparing the position three years ago with the position now to see how well we've done together.

Three years ago:	Now (2010/11)
> 95 staff	> 130 staff
> £10m income	> >£14m income
> No investment offering; limited modelling; no Scotland offering; no risk	> Investment offering yes; modelling yes; Scotland yes and risk yes – both in people and jobs
> No open competitive wins/retentions on UK public service pensions	> Retention (in last 3 years) of all mainstay public service pensions work
	> Winning many new commissions – Ofgem, Ireland, IOM, India with more to come
> Limited influence in Treasury (+ Equitable overhang)	> Brought in by Treasury on everything pensions (higher earners, single tier) & Equitable
> One per Desk	> SuperVal
Challenges 3 years ago	Challenges now
> Retention and recruitment	> Tough budgets/tight finances
> Service delivery	> Reviews (Hutton/Fair Deal)
> Reputation	> Keeping staff happy
> Legacy issues	> Sustainability/Diversification
> Requirement for External competition on UK pensions work (Morris)	> Avoiding complacency
	> Entrenching all the gains of the last 3 years

Strategy then

2.2 The fundamental needs 3 years ago were about getting our house in order so that we could meet the then challenges – so it meant a focus on:

- > our people (for which we overhauled all our HR processes and gave prominence to everything related to our people)
- > the UK Central Government (it's the fundamental as to why we exist)
- > quality service (as perceived by clients) and client relationships
- > growth and new offerings.

My mission throughout

- 2.3 As a starting point for the forward look, let me first explain my position.
- 2.4 I have always had a mission whilst in this role to deliver 3 things during my tenure:
- > a successful GAD
 - > a strong reputation for GA, GAD and actuaries
 - > GAD to work for Government across the whole field of actuarial analysis.
- 2.5 We've delivered on the first two and made some good strides on the third. I want to continue the first two and deliver the third. What does this mean?

Fundamentals for the strategy now

- 2.6 What we have to do now is to continue to build on all the positives of what we've got with a slight change of direction to reflect the new realities. In view of the government's top priority of reducing the deficit it is absolutely essential for us to be, and to be seen as, good citizens. This means (i) keeping a close eye on our finances (which means in part a sustained focus on reducing non-chargeable time both in the actuarial teams and at Executive level to boost utilisation), (ii) preserving (and improving on) everything we've gained in terms of reputation, (iii) becoming ever more flexible in our response to everything and (iv) having initiatives to embed sustainability through more diversification and 'client' contact.
- 2.7 An important and positive consequence of the major progress made from the investment of management time we have put in and from the imperatives described above is that we now can and should seriously reduce future investment time, 'management' and developmental projects and replace that with more client and target work, maximising contacts and having occasional focussed reviews.
- 2.8 So the new strategy is attached, taking into account the Government's changed position on competition and use of Consultants. This is an ambitious strategy with very positive results for all provided we can keep on top of our finances. I want GAD to be ambitious; we've done everything right so far together with great success; we're winning lots of new work; so I look forward to working with you all.
- 2.9 I hope that you, like me, find this exciting and will want to join me on this journey of ours for the good of GAD and all our staff.

Trevor Llanwarne
Government Actuary

September 2011

3 Aims for 31 March 2014

3.1 For UK Central Government¹ (and the devolved administrations) – to deliver and be seen to deliver:

- a) Top notch service and policy advice
- b) A full range of actuarial analysis whenever appropriate for actuarial input to be provided
- c) All the actuarial analysis on pensions.

as the 'shared service' supplier of actuarial analysis to Government.

3.2 For other public sector (UK and overseas) – to win and deliver as much actuarial analysis work as we can subject to:

- a) Meeting the commitments to quality in all we do
- b) Anything we do must be consistent with Government policy
- c) Nothing we do must impair our ability to deliver Aim 1
- d) Meeting our financial criteria.

3.3 To have a sustainable long-term GAD in Government.

¹ Wherever the phrase UK Central Government appears, this should be taken as including the devolved administrations .

4 Strategy (to meet the aims)

- > To follow our guiding principles (see section 3)
- > To have targets under 'theme' headings (section 4) of

- Financial
- Clients
- Service range
- People
- Technical
- Actuarial operations
- Risk management

- > To always follow, support and encourage in others our 8 values (section 5)
- > To have clear structures, roles and responsibilities (section 6) to deliver
- > To have an efficient business plan approach with direct accountability to the Department as the path to deliver the above.

4.1 We will continue to use the strapline 'GAD – Actuarial analysis for the public sector – from the public sector'.

5 Guiding principles (for the Leadership Group)²

(i) Client and new client principles

- 5.1 We must identify **clients' needs and deliver them**, minimising risk and maximising efficiency.
- 5.2 We must retain and improve our ability to provide the full range of actuarial analysis to Central Government and this includes insurance, risk, Long Term Care (LTC) etc, as well as pensions and social security.
- 5.3 We must deliver this full range to the best of our ability using our six client service commitments.
- 5.4 As with Government work, we must continue to serve our existing other client base fully and in line with our six commitments on client service.
- 5.5 We should strive to never sacrifice anything on GAD's prime client of Central Government.
- 5.6 Whilst recognising that everyone has a part to play in opportunities in terms of the little things, we should become more focussed, rigorous and selective on marketing initiatives using, on the whole, people with recognised strengths in this area.

(ii) People and people behaviour principles

- 5.7 Every hour must count, every opportunity taken – reducing non-chargeable inefficiencies and maximising work for the Department (regardless of which team gets the introduction and which team will/can deliver).
- 5.8 We must further increase flexibility, integration and cooperative working – given the wide potential volatility of client demands – so as to plug gaps, avoid silos and maximise delivery capability.
- 5.9 We need all parts of GAD to feel integrated into 'one GAD' with our people acting accordingly and delivering fully to our values, adopting the evolving public sector ethos, culture and ways of working.
- 5.10 We should play to peoples' recognised strengths as best fits the jobs in hand whilst not impairing principle 11 and subject to the needs of the Department.
- 5.11 We should aim to be alert to the right long-term career opportunities for all people at GAD; we should be willing to invest in training, secondments (internal and external) and rotations to support this as needed and we should maximise client contact opportunities for our junior staff.
- 5.12 Grade is not dependent on number of direct reports and Chief Actuary/Leadership Group status does not require a team to run nor be dependent on size of team.
- 5.13 We must all change to meet the new challenges for the next three years – whether in small ways or more³.

² This will also apply to all staff to the extent relevant.

³ Please can everyone ask themselves the question 'what can and will I do differently tomorrow in consequence of this strategy?' The answer could be as little as 'I will reduce the time I spend on non-chargeable work such as time recording etc by 25%' and/or 'when on the phone to my client I will always consider asking if there is anything else we can do for them'. It could be a lot more ambitious of course! I will share some of mine at the staff presentation and will invite ideas from others.

(iii) Department operation principles

- 5.14 All parts of GAD should be represented in the management of the Department.
- 5.15 We must move quickly, whilst we have the ability to best protect the sustainability of the future.
- 5.16 We must adapt to greater cost control.
- 5.17 We must recognise that different specialisms have different needs so that, in order to deliver to the principles, there needs to be acceptance of the potential for different answers per specialism on matters such as structures, training times, marketing, risk management approaches etc.
- 5.18 We must ensure proper and appropriate risk management.
- 5.19 Management must become ever more efficient, streamlined, focussed and representative.

6 Targets under seven themes

Introduction

6.1 This is broadly as we currently operate but with a new key overarching statement (or statements) against each function.

- | | |
|----------------------|---|
| Financials | - To always meet all the control totals on which we are measured (because it is absolutely essential in deficit cutting times to be seen as good citizens if we are to deliver to our aims) |
| Clients | <ul style="list-style-type: none"> - To retain all our public sector clients delivering all that they request and need - To have steadily increasing client satisfaction for each public sector client (and major other clients) to the extent not already at an excellent level (under our six commitments on client service) - Subject to an international review, to grow our international work by 10% + per annum from the 2010/11 figure (excluding product approval work) |
| Range - service | - To have a reputation in central UK Government of adding real value on modelling, risk, LTC and insurance with £2m+ income in 2013/14 |
| Range – other UK | - To selectively pitch for actuarial work on an opportunistic basis without target |
| People | - To have a steadily increasing name for being seen as a great place to work in employee satisfaction |
| Technical | <ul style="list-style-type: none"> - To provide all actuaries with up-to-date knowledge and support - To not take technical risks (except where justified on a robust and defensible basis) |
| Actuarial Operations | <ul style="list-style-type: none"> - To ensure efficient delivery - To ensure GAD staff feel they are in a fulfilling and rewarding career - 70% utilisation across the teams |
| Risk Management | - To minimise risk of failure |

7 Values (for all staff)

- 7.1 In addition to the core values of the Civil Service (integrity, honesty, objectivity and impartiality) GAD has values of:
- > Making client service our priority
 - > Professionalism (Civil service core values as above and actuarial professionalism)
 - > Treating people fairly and with respect
 - > Being flexible, sharing and collaborative (i) with clients, (ii) within and between teams, and (iii) with peer group and above
 - > Delivering a work-life balance to the extent consistent with our themes
 - > Being forward-looking and proactive
 - > Pursue a fulfilling and varied career
 - > Public sector ethos consistent with the ethos of our respective counterparts (ie clients and colleagues of equivalent pay/grade) in Government Departments generally.
- 7.2 These represent the same 8 bullet headings as before but with some slight wording changes in one or two respects in the light of experience.

8 Structures, roles and responsibilities

8.1 In line with the principles of streamlining, creating career opportunities and improving representation, the Management Board will comprise a reduced number of executive directors and three new Interim Actuarial Directors (IADs), drawn from the GAD leadership group.

8.2 The Board will therefore comprise from 1 October 2011:

Government Actuary	Trevor Llanwarne
DGA and Director of Actuarial Operations	George Russell
Technical and Service Range	Colin Wilson
Finance Director	Kevin Down
HR Director	Simon Bancroft-Rimmer
Non-executive Directors	Alex Jablonowski
	Jane May
IADs (in alphabetical order)	Ian Boonin
	Dermot Grenham
	Stephen Humphrey

The Role of IADs

8.3 An IAD will have a say – and collective responsibility – as with all other Board members on all Management Board decisions. The IADs are chosen to ensure that the Board has appropriate actuarial representation from across the full range of work carried out by GAD, for example two actuaries with a mainstream pensions background and one with an insurance (and/or social security) background. Their diverse contributions to the Board's discussions will increase the likelihood that points which might impact certain parts of the Department will be brought properly into account.

8.4 Each IAD will be appointed directly by the Government Actuary having sought the views of the other executive directors and will serve a term of 15 months. They will then stand down and another three IADs will be appointed for the next 15 months. For the duration of their appointment there will be a small extra 'responsibility' payment but the role will not be a promotion and the individual will retain their normal responsibilities. The time commitment will therefore be the time of attending Board meetings and reading papers.

8.5 As well as supporting the principles described, the benefit of this specific approach is to expose more of our Leadership Group to Board membership and give them a wider experience of business life so that we can build up a pool of experienced people more ready and able to rise to the new challenges after I retire in 2014 thereby better securing our long-term sustainability.

Allocation of the theme objectives

Trevor	Risk management, service range (with Colin) and international review (below)
George	Actuarial operations and clients (excluding international review)
Colin	Technical and service range
Simon	People
Kevin	Finances

8.6 Responsibility for the international component of the client objective will be decided after the review is completed.

Support Operations Committee (non-client and non-actuarial matters)

8.7 To continue as is with Kevin as chair. Kevin will advise membership shortly. Additionally, SOC will take responsibility for delivery aspects of 'marketing' publications with Colin responsible for the principles behind commissioning and technical sign-off. Membership and terms of reference will follow.

SMCR (Sales, Marketing and Client Relations Committee)

8.8 To be disbanded – although will continue to end-September to determine what reallocations (if any) are needed.

8.9 It is likely that someone will support Colin on the practical necessities of 'range' (including allocation of new proposals) with the experienced pool of current SMCR members and the Tender Improvement Group available on support for specific proposals.

Winning more work

8.10 Bill Rayner joined GAD getting on for three years ago with a primary focus on getting our processes well in place for client relations, sales, marketing and risk. These are all completed with fabulous results. We keep winning proposals, we have a group of people who are experienced in writing successful proposals efficiently, we have a robust, effective and efficient risk management framework, we have well-regarded newsletters (eNews and technical bulletins) and our client satisfaction is much higher with many of our people having been to client relationship training sessions. Under Bill's guidance we also established our presence in Scotland.

8.11 The hard work in terms of structure, process and training is now done. The key is for our senior people (including me) to see the clients and potential clients more.

8.12 There is a big gap for someone in a client-facing role, reporting directly to the Government Actuary, and charged, in a personal capacity, with developing wider services to our existing client bank and developing new clients and services across a wide field. This may involve secondment periods (or not) but, in line with our principles of maximising utilisation and getting more people client-facing, will not involve use of any other actuarial resource on a non-chargeable basis.

- 8.13 I see this as an extremely critical role for the Department to assist with our aims of securing sustainability. For example, it could be that our formal public service pension scheme work may not require any formal valuations until 2015, so we could have slack periods in our mainstream areas in the next three years. It is therefore vital that we use the immediate time to maximise our opportunities over this period.
- 8.14 I am therefore delighted that Bill Rayner, who is an ideal person to do this with his wide skill base and experience, has accepted this new role.
- 8.15 To give the necessary focus, Bill will stand down from the Management Board – an example of senior people taking on challenging roles outside the traditional structures.

International Review

- 8.16 A key issue for the Department relates to what we plan to do internationally over the review period. For the past three years, this has been (rightly) not the focus of initiatives or attention other than to provide quality service as for our other clients and to try to pick up work on an opportunistic basis so that we could focus heavily on building back our core UK Central Government positioning. But having done a lot of this and in the current climate of deficits and cuts, we need to more positively determine what line to take, and how, going forwards. This review will be conducted under my auspices with Bill providing major input with an aim of reporting in January and decisions by early April next year.

Leadership Group

- 8.17 To continue as is.

9 2011/12 Business plan

- 9.1 A much simpler plan will be put in place than we have operated to in the last couple of years.
- 9.2 All Executives will report directly and simply to all staff every three months on their progress relative to their responsibilities and targets saying what they plan to do over interim time periods, and accountability will be driven by staff feedback on delivery. The mechanics of this will be worked up over the next month but will involve consultation with the Leadership Group.

10 Scotland

- 10.1 GAD is committed to a Scottish office in view of the growing de-linkage from Westminster and the many potential opportunities over the three-year period covered by this strategy.
- 10.2 However, it is too early to be definitive as to what that means at this point in time and so we will conduct a review with Ken Kneller towards the end of this calendar year as to what this will actually translate into in practice.

11 The short term – 2011/12

- 11.1 This year is tough. We've had reduced activity in the early part of this financial year across a number of fronts and, at present, it will be challenging to deliver the 2011/12 budget. We don't know how much public service pensions work we will have, given the potential for no formal valuation work until 2015. But, on the upside, the potential 'pipeline' of work is big.
- 11.2 There seems little doubt that whatever happens – be it high growth or less required use of GAD or both – the strategy outlined in this document will deliver our best chance for the future regardless of what that level of growth and usage will be. So we should every day focus on utilisation, ensure we meet our short-term financial targets and follow the strategy with a review in November, and a review again in January/February and adjust as we go along.

12 What does this new strategy mean for all of us?

12.1 If we look after our finances and deliver.....

For actuaries and trainees

- > Greater focus on hitting 70% utilisation by all in the teams and on utilisation across the board (with non-chargeable redirected to client – facing activities)
- > Having an armoury of saying things like ‘Is there anything else we can help you with?’
- > More secondments (both internal and external).

Leading to:

- > Greater career opportunities
- > More client contact
- > Greater opportunities for working in other types of actuarial fields.

For Chief Actuaries (and DCAs)

- > As for actuaries and trainees plus
- > Guiding principles being part of Annual Objectives
- > All team leader CAs having broadly comparable objectives with the same reporting line to the Director of Operations
- > IAD opportunity.

Leading to:

- > The role of Chief Actuary and DCA becoming wider and more varied to encompass people without team responsibility as part of a career cycle.
- > Broad comparability and fairness across all CAs.

For the Executive

- > All the above plus a push for greater efficiency and more chargeable time
- > Greater clarity on the headline messages for each area of responsibility (see section 4).

For our clients

- > Continuous improvement in all facets (including responsiveness and timeliness)
- > More informal sharing.

For government

- > Better value for the taxpayer (the more we are used, the lower the costs – compared to external actuaries – or the lesser the risks taken)
- > Fewer complaints and lower risks (regardless).

GAD strategy to 2014

For our support staff

- > Greater flexibility
- > Greater security
- > Greater opportunity (that arises from being part of a successful organisation).

For the Department

- > Sustainability
- > Strong reputation
- > A diverse range of clients and jobs
- > Diverse representation on decision-making body
- > A great place to work
- > Actuarial analysis – for the public sector – from the public sector.