



Message from the President



Paul Rhodes, President

We are, all of a sudden, in the run-up to Christmas. And speaking of busy, it has been great to see the level of activity within the profession over the last few months. My thanks go to all those who are keeping the Society engaged, particularly the Events Committee, which has been developing an interesting range of new social and professional activities for members' enjoyment and edification. Please do support these initiatives when you are able to.

As we go to press, the General Insurance Seminar has just been held, and was a huge success, and the Financial Services Forum is coming up in Auckland on 21 November. These are our main CPD events this year, and I'm delighted with the high quality, interesting speakers each of the organising committees has attracted, whilst keeping costs to a very reasonable \$200 per head. Event reports will be in our next newsletter.

Recently the Society made a submission on a proposal by National and the United Future parties on offering a flexible age of eligibility for superannuation with a corresponding increase or decrease in the amount of pension. Council felt this was an important topic for the profession to have a say on, and NZ based Fellows had the opportunity to submit their views towards the responses in our submission. There's a full report on this later in the newsletter, but it did raise the issue of being better resourced for the preparation of similar papers in the future, with commentary on the Commission for Financial Literacy and Retirement Income's discussion paper being next in our sights. As a result, Council is proposing the formation of a new "Retirement Income Interest Group". This will have a focus on developing a position and creating submissions on behalf of the profession. Retirement income is an important topic for New Zealanders and one that we know a number

of members are particularly passionate about. Contact Fran Jenkins if you would like to join this interest group, which is open to members working in any field but who are interested in contributing to the debate on this issue. If anyone would be interested in leading this new group, please let me know.

As a result of the formation of the new group, the current Superannuation and Savings Committee will be discontinued. As this is a reducing area for actuaries, there has not been a lot for this group to do in recent years, and should an issue arise, Council will look to appoint a one-off committee. My thanks go to the long serving members of this committee: Janet Hayden, Mike Robinson, Christine Ormrod and Craig Ansley for their contribution, and I hope they will be interested in joining the new group.

As I've mentioned previously, Council is eager to progress initiatives that attract and retain talented graduates to our profession in New Zealand and ensure we maintain an organisation with credible and relevant skills. As part of this, we asked Charmaine Green and Andrea Gluyas to reproduce some of the material from their 2012 conference paper which looked at actuarial qualification times and numbers in New Zealand. The results highlight that it takes a considerable amount of time to qualify and that too few do. This year's exam season is now nearly over, so my best wishes to all those who are awaiting results.

In preparation for Fran's retirement, we've been doing a bit of spring cleaning. Fran has unearthed a near-complete set of historic actuarial journals and Council has tried to find them a new home. The good news is that there are full sets of similar journals in existence in libraries in NZ and in the UK. The bad news is that no-one seems to need our copies, so they're free, ready for a new home. Contact Fran if you, or someone you know, might be interested in them.

The Society was saddened to hear of Curtis Huntington's death recently, aged 71. Curtis was American but often spent holidays with his New Zealand-based sister, and was a stalwart supporter of New Zealand's actuarial profession, including representing us at International Actuarial Association meetings. We have included a short obituary in the newsletter and send our condolences to Curtis's family here and overseas.

And lastly, a reminder that the Society's Annual General Meeting will be held at 5:15pm on Thursday 21 November, at the Hilton, Auckland, at the conclusion of the Financial Services Forum. I look forward to seeing as many of you there as possible.

2013 FINANCIAL SERVICES FORUM

Navigating the future: Insights in a regulated world

Respected business leaders will explore topics on how the financial services industry can navigate the changing environment towards a better future.

This one day seminar will start with registration from **9.00am on Thursday 21st November 2013 at the Hilton Hotel, Princes Wharf, Auckland CBD.**

The seminar will be followed by the New Zealand Society's AGM from 5.15pm.

A registration flyer is available on the website www.actuaries.org.nz/events.html



Update from Council and committees

NZSA submission on the Flexible Superannuation Discussion Document

As part of the confidence and supply agreement between National and United Future, a proposal for a flexible age of eligibility for New Zealand Superannuation was released. Under the proposal, New Zealanders would have the choice of taking a smaller pension in their early sixties, or deferring the commencement of their pension until after age 65 in order to receive a larger annual amount.

The submission outlined how the proposal would work and then outlined the perceived pros and cons. Council was keen to put a submission in on this document on behalf of the profession. As a profession, it is appropriate that our submissions on political issues endeavour to avoid anything that could be considered opinion, and concentrate on more technical actuarial issues. In this case, we thought it would be interesting to get feedback from a wider number of members, to see if it was an issue on which consensus within the profession could be reached. As a result, a quick survey was sent to all NZ-based Fellows to get their views on the issues and the responses to the three questions.

This was a very interesting exercise, with the results (just over 20 respondents) almost universally falling into two groups:

- those who were completely against the proposals.
- those who were completely in favour of the proposals.

Those against were concerned that a reduced level of New Zealand Superannuation would provide an inadequate long term income for those who retired early, particularly as their shorter working life would impact their other savings, and that NZS in its current form was well recognised as preventing old age poverty. They preferred to see other mechanisms used to support 60-64s who were no longer working, such as job-seekers or invalids' benefits, or earlier access to KiwiSaver savings.

Those in favour thought that individuals should have the flexibility to choose for themselves, as long as the lifetime cost was the same. A proportion of these respondents were concerned about an increase in old age poverty as a result.

Overall, there was more support for the deferral option than for the early access option.

The final submission can be viewed on the NZSA website. Thank you to all who contributed.

The next submission will be on the 2013 Review of Retirement Income Policies discussion document. If you would be interested in being part of the team preparing this submission, please contact Paul Rhodes.

Old journals

Council has been reviewing the material held in storage. Amongst this is a huge number of old actuarial UK, US and NZ journals - some dating back to the late 1800s. If you would be interested in having any of these, please contact Fran. We are investigating other options such as library collections, but otherwise they may just be thrown out.

New committee - Retirement Income Interest Group

Council is planning to discontinue the current Superannuation and Savings Committee, which has been quiet for quite some time, and setting up a new "Retirement Income Interest Group", which will be responsible for developing NZSA's responses on this important topic. Retirement income is an important topic for New Zealanders, and one which we know a number of members are particularly passionate about. If you would be interested in being part of, or leading this group, please let Fran or Paul Rhodes know.



Update from Council and committees

Committee updates

The **General Insurance Committee** is forming a catastrophe solvency charge working group to provide alternative solutions to the current RBNZ regulations. The working group will establish a terms of reference for approval by the GI committee before being sent to the RBNZ. Other work in the pipeline is a paper to be prepared and presented on stressed scenarios for an NZSA sessional meeting. This is planned for the first quarter of 2014.

The **Health Committee** is currently reviewing the appropriateness of the Health Insurance Premiums Guidance Note in light of the Society's desire to abolish Guidance notes. The committee is looking at whether the note should be dropped completely or replaced with a Professional Standard.

The **Investment Committee** held sessional meetings in both Auckland and Wellington following the implementation date of PS11.

Key discussion items from the meetings were as follows:

Wellington:

- PS11 relating to FCR's and triennial reports for DB schemes - does the actuary have to comply with all the appropriate obligations under PS11 when commenting on investment strategy? The initial view at the meeting was that these did fall under the standard, but this is going to be reviewed by the Professional Standards Committee
- PS11 and PS9 (communication of professional advice) - PS9 requires full compliance for formal reports, but member

discretion for other (non-formal) reports. A formal report is defined in PS9 as 'conveying Actuarial Advice that is ... within the scope of one of the Society's other Professional Standards'. Does this mean that all investment advice within the scope of PS11 must comply with the Formal Report requirements of PS9? - Again, the view of the presenters was that it would, but that this would also be reconsidered next time the standard was reviewed.

Auckland:

- The main discussion was around the breadth of applicability, and it'll be one of the areas that is to be considered at the one year review. Some wanted the standard to be wider in its applicability (eg to include members acting as fiduciaries, and no carve outs for advice to individuals), others thought the current approach was about right.
- There was agreement that a standard focussed on process (as PS11 currently is) doesn't in and of itself raise standards. Therefore there was a desire to put something in place which would set out/define/require good quality advice. All agreed this was incredibly difficult to gain any consensus on, not least due to the somewhat subjective nature of what constitutes 'good advice'. Again, something that could be re-considered at the review, but at this stage the meeting re-affirmed the desire for a process-based standard.

Diary dates

FINANCIAL SERVICES FORUM

Thursday 21 November – 9:30am – Hilton Hotel, Auckland

AGM

Thursday 21 November – 5:15pm – Hilton Hotel, Auckland

If you have an idea for an item for future newsletters, please get in touch with one of the **Editorial Committee:**

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Event reports

Definition of "Materiality" sessional meetings

At the end of July, Adam Follington ran sessional meetings in both Wellington and Auckland discussing a proposed definition of materiality to be included in all standards.

Whilst perhaps not the most exciting topic it nevertheless generated a good level of discussion and there seemed to be general agreement that the proposed definition was a good one. In particular the definition places onus on considering materiality from the point of view of the intended user and most agreed that this was a sensible way to view the issue.

One of the more controversial discussion points was Adam's spelling of "recognized" with several members believing that this was the Americanised version of the word. There was some dispute and much quoting of dictionaries – a riot was narrowly averted when Adam agreed to revise his definition and insert an "s" in place of the "z".

Following the sessional meetings Adam proposed a slightly altered recommendation to the Professional Standards Committee for their discussion and approval.

Both Vero in Auckland and Deloitte in Wellington were kind enough to donate their premises as venues and this corporate support is vital for the Society. One person noted that it felt like it was back to the good old days when members would meet up at each other's offices to thrash out the important topics of the days.

Drinks

On the 13th and 22nd August respectively, social drinks evenings were held in Auckland and Wellington.

The Auckland event was held at No. 1 High Street and was a great success with about 30-40 attending. Even the North Shore crowd (notoriously fickle) was tempted across the bridge. As it turned out this

was in part due to the coincidental timing of a reinsurance conference, although the Events Committee surely knew this as part of the extensive planning they had done in the lead up.

After hearing about the grand success of the Auckland social drinks, we braced ourselves for a similar turnout in Wellington.

Maybe next time?!

The Inaugural NZSA Great Debate

Whether it's the Silver Ferns vs. Aussie Diamonds in the netball, or Blues vs. Hurricanes in the rugby – Kiwis love to get fired up to support their local side. It turns out members of the NZSA are very much the same! Last month, dressed in their team colours, actuaries flocked to their local Deloitte office to see Team Auckland take on Team Wellington in the inaugural NZSA Great Debate. Thanks to video-conferencing technology the atmosphere was similar to that experienced at the Cake Tin on game day. The moot: That the future of the actuarial profession is not in insurance. By coin toss it was decided that Team Wellington was the affirmative and Team Auckland was left to defend the future of actuaries in insurance. It was not an easy task, but some quick quips from Auckland's Clinton Freeman: "Your arguments are as shaky as the ground upon which you sleep!" ensured the Wellington side was kept on its toes. The audience voted and a tie ensued, so it was left to the adjudicator's score to determine the winner. And by a margin of just 2 points, Team Wellington was victorious in its quest for **The Abacus Award for 2013**. I hear Team Auckland is hungry for the challenge in 2014...

Thanks to our softly-coerced team members and to Deloitte for hosting the event.

Team Wellington: Jonathan Nicholls (Captain), David Chamberlain, Dick Jessup

Team Auckland: Richard Beauchamp (Captain), Ben Coulter, Clinton Freeman

Events survey

The Events Committee recently ran a survey of members garnering feedback on the format and timing of events run by the Society. There was a good response with 105 people filling out the survey and a good spread of ages, geographies and Fellows/students. Some of the main take-outs were:

- About 30% of people like the current approach of having monthly events, but almost 50% would be happy with either every second month or quarterly.
- Timing of events was given as the biggest reason for not attending more events (38%), then topics of interest (16%). 28% of members were happy with the number they attend.
- Overall, CPD ranked as the important reason for attending events. Interestingly this was true of both Fellows and students, although students ranked it equally with networking.
- In terms of types of events presentations by local members are still the preferred event, with presentations by overseas actuaries coming next. The good news is that there is a healthy number of local members willing to speak with 24 people saying they would be happy to. Great stuff.
- In terms of preferred timings of events the results were fairly evenly spread. The top three preferences (in order) were lunch, end of work and straight after work. Interestingly dinner was ranked last.
- Respondents still liked the idea of some food and drink being supplied but the general view was that this should be snacks rather than full blown meals.

The Events Committee has taken all of this feedback on board and will be using it as they shape events for the future.

If anyone is interested in the detailed survey results please contact Adam Follington and he will happily send them along.



An NZ actuary in London



Jason How talked to William White about life in the big smoke

1. What were you doing over in the UK?

I have spent the last three years working as a Prophet/MoSes contractor enhancing models as part of the changes required for Solvency II. Although SII was the driver for a lot of the projects I worked on, most of the work I ended up doing focused more on process improvement and efficiency gains in the valuation process rather than the more technical aspects of SII. The size of most of the existing models wouldn't have enabled SII to be run within required timescales, especially with the growth in stochastic runs, so many projects have focused just as much on how they physically produce the results as well as the technical changes within the models themselves.

2. How long were you there?

A little over three years.

3. Top five pros of working the UK?

a. The size of companies means that work is done to a much greater level of detail than in NZ so there are many opportunities for exposure to different aspects of work that we wouldn't normally see in NZ. The first company I worked with had four separate valuation teams for annuities alone (combinations of immediate/deferred and new business/existing) so you can imagine the detail that they went to when they could focus on one product all the time.

- b. A much greater and more active job market (including opportunity to contract) gives more choice of roles and locations (working in London, Edinburgh etc is very interesting for a wee lad from little old NZ).
- c. From my own perspective being a bit of an IT boffin, chances to work with large systems like Prophet Enterprise and RA MoSes. For example, at one company I worked at I was responsible for looking after the Prophet Enterprise environment and we had 80 servers with 12 CPUs (ie 960 CPUs in total) in the grid. When you loaded it up the lights dimmed!!
- d. Much larger and more active actuarial profession so there are a lot more actuarial events to go to for getting the CPD hours.
- e. Proximity to some great tourist destinations around the UK and Europe to enjoy your time off.

4. Top five cons of working the UK?

- a. Much larger companies mean things happen more slowly and there's a greater overhead of governance and politics. When you're trying to get a large project completed to tight timescales this can be frustrating at times as you have to wait for several layers of governance to be worked through for a decision.
- b. Pretty much all the larger companies have vending machines rather than tea rooms so you're forever drinking powdered coffee and tea - not nice!
- c. Not being able to get a decent coffee (although things are slowly getting better with a few of the coffee chains starting to do a flat white - but it's not the same!).
- d. Lack of decent beaches (I spent a lot of time on the water in NZ so have missed not being able to do this so much over here).
- e. A very long way to come home to see family.

5. Key differences between working in the UK and NZ

There are a lot of small differences but most of it boils down to cultural differences between the countries and the generally larger sizes of organisations. The Brits certainly look at the world differently from most NZers and you just have to learn how to slot in with their ways and work with them. They tend to like the 'can do' attitudes of Australasians so we're generally well received most of the time, and if a British team is winning cricket or rugby then even more so.

6. What learnings/insights have you taken away?

There's certainly more than one way to do things. Contracting at different organisations has shown me that, especially when considering the many varied approaches that different companies took to solving the same problem (ie SII). Also, bigger is not necessarily better. When I first came over I was expecting to get a great insight into how some of the larger and more successful companies do it, but they all still had the same data, systems and resourcing issues that the companies I worked with in NZ did.

7. What is happening in the UK market?

With the deferral of SII, most of the project work that was driving the contract market has stopped. Although there's still the odd contract out there, they're much fewer and further between. There's now a complete change in focus of companies towards just filling permanent roles. Most companies have ceased the large actuarial projects for a year or two as everyone catches their breath after the recent SII panic while they wait to see what happens next.

8. Tips for those considering moving over to the UK?

If you do get the chance then I'd highly recommend it. Keep an open mind and go with the flow. I was told by a Brit when I first came to the UK to 'just remember we invented cricket' and most times it's helped me to keep things in perspective.



Growing your own

With the increase in job ads for actuaries and actuarial students, we thought it was worth looking at how long it takes (and what the success rate is) of growing your own actuaries. The following is taken from the 2012 biennial conference presentation by Charmaine Green and Andrea Gluyas entitled "Actuaries of the Twenty-Tens".

Numbers of actuarial students

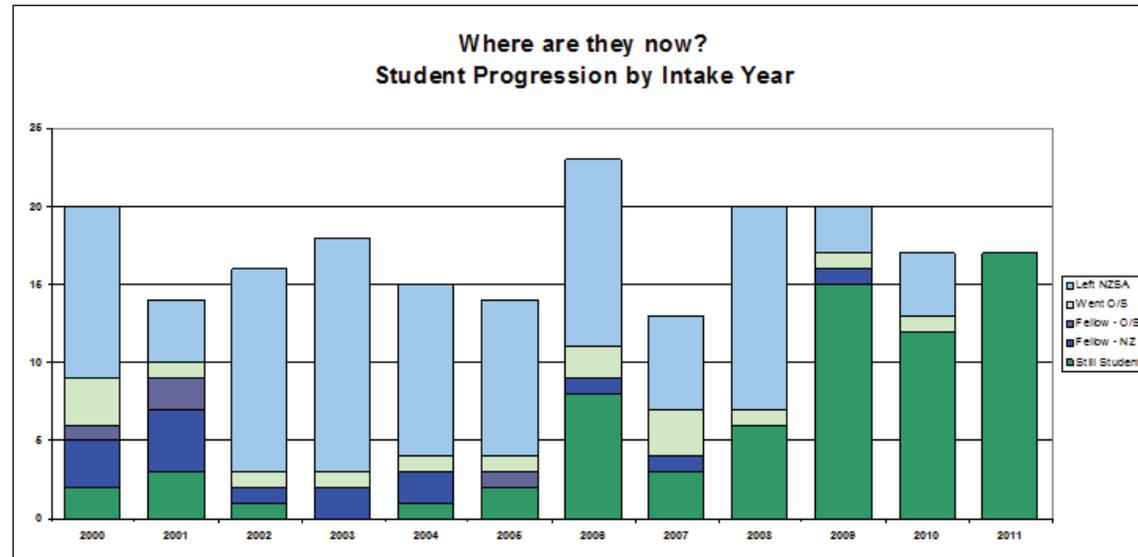
It is quite difficult to analyse numbers of actuarial students, as until recently student membership of the New Zealand Society was optional. Also, those who have decided to give up the exams and move into another career sometimes keep up their student membership of the Society. The data we have been able to collect from Society records shows employers of students as follows:

EMPLOYER TYPE	1971	1983	1992	2001	2012
Consultancy	1	9	20	30	28
General insurer				12	34
Government/Regulator	5	1	1		2
Funds manager			8	10	
Life office	28	47	74	39	33
Not specified/other/not working	3	4	10	11	9
TOTAL	37	62	113	102	106

The merger and restructuring that has taken place in the life insurers has been a major factor in the reduction in actuarial nursery, but this is now being picked up by the general insurers.

Student progression by intake year 2000-2011

The following graph shows the progression for students who were new to NZSA from 2002 to 2012, and where they are in 2012, by intake year.



Student Decrement Analysis

We have performed a durational analysis of exits over the last 12 years, looking at the 2000 to 2011 intakes of students. The intake year is the first year a student is studying in New Zealand. Students who have left New Zealand then returned have only been included once. As expected, as the intake year increases, the proportions who are still students are higher. The proportions who have qualified are

higher for the earlier intake years as they have been exposed longer to study.

Students who did most of their study overseas before qualifying in New Zealand were excluded from the analysis. Students who exited the NZSA, and those who went overseas, have been combined into the "Left NZSA" category, as it was difficult to trace those remaining in the profession outside NZ.

Growing your own

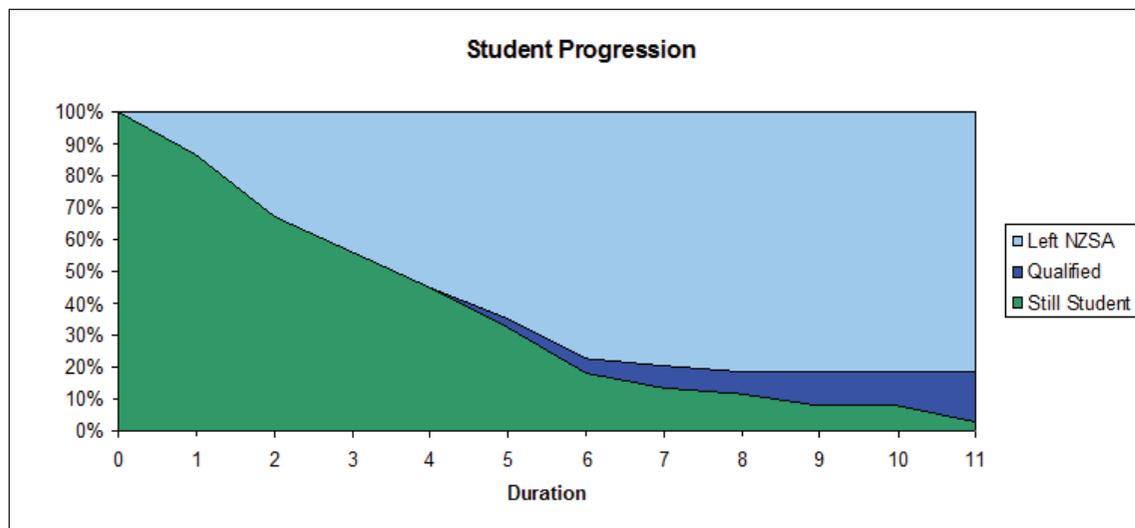
The following table shows the data for the 2000 to 2011 intakes of students at each duration who exited the NZSA or qualified, as a percentage of the exposed students at that duration.

DURATION	1	2	3	4	5	6	7	8	9	10	11
LEFT NZSA	14%	23%	17%	20%	22%	39%	12%	15%	0%	0%	0%
QUALIFIED	0%	0%	0%	0%	6%	6%	12%	0%	30%	0%	67%

These can then be converted into "survival rates", as shown below:

DURATION	1	2	3	4	5	6	7	8	9	10	11
LEFT NZSA	0.14	0.33	0.44	0.55	0.65	0.77	0.79	0.82	0.82	0.82	0.82
QUALIFIED	-	-	-	-	0.03	0.05	0.07	0.07	0.10	0.10	0.16

This can be shown graphically as follows:



Unfortunately this shows that after 10 years, fewer than 20% of those who started the exams are still working in the profession in NZ – so of every five students an employer takes on, only one is likely to qualify as a NZ Fellow. Choose carefully!

Time taken to qualify

Different effective times to qualify for those qualifying in the last 10 years are shown below (ie effective time excludes breaks for travel and other significant life events):

QUALIFIERS 2002-2012	NUMBER OF ACTUARIES	AVERAGE EFFECTIVE TIME TO QUALIFY
NZ educated entirely	13	6.4
NZ but studied overseas at some point	10	9.1
Average for all New Zealand originators	23	7.6

There was incredibly little difference in the average age of qualifiers in the last 10 years by qualification:

QUALIFIERS 2002-2012	FIA	FIAA
Average age at time of qualification (years)	32.0	31.7
Average effective time taken to qualify (years)	7.7	7.5

Charmaine and Andrea's full paper is available on the website at <http://www.tri2014.org.nz/files/docs/nzsa12/andrea%20and%20charmanine.pdf>



Members' news

Update - UK Institute's new requirements for professional skills for experienced members

(Note this also applies to Partially Regulated Members)

You can now access the new case study-based video clips and online learning materials developed to meet the new Professional Skills training requirements for experienced members.

<http://actuaries.multichanneltv.com/professionalism/>

Newly qualified Fellows

Congratulations to Jeffrey Azzato (below), who is the most recent candidate to pass his exams and qualify FNZSA.



Jeffrey Azzato graduated from Victoria University with an MSc in mathematics, and undergraduate degrees with majors in economics, operations research, and statistics. He joined Sovereign in November 2008 and has since worked on capital management, financial reporting and a number of IT projects. Jeffrey is now looking forward to new challenges in the actuarial field and playing more badminton.

New members and changes of membership class

Welcome and/or congratulations to the following:

FELLOWS:	STUDENTS:	
Jeffrey Azzato	June Kuan	Tyson Bennett
	John Ong	Ivan Rivera

OBITUARY

Curtis Huntington



It is with deep regret that we record the passing of NZSA member Curtis Huntington on 7 October 2013, following a four-year battle with cancer.

Curtis lived in Boston and was Professor of Mathematics at the University of Michigan from 1993 until his death. Prior to entering academia, he had experience in commerce in various roles with New England Mutual Life Insurance, retiring as vice president & corporate actuary in 1993.

Curtis was a prominent and active participant in the International Actuarial Association and represented the NZ Society of Actuaries on two IAA Committees and at many of the IAA six-monthly meetings. Curtis was a trained lawyer as well as an actuary and in recent times he chaired the North American Actuarial Disciplinary Board. In August 2009, he came to Auckland to help facilitate the NZ Society of Actuaries Professionalism course, despite having recently commenced treatment for his illness at that time. Curtis was a man of high principles and ethics, and commanded widespread respect for his professional qualities. He was highly aware of the community around him, had a strong philanthropic spirit, and had a huge impact through his support of his actuarial students and the actuarial profession in a very wide range of ways.

Curtis was active across the North American actuarial circles, including contributions

on many of the US Society of Actuaries Committees, and a spell as vice president. He was the recipient of many recognition awards in relation to his service to the actuarial profession, including recognition awards from the US Society of Actuaries, the American Society of Pension Professionals and Actuaries, the American Academy of Actuaries, and the Conference of Consulting Actuaries.

When Curtis was a young boy around the age of 11, his uncle took him on a world cruise, which was a very unusual experience for a child of his age at that time. Curtis subsequently developed a lifelong interest in travel and spoke of having visited every country in the world, bar three – and made several attempts to reduce this number!

Curtis had a strong affinity for New Zealand and regularly visited his sister Peg, her husband Hugh, and three nephews, who live in Wellington. Earlier this year, Curtis attended an NZSA sessional meeting in Wellington.

More complete accounts of the extraordinary life and contributions of Curtis can be found on the websites of the US Society of Actuaries and the University of Michigan.

Ian New, Peter Brown & John Smith