



## **Morris Review of the Actuarial Profession**

**Response by the Government Actuary's Department  
to Chapter 9 of the Interim Assessment  
published by the Review in December 2004**

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## **THE MORRIS REVIEW INTERIM ASSESSMENT**

### **CHAPTER 9 : THE GOVERNMENT ACTUARY'S DEPARTMENT**

#### **RESPONSE BY THE GOVERNMENT ACTUARY'S DEPARTMENT**

##### **EXECUTIVE SUMMARY**

- A. We welcome the Interim Assessment's confirmation that there is a continued role for the Government Actuary and the Government Actuary's Department.
- B. The fundamental issue is what Ministers, government departments and other public sector bodies need in terms of access to actuarial advice and whether the Government Actuary's Department, as an institution, is the best way of meeting those needs.
- C. GAD provides the service its clients require and expect, consistent with a price they are willing to pay. GAD is a dynamic organisation, has changed a great deal in recent years and is far from averse to further change. We believe that the current framework has been successful in delivering a high quality of service to Ministers and departments and that the public interest will best be served by retaining the existing structure and developing it as necessary, rather than subjecting it to radical change.
- D. We accept that it is good for an organisation like the GAD to be subject to review from time to time, but we are concerned with a number of shortcomings of the approach taken by the review in its Interim Assessment:
- it does not start by asking the fundamental question of what Ministers, government departments and other public bodies need in the way of an actuarial service and how this is best delivered;
  - it adopts a piecemeal approach of looking at certain specific areas of GAD's work and does not consider the impact that any specific recommendations for the parts might have on the whole;

- it focuses on the large items (and large clients) within GAD's many functions – the ones most closely comparable to private sector actuarial work – and hence the ones which we might expect private sector firms to be most interested in taking over;
- it appears not to appreciate GAD's many facets, which might have been assisted by a more in-depth study of the work in which actuaries at GAD are in practice engaged;
- it appears to make the incorrect supposition that all actuaries (and actuarial firms, including the GAD) are essentially the same.

E. GAD is not simply another actuarial firm and does not aspire to be one. GAD is different because:

- it has a unique blend of actuarial expertise with a public servant ethos and background;
- it emphasises the thoroughness and objectivity of a public service approach, so as to provide advice which will withstand analysis and intensive and analytical probing by officials, Ministers and Parliament;
- it has the professional independence to focus on key principles and to maintain a long-term perspective;
- it has the obligation of providing services to all parts of government as and when required, however small or insignificant the assignment – GAD never turns away a public sector client;
- it is not driven by the need to generate profits or an earnings stream;
- it gives priority to the public interest;
- it has a substantial client base within its limited and specialised potential market;
- it is in the position as provider of last resort to all parts of government.

F. GAD is a lot more than the sum of its parts because of:

- its public interest role;
- its ability to provide consistent advice to different parts of the public service;

- its ability to provide advice to government on the big picture issues relating to public sector pensions;
- its accessibility for all public sector clients, whether big and small;
- its integrity and unquestioned ability to handle confidential matters and to maintain the confidence of clients in its ability to advise in highly sensitive areas;
- less likelihood of conflicts of interest arising than with other advisers;
- its ability to provide practical solutions which are efficient for taxpayers (with an understanding of the different considerations that apply to government decision-making compared to those affecting a commercial organisation);
- its experience in developing advice which is capable of being defended in public;
- a keen sense of the public service and political context.

G. Possible alternative structures for GAD are alluded to in paragraph 9.94 of the Interim Assessment but no details are given. The current financial structure may not be the only one which would be appropriate but any alternative will need to be analysed carefully in relation to the possibility of its practical implementation, taking account of:

- whether any alternative would ensure that Ministers, departments and public bodies, large and small, have ready and cost-effective access to consistent actuarial advice in all areas where they might need it;
- the need for GAD as a whole to be a viable organisation, so it can provide the necessary range and quality of service in a cost-effective way;
- GAD's ability to compete on a level playing field in areas where competition is required;
- the impact which the loss of any large clients would have on the costs for other parts of government and on the ability of GAD to provide overall advice to government on public sector pensions issues;

- the need for GAD to maintain critical mass to ensure the ability to attract and retain the best quality staff and provide training and good quality control.
- H. We have made detailed comments on the analysis of each of the main groupings of GAD activities in the Interim Assessment: public sector pension schemes, broad comparability and advice on the pensions aspects of PPP/PFI, social security work, pensions policy advice, population projections and associated demographics, occupational pension scheme survey and overseas. In each area we discuss the points raised in the interim assessment and some of the comments received during the consultation phase of the review.
- I. We have recently completed our annual client satisfaction survey. The results in 2004 demonstrate the continuing strong appreciation of GAD's services by our clients. A summary of the results is included as an Appendix.
- J. Our conclusion is that the public service derives a considerable advantage from having an in-house provider of actuarial services. Any large organisation with a major requirement for actuarial services would be expected to have its own in-house actuarial department, even if they might make use of outside consultants for certain special assignments. Seen from the wider, and overriding, perspective of the need for Ministers, government departments and public bodies to have ready access to actuarial advice of the highest quality, the continuation of an independent and vibrant Government Actuary's Department should be seen as a key priority. Whittling away some of GAD's key responsibilities, or tilting the balance in favour of the private sector by offering unduly favourable opportunities to compete for GAD's core work, whilst GAD is not in a position to be able to compete on a level playing field, would be significantly detrimental to the public interest and could threaten the continuing viability of GAD.

## GENERAL COMMENTS

### Introduction

1. GAD welcomes the overall confirmation in the Review's Interim Assessment report that there is a continued role for the Government Actuary, and the staff in the Government Actuary's Department who support him.
2. The Interim Assessment considers a selection of discrete functions of GAD, and then seeks to draw conclusions about GAD as a whole, based on the sum of some of the parts. However, GAD is far more than the sum of these parts and to analyse the department in this way is to miss the point of why it is desirable for government as a whole to have an in-house actuarial service of the highest quality. The current structure of GAD is an excellent way of achieving this. GAD is internationally renowned and the aspiration of many other countries. GAD is not simply another actuarial consultancy. Its staff have a wide range of excellent actuarial skills, but these are solidly embedded in a public service ethos. Actuarial advice is set firmly in the context of government and the public service, for example with regard to policy formation, political defensibility or the control of public finances and the defence of taxpayers' interests. GAD looks beyond the narrow technical actuarial remit at the wider concerns of policymakers, Ministers, Parliament and taxpayers.
3. We believe that it is essential to consider the role and future of GAD in a holistic, rather than a piecemeal, way.

### Approach of the Morris Review

4. The Interim Assessment appears to start from the belief that all actuaries (or all actuarial firms) are necessarily the same, or even that private sector actuaries are in some sense to be preferred to public sector actuaries. We disagree strongly with this premise. Public servants in the UK have an enviable and deserved reputation for integrity, honesty, probity and intelligent fully-rounded thinking. They are able to defend and argue a case while

withstanding criticism, which may be prejudiced, biased or conflicted. The combination of actuary and public servant in GAD is one which is inherently powerful. As recently as 2001, the Treasury Select Committee suggested that the skills within GAD have not been sufficiently exploited within government or by Parliament.

5. We recognise that there is a temptation for the Review to concentrate on those of GAD's activities (or clients) which have features in common with those undertaken (or advised) elsewhere. However, the larger clients – the public service pension schemes and government departments (Department for Work and Pensions, Ministry of Defence and Treasury for example) – are only part of the picture. Focussing only on them distorts the understanding of the role GAD fulfils, and of the many other parts of the public service which depend on GAD for advice and assistance in dealing with, what are to them, complex matters outside their normal business and competencies.
  
6. GAD undertakes a wide range of roles, many on an ad-hoc or one-off basis. A large number of clients incur annual charges well below £1,000, which, in strictly commercial terms, might be said to be uneconomic. There is no question of these clients being in a position to test the market, nor would it be economically efficient for them to do so. They need actuarial services tailored to their requirements as much as the big public service pension schemes. In concentrating on the smaller number of large clients, the ability of small clients to access both actuarial and public service based knowledge at GAD seems to have been over-looked. GAD has a long history of developing cost-saving solutions by passing on to all clients the benefits of economies of scale and techniques which keep costs to a minimum for taxpayers. Although there are many separate entities within government, and sometimes they have divergent interests, they are all in effect part of one single entity and the actuarial advice to the different parts of the government machine needs to be consistent and coherent, whilst avoiding unnecessary transaction costs.

7. The large clients, such as the individual public service schemes, are obviously attractive to GAD's commercial competitors. But without their contribution to GAD's viability and intellectual capital, our cost-effectiveness across the whole public service would suffer. Under the approach implied by the Interim Assessment, there may be short-term gains of greater freedom for some parts of government, but only at considerable cost of loss of access to advice for others and potential significant cost to government as a whole in the loss of overall coordination and ability to control expenditure or even to understand the scope of future pension liabilities facing government as a whole. It is only by considering GAD as a whole that these, and other features of GAD, can be properly taken into account.
8. We are concerned that, in preparing the Interim Assessment, the review team has not appreciated the many facets of the work of GAD and has not really studied the department, and its context for government, in sufficient depth.

#### The holistic approach

9. Many public authorities face regular external reviews. Reviews are important in helping to deliver an effective and efficient public service. They may provide fresh thinking and stimulate those involved to re-evaluating their functions and purpose. However, a review must start with an open mind and include a proper appreciation of the entity concerned.
10. With regard to GAD, the appropriate place to start is with the needs for actuarial advice of Ministers, government departments, non-departmental bodies and other public authorities of all forms and sizes.
11. We believe it to be essential for good government that, in many aspects of policy and day-to-day delivery of services relating to social security and pensions, Ministers and civil servants have ready access to actuarial advice. Whilst such advice could come from a variety of sources, it is cost-effective for an organisation as large as the UK government to have, in GAD, its own in-

house provider of actuarial services, and this provides the ideal delivery mechanism for most of the advice required.

12. In order for the government to have access to a full range of consistent actuarial advice, the viability of an in-house solution should be the starting point. Additional advice in specialised areas may exceptionally be called in from outside consultants as necessary. If the viability of the in-house source of advice were to be impaired, would the (possible) short-term gains in freedom for some clients be sufficient to compensate for both the losses to others and the disadvantages to government of disparate actuarial advice? How would the advantages of the whole and the cross-government elements be taken into account and safeguarded?
13. In the main, public service schemes are already permitted to seek actuarial advice from any source. If every public service scheme (and other large clients) were required to tender for actuarial services currently provided by GAD, or pushed to consider alternatives to GAD, then it is likely that, over time, at least some of these clients would experiment with moving away from GAD. There would be no corresponding “up-side” potential for GAD obtaining work in the private sector, as that is not GAD’s area of business. As a result, staff would lose confidence in the future of the Department, and GAD would lose its viability as an organisation with the capability and resources to advise its remaining large clients (who, in turn, would lose confidence in a dwindling GAD). The outcome would be a decline in both GAD’s major client base and staff morale, and the erosion of GAD’s viability as an in-house source of actuarial advice to government and its ability to provide overall advice to HM Treasury on public service pensions and to service smaller departmental clients, for whom the outsourcing of actuarial advice would not be cost-effective or even feasible.
14. For these reasons, the Review’s Assessment would be more robust if the viability of GAD, in terms of its capability and intellectual capital as much as its

finances, were considered in a holistic way, rather than as the sum of some of its separate parts.

### **Advantages to government of an in-house provider (GAD)**

15. There are considerable advantages to government in relying primarily on an in-house provider of actuarial advice, including:
  - consistency of advice across the whole of government and over time;
  - accessibility for all parts of government, large and small, within the UK government and devolved administrations;
  - significant reduction of potential for conflicts of interest;
  - absence of a motive to make profits out of government for providing the service;
  - integrity and confidentiality;
  - experience in briefing Ministers and understanding public sector decision-making and policy drivers;
  - ability to stand in as a representative of a client at a meeting of government officials or as part of the UK delegation in an international context;
  - ease of handling of confidential issues; and
  - co-ordination with the interests of other parts of government.
  
16. The UK Government uses a similar mechanism with legal services through the role of the Treasury Solicitor, taking outside legal advice from specialist lawyers and leading Counsel as required for specific purposes.
  
17. The Interim Assessment notes that larger insurance companies have significant in-house actuarial provision. The Government, with its huge contingent financial liabilities, is, in principle, even more likely to want to have an in-house actuarial service, and this appears to be the desire of governments around the globe. The UK has been remarkably successful in this respect even though international experience suggests that it can be

difficult to organise and sustain an effective and strong actuarial service within the public sector. The main obstacles are usually:

- the difficulty of offering a competitive remuneration package to actuaries working in the public sector;
- the preference of many actuaries to work in the private sector;
- market shortages of actuaries;
- the professional isolation of actuarial positions in individual government departments;
- the difficulty in most countries, in machinery of government terms, of setting up an ideal body such as an independent government actuaries office; and
- political pressures on actuaries employed within government or perceived lack of professional independence.

18. Nonetheless, in spite of these difficulties which other countries have found in being able to establish a similar structure, the Government Actuary's Department in the UK has been successful for more than 85 years. We have demonstrated that it is possible to create and maintain a stable and indeed growing actuarial entity within the public sector. We have consistently met the stringent financial targets set by Parliament and Treasury and have complied actively with all the requirements of being a government department.

19. GAD is a readily available source of advice for Ministers and government departments over a whole range of topics both large and small (many of which are not mentioned at all in the Interim Assessment). It is important to recognise that this is only possible because of the breadth of GAD's remit and the wide range of functions it carries out, as well as the breadth of experience of its staff.

20. A smaller and more limited GAD would not necessarily be able to achieve the critical mass to attract good quality staff or be viable. A Government Actuary embedded in another department, with a handful of staff or even a small

division, would have serious disadvantages. If there was insufficient professional independence and too narrow a scope of activity, then it would be more difficult to attract a high calibre of person to work, either as Government Actuary or within the unit, and the public interest advantages of GAD's independence would be lost. Consistency across functions and over time would become much harder to achieve, as would maintaining focus on the public service as the over-riding culture. Quality control and effective peer review are essential to the delivery of advice. In our experience, a strong central government actuarial department is required to maintain these in place for embedded outplacements.

21. It is interesting that much of the discussion in the earlier chapters of the Interim Assessment report is taken up with issues concerned with ensuring diversity and competition in the market for actuarial services, but GAD is not mentioned in this context. However, even though it is a niche player, GAD is an excellent example of greater diversity in the market for actuarial services. GAD is larger than some of the private firms mentioned in Chapter 2, both in terms of employment of actuaries and the size of pension schemes we advise, and is, by any measure, a significant player in the UK occupational pension scheme sector, quite apart from all its other roles and responsibilities.
22. However, GAD is not a firm of consulting actuaries and we do not consider it appropriate that we should aspire to become one. We are not members of the Association of Consulting Actuaries precisely because we see membership as inconsistent with maintaining public service independence and avoiding conflicts of interest. We should not be analysed by the Review as though we were just like any other firm. Our focus is on serving the public interest and the interests of the taxpayer through advising Ministers and departments and the wider public sector. Our whole motivation and *raison d'être* is thus quite different from that of firms motivated by profit, earnings or growing market share.

23. As the in-house provider of actuarial advice to government and other public service clients, GAD is a specialised niche organisation focussed on the diverse needs of the market we serve.
24. Ultimately, it is for ministers to judge whether a viable in-house provider is important to maintain in place as the best source of actuarial advice for the public service as a whole.

### **Protection of the public interest – the bigger picture**

25. The roles reserved to GAD in legislation have arisen not from whim or expediency, but because an objective, independent actuarial view (and one that is openly recognised and accepted as such) is necessary in order to balance numerous competing interests. For example, in advising Ministers on their decisions as to the level of the contracting-out rebate, the desires of taxpayers and of pension schemes are polar opposites. Elsewhere, commercial and the taxpayer's interests frequently diverge widely. Private sector firms with the capacity to take on major public service clients are all heavily committed to advising commercial entities which have dealings with government in various ways, thus compromising their ability to be perceived as being truly independent and objective in advising government.
26. GAD looks for practical solutions which can be applied, for example, across parts of the public service, government, or the pension industry. This is a cost-effective outcome for the taxpayer, or the wider public as a whole, and requires a different way of looking at issues from finding solutions to the specific. This attitude can attract criticism from the private sector because we are putting the public good before the narrow commercial interests of other providers. Examples of GAD innovations include:
  - *Pre-certification passports of broad comparability* – these are considered further in paragraph 59;
  - *Simplified model and process* – these enable smaller public service pension schemes to prepare their resource accounting disclosures and police and fire authorities to calculate their FRS17 disclosures; and

- *Provision of a simplified financial settlement between public service schemes following machinery of government changes* – This allows the settlement to be processed without actuarial involvement.
27. Actuaries from GAD as civil servants often represent the UK government internationally, at EU level and at supranational organisations of which the UK is a member state. Understanding and representing the public interest is fundamental to such activities which take place between public servants as representatives of governments. It is unlikely that actuaries from private consulting firms would be permitted to play such a role.
28. Many of the statutory and reserved roles which actuaries now undertake have arisen because of advice given by GAD to Ministers in search of practical solutions for protecting the public interest. GAD suggested the first, and many subsequent, actuarial guidance notes as a means of providing a solid profession-wide framework while recognising the diversity of practice, an objective that is hard to achieve in government regulation.
29. GAD actuaries have made notable contributions to pushing forward actuarial thinking, such as:
- helping to design the first index-linked gilt issue;
  - leadership of the actuarial profession's initiative to try to model the AIDS epidemic - GAD's subsequent adoption of the AIDS modelling into the national population projections led to a significant change of government policy on educating people about the dangers of HIV infection and hence contributed in a major way to the successful containment of the epidemic in the UK;
  - publishing one of the first papers on stochastic asset-liability modelling;
  - the development and promotion of the concept of cohort analysis for projecting mortality improvement;
  - the development of the scientific assessment of loss of earnings and pension and the costs of care, in order to assist the Courts to meet their

stated objective of seeking to compensate fully those damaged in accidents and other mishaps, and the careful management of a process which eventually secured acceptance of these ideas in the Courts, through the activities of the Ogden Working Party, which has always been underpinned by GAD.

30. GAD has also played a major role in the active development and modernisation of actuarial education in the UK actuarial profession and has been a significant player internationally in the evolution of the actuarial profession in developing and transition countries.
31. Consistency of approach has been a strong driver of GAD thinking: consistency across functions at a point in time, and consistency over time.
32. For example, we have maintained a steady long-term course on financial assumptions which are critical to many actuarial outcomes. The assumptions we use now for real rates of investment return have only gradually been changed over time, so as not to overreact to short-term conditions. Assumptions are regularly reviewed but GAD considers it important to hold to long-term principles. Such an approach has served our clients well through the upheavals of recent years, when many pension schemes have experienced a sense of crisis.

### Conclusion

33. The Government Actuary's Department has an outstanding record of serving both the Government and the public interest. The UK has succeeded in creating and maintaining a viable in-house actuarial practice for government, an outcome which many governments around the world have sought but not always achieved.
34. GAD is a unique mix of public service and actuarial expertise. It is not simply another provider of actuarial services. GAD serves all parts of the public service, large and small. It provides a ready source of authoritative,

independent, objective and consistent advice tailored to public service practices.

35. It is vital that the Morris Review should consider the future of the Department in a holistic way, and not by means of a disjointed and disconnected analysis of individual elements of GAD's activities. (Although, even analysing GAD's work in a piecemeal manner, as the review has sought to do, there is strong evidence that GAD is performing well in all areas of its activities.)
36. In the light of its rich and diverse experience, we are firmly of the view that the government (and the public interest it serves) needs a GAD with a secure future. A continuing viable structure is necessary to ensure that public sector clients are able to access the advice they require.
37. GAD is a dynamic organisation, has changed a great deal in recent years and is far from averse to further change. GAD has been subject to a considerable degree of competition since 1989 and has adapted to that challenge successfully. Nonetheless, if GAD's client base were to be undermined, then so would be the viability of the Department. There is no justification for tilting the scales any further against GAD, or for disturbing the status quo. The present arrangements provide an excellent balance for public sector clients who have the assurance that GAD is able to offer the type and range of services they need, tailored to their requirements.
38. The Interim Assessment refers to other possible structures for GAD (paragraph 9.94). We agree that it is reasonable for the Review to examine alternative structures, but any recommendation for change should only come after a thorough analysis has been made of all the alternatives and of all the aspects of making a change. The implications of any alternatives need to be carefully examined in terms of impact on the ability of GAD to continue offering its services, its viability, its ability to compete and the impact on the quality and morale of staff

39. Seen from the wider, and overriding, perspective of the need of Ministers and government departments to have ready access to actuarial advice of the highest quality, the continuation of an independent and vibrant Government Actuary's Department is of the highest priority. Whittling away some of GAD's key responsibilities, or tilting the balance to put the private sector in an unduly favourable position to compete for GAD's core work, would be significantly detrimental and could threaten the continuing viability of GAD as an in-house provider of actuarial services within the public sector.
  
40. We believe that the current framework has been successful in delivering a high quality of service to Ministers and departments and that the public interest will best be served by retaining the existing structure and developing it as necessary, rather than subjecting it to radical change.

## DETAILED COMMENTS

### General

41. GAD is disappointed that Chapter 9 does not contain the same sustained analysis as the earlier chapters dealing with the actuarial profession. It would have been more consistent with the rest of the report for there to have been an in-depth analysis of the needs of Ministers and government departments for actuarial advice, the role of an in-house actuarial service within government and the factors necessary for making such a service successful. Instead, Chapter 9 regurgitates without analysis a rather disparate collection of comments from a variety of individuals and organisations. Some of these have come from a very small sample of GAD's clients, whilst others are from competitors or organisations whose attitude to GAD may be coloured by their involvement in financial contracts with government and their experience of being at the receiving end of GAD's success in ensuring value for money for departmental clients.
42. The Interim Assessment emphasises, in paragraph 9.11, that the views reported are not necessarily those of Sir Derek Morris and his team, but goes on to list the different views without analysis or comment, regardless of whether the points made have any rationale or justification. There is no consideration of the weight (if any) which should be attached to each. In many cases they seem to be based, perhaps understandably given their source, on a misconception of the GAD context. In our view some of these comments do not deserve the apparent credibility given to them by a mention in the Interim Assessment report.
43. GAD carries out regular and more wide-ranging client satisfaction surveys and obtains extremely positive feedback from the great majority of its clients. The comprehensive survey for 2004 has just been completed. An analysis of its findings is provided in the Appendix. The picture from our clients is very positive and confirms the picture we have seen for several years in our annual surveys. We acknowledge that, while considerable improvements have been

made in the complex area of invoicing, more can be done and is in hand. The survey outcome confirms our view that many of the comments quoted in the Interim Assessment about GAD's performance are atypical or simply ill-informed.

44. GAD carries out many functions above and beyond the particular areas selected by the Review Team for analysis. Some examples of these include:
- advice to the Department of Trade and Industry on consumer credit;
  - regular checking and independent certification of the randomness of the monthly premium bond draw (and from time to time of new computer installations to perform the draw);
  - advice to the Inland Revenue on taxation issues in connection with the insurance industry and individual insurance companies;
  - advice to the chairmen of employment tribunals on the assessment of the loss of pension rights in cases of unfair dismissal; and
  - responsibility for advice to the Department for Constitutional Affairs on the discount rate for use in the assessment by the Courts of damages and production of the Ogden Tables required under the Damages Act 1996.
45. In the following sections we address each of the areas of activity discussed in the Interim Assessment, before returning at the end to the need to address the role of GAD overall.

### Public Sector Pension Schemes

46. The Interim Assessment heads this section "public service pension schemes" but this appears to be a misunderstanding. GAD does advise most of the public service schemes (in particular the teachers, NHS, armed forces, police and fire, the civil service scheme in Northern Ireland and the Office of the Deputy Prime Minister in relation to the overall policy for the local government scheme). However, GAD's public sector pension portfolio is much wider than this, accounting in total for roughly half of GAD's fee income.

47. The membership of all the schemes advised by GAD includes more than 4 million active members and 3 million pensioners and the funded schemes advised by GAD have assets of over £25 billion (this last figure does not include the assets of local government pension schemes, for which GAD provides only overall advice to the responsible government department and not advice to individual local authorities).
  
48. Historically, Treasury and other government departments placed considerable emphasis on the importance of the different public sector schemes, and particularly the major public service schemes, adopting a consistent approach. GAD has always played a key part in this. A single objective adviser has been the most effective and efficient means of reaching an overall view. Recently, for example, we have prepared a witness statement on behalf of all the public service schemes defending their treatment of unmarried partners' benefits in a high-profile judicial review, assessment of the impact of civil partnership legislation with briefing and other material in development of a robust policy stance, and evaluated the implications and impact on the public service of the Inland Revenue's simplified tax approach for pension provision. In advising the Treasury on the implications across the public service of changes in policy, court decisions, etc., GAD's broad-ranging involvement has for example made it possible for cash-flow projections to be produced for the Treasury for the combination of the public service schemes, with the future liabilities under these pay-as-you-go arrangements currently a matter of considerable political interest.
  
49. Encouraging the different parts of the public service to seek their actuarial advice from different sources would inevitably lead to a loss of the coherence and consistency of advice which government requires. It would lead to different parts of the public service setting different values on essentially the same government liabilities and would also prejudice the possibility of Treasury obtaining analysis of the future commitments of the public service schemes as a whole. It would lead to a situation which might be compared to a large insurance company using different actuarial consultants for different

purposes, resulting in inconsistent assumptions being made for the valuation of liabilities in different parts of the portfolio or different methodologies and assumptions for different interrelated functions, such as pricing, reserving, accounting, capital adequacy assessment and financial condition reporting.

50. Only a modest proportion of GAD's pension scheme work falls within the category of statutory roles, although several of the public service schemes do have provisions in regulations for certain particular tasks to be carried out by the Government Actuary. Since 1989, when GAD was moved onto a fully fee-charging financial structure, government departments have been encouraged by Treasury to market-test actuarial services if they wish to, just as they do for most other services which they require. Many of the public sector pension schemes have taken the opportunity to make use of private sector actuarial consulting firms for particular assignments.
51. Of the public service schemes, only the Principal Civil Service Pension Scheme (Great Britain, but not Northern Ireland) has decided (and that only recently) to appoint a private sector firm as scheme actuary (apart from the local authorities, who have always used private sector actuarial firms). That is a relatively recent development and we do not believe that it has been in place for long enough to draw any conclusions as to how satisfactory or otherwise it is. The experiment certainly does not merit the apparent enthusiasm with which the Interim Assessment refers to it. Among the wider universe of public sector schemes, some are advised by GAD and some by other consultants.
52. Inconsistencies have already developed between the PCSPS and rest of the public service. For example, the value placed on identical benefits being transferred out of the PCSPS is no longer aligned with that used by other schemes. Yet in all cases these are unfunded pensions guaranteed by government. Objectively it is difficult to see why this should be so.
53. It is important to note that the public service pension schemes (other than the Local Government Pension Scheme) have no assets and are guaranteed by

the government (notionally funded schemes are also in fact unfunded, being deemed to hold certain assets solely for financing and accounting purposes). These pension arrangements are, including local government, not pension schemes in the sense understood in the private sector. Rather, they are, broadly speaking, vehicles for channelling government income to meet immediate benefit obligations in a manner consistent with government's longer term accounting principles. Consequently, it might seem just as inappropriate for private sector organisations to provide ongoing policy advice directly related to what is potentially many hundreds of billions of pounds of government pensions expenditure (e.g. leaving service transfer values, bulk transfer values, actuarial factors for converting members' cash into scheme pension and vice versa), as it would for the government to seek private sector advice on future spending on defence, education, etc. If these advisory functions were to be let out to the private sector, then the private sector could have undue influence on the determination of government expenditure patterns.

54. Confidentiality remains an important issue for many clients. A number of government agencies, for example, are naturally unwilling to release any information on their employees, and certainly not beyond central government. Such information is essential in formulating pension advice. These agencies rely on GAD. Although a private sector consultant advises PCSPS, pension advice on politically sensitive senior appointments continues to be sought from GAD. GAD is on hand to step in as government requires where private sector consultancies are not willing to provide services or it is inappropriate for them to do so. These functions, together with international representation (paragraph 27), may not be a large part of GAD's activities but they cannot be provided at all unless there is a viable actuarial organisation within government.
55. GAD does indeed offer public sector pension schemes good value for money in the provision of actuarial advice, a consistent approach across the public service schemes in particular (schemes in the wider public sector demonstrate

a much more diverse pattern of provision) and the opportunity to be able to bring together advice to the government on the scope of the pension provision for its different groups of employees. Government departments are happy working with GAD. They have confidence in us and feel they get a good service which meets their needs for actuarial advice.

56. We are surprised by the comment in paragraph 9.42 which suggests that GAD should not be advising on intra-public service bulk transfers. Where transfer payments are between unfunded public service pension schemes within government the financial consequence is an accounting adjustment inside the boundaries of public finances. A simple objective estimate of a suitable financial transaction is all that is required. Having separate actuaries advising each scheme would simply incur additional costs for taxpayers but without adding any value.
57. There is already a considerable degree of potential for competition in the provision of actuarial services to government. However, GAD does not believe that it would be in the best interests of government for there to be any major change to the status quo in relation to GAD's position and availability as an actuarial service provider. We would have considerable concerns about any proposals which could undermine GAD's ability to continue as a viable alternative service provider to private sector consultants, who are obviously capable of looking after their own interests and pushing into any markets in which they are interested.

**Broad comparability and advice on pensions aspects of PPP/PFI**

58. This is a significant and relatively stable area of GAD's work, accounting for perhaps 15% of fee income. As described in the Interim Assessment report, it covers several distinct activities, including:
- advising public sector employers on the pension aspects of contracting out work to the private sector and transferring the associated staff under TUPE, including communicating the issues to staff;

- certifying whether the pension arrangements proposed by private sector bidders and partners meet the requirements of broad comparability; and
  - issuing pre-certification “passports” to private sector bidders in order to simplify the process of them being able to make bids which comply with the broad comparability requirements.
59. Certification of broad comparability can be seen as a quasi-regulatory function, whereby government employers need an assurance that the requirements of broad comparability have been met, in a situation where they are in negotiation with the bidder. It is difficult to see any other actuaries having the stature and authority to offer such certification. Most firms would be too conflicted to play such a role, since they would be advising one or more bidders in relation to any employer, even if they were not advising the bidder in question for any particular contracting out of PPP/PFI exercise. If they were not actively involved as advisers in this particular market, then it is unlikely that they would have the experience and stature to carry out a certification role.
60. If the certification by GAD is accepted as necessary for the integrity of the process (and most public sector employers, as well as the public sector unions, are very likely to believe this to be the case), then it would be far more efficient if GAD was to continue to provide the full analysis of the alternative pension arrangements in order to be able to certify broad comparability. Otherwise there would be duplication. Certification by GAD could not be provided by relying solely on work carried out by other actuaries, who might have a current or potential future conflict of interest, because, for example, they were, or hoped to be, appointed as adviser to the contractor or his scheme.
61. Employers are free to seek actuarial advice from whomsoever they wish, although many would be expected to prefer GAD, since the private consulting firms are all very active in advising “the other side” in such deals and GAD

offers the best possibility of independent and unconflicted advice which will be supportive of the interests of the public purse.

62. GAD's objectivity comes to play in helping government departments take a view of how sensibly each side is acting when bulk transfers are being negotiated on second-round tenders between the incumbent and potential replacement contractor. We also have a role as a facilitator, coming from an independent standpoint untainted by commercial interests, in order to help contractors reach an agreement. Contractors are prepared to share information with GAD which they would not be prepared to share with a private sector actuary.
63. The provision of passports is a service which GAD has developed to assist private sector bidders, but which they are under absolutely no obligation at all to use. Other actuaries could in principle seek to provide such assurances, although, as the certifier of broad comparability, GAD has some competitive advantage in the provision of this particular service.
64. We strongly refute the comment in paragraph 9.39 of the Interim Assessment that those seeking passports have suffered long delays which can be attributed to GAD. We have had for several years an efficient and effective system for assessment in keeping with our statement of practice. We are fully attuned to the timetables set by contracting authorities for submission of tender proposals. Our practice is to assist contractors by offering suggestions for change to pension proposals which do not satisfy the requirements. Delays between first contacting GAD and issue of passport are invariably due to the time taken by contractors and their advisers to provide information on their pension proposals or to complete the associated undertakings.
65. We are puzzled by the reference in the same paragraph, and in the following Key Issues section, to technological shortcomings in issuing passports. We have for some time been issuing passports in the form of pdf files via e-mail.

66. The market for PPP/PFI and for outsourcing is a huge one for private sector actuaries far more than for GAD, with much work for consulting firms in advising private sector bidders and their pension schemes. There would appear to be no reason to have any concerns that the private sector does not have access to a big enough slice of the action, or can offer a more efficient service. Or any reason to limit or undermine the important role played by GAD on behalf of the Crown, a role which helps to ensure efficient use of public monies in the outsourcing or privatisation process, whilst maintaining the confidence of the National Audit Office and public propriety on the one hand and the confidence of the unions and government employees on the other.

### Social security work

67. GAD's role in reporting to Parliament on the future financial stability of the social security system is a vital one from a national interest perspective and one which is viewed as extremely important by Members of Parliament and by the key Parliamentary committees. GAD's independence from government means that our work commands considerable respect at a time of public concern over pensions. Any move to diminish this independence would risk undermining confidence in the social security system. The actuarial reporting structures which are in place in the UK are in line with best international practice and cover some two-thirds of the expenditure on social security or related tax and other benefits for the elderly. The recent growth of the significance of pensions credit as a major benefit for the elderly, without any discipline of reporting to Parliament on the potential long-term liabilities, raises the question of whether GAD's remit should be broadened somewhat to include this, and potentially other, means-tested benefits which have a long-term expenditure profile.
68. Apart from formal reporting to Parliament, GAD provides advice on a regular basis on the long term implications of the social security commitments, working primarily for the Department for Work and Pensions, Inland Revenue and HM Treasury. HMT does of course have its own economic modelling capability, but prefers to take advice from GAD on projections of the long term

cost of social security, albeit that the focus of their interest is rarely as long-term as the full scope of GAD's projections. DWP carries out much of the work on short-term modelling of social security costs, although they still require our assistance with this on a regular basis. Long-term projections are dominated by the need for actuarial models, requiring an understanding of both demographic and financial scenarios. The professional training of an actuary, which includes a substantial economics element, is highly valuable and relevant, in that it means we take a rigorous approach, for example in terms of the choice of assumptions, the presentation of results in a clear and balanced way and consideration of the wider public interest.

69. GAD also does considerable work for Inland Revenue on social security, revolving around national insurance contributions. This involves, for example, advising on the split of contributions between those due to the National Insurance Fund and those due to the National Health Service and short term forecasts of national insurance contribution income as part of the budget and pre budget report processes. Any consolidation within DWP would need to consider where this contributions work would be handled. GAD also enjoys the advantage of being involved in all aspects of social security costs, benefits and contributions, and this allows us to analyse possible interactions between reforms to the benefits and contribution systems. Furthermore, modelling of expenditure on State Second Pension is fundamentally dependent on the projection of contributions and therefore it would be difficult to divorce these two aspects of the work.
  
70. Although a separate entity within government, GAD is not remote from the policy and operational considerations. It can and does usefully bring together the separate policy and operational interests of DWP, Inland Revenue and Treasury. In practical terms GAD can be as closely involved in the policy development as the client departments want, well beyond the purely actuarial. Experience of previous rounds of social security reform has shown that GAD can be just as closely involved in the policy development and design discussions as the staff of DWP and Treasury, whilst being able to bring a

more independent perspective, ability to model any scenario or proposal that may be under consideration, and a much broader knowledge of occupational and personal pensions as well as state benefits, the intricacies of contracting out and experience of a wide variety of alternative social security models around the world, than is ever likely to be available within the client departments. Any consideration of consolidation within DWP has to be balanced against the availability of this broader contextual experience and independent assessment.

71. There is a hint within the Interim Assessment report that the most important part of GAD's role is the independent sign-off and that the review team seems to be able to contemplate the possibility of more work being done within DWP, with the Government Actuary having something akin to an external audit role, providing independent sign-off to Parliament. We do not believe that this would be either professional or feasible. The nature of the Government Actuary's reports to Parliament is totally different to an audit process. No Government Actuary would be willing to sign a statement for Parliament on the back of work undertaken outside their control by non-actuaries. In order for GAD to provide the necessary assurances to Parliament and to the wider public, GAD will still have to carry out a full range of analysis on the data and implement its own long term projections, in other words to do what it does at the moment. There is no short-cut to this and additional long-term projection work carried out within DWP would simply be duplication and wastage of resources.
  
72. Although it is not picked up by the review as a key issue, GAD wishes to place on public record a response to the alleged concerns of the joint working group and others about the inadequacy of the current contracting-out terms. GAD's advice in this regard is required to look at the raw cost of providing the benefits forgone when contracting out of State Second Pension. GAD has not been given a remit to determine a level of contracting-out rebates which will make it attractive for pension schemes and individuals to contract out. In the past, Ministers have usually added something to the rebate as calculated by

GAD, with the specific objective of making contracting-out more attractive. This was not done in the most recent review of contracting-out terms, and it is that feature which is the source of the concerns which have been expressed. Nothing has changed with the role played by GAD, whereby we have continued to take into account all the relevant factors in advising Ministers of the cost of providing the benefits. This is an excellent example of GAD standing by its advice despite an onslaught of criticism from what are in reality vested interests.

### Pensions policy advice

73. The demand for pensions policy advice relating to the policy responsibilities of the Department for Work and Pensions has been particularly strong over the last couple of years, with major pensions legislation under preparation, including a number of areas which have inevitably demanded a lot of actuarial involvement. GAD has been able to respond to these increased demands in a flexible way, providing additional resources to DWP as and when required and accommodating the desire of DWP for much more immediate access to actuarial advice by temporarily locating staff alongside the policy teams at DWP. This seems to have met with the satisfaction of the clients, and is much more flexible from their point of view than recruiting actuarial staff directly, when the demands are unpredictable and not necessarily continuing into the future. It also relieves DWP of the burden of developing an appropriate career and remuneration structure for a very limited number of actuaries.
  
74. GAD also provides actuarial services to the Occupational Pensions Regulatory Authority (Opra) on the regulation and supervision of employer-sponsored pension schemes, which may be regarded as coming under this heading. Apart from providing consultancy on a normal fee-charging basis, GAD has also seconded two members of staff to work full-time at Opra. This has worked well from Opra's point of view, but their most recent actuarial appointment has been made direct. This reflects the anticipated need for more significant actuarial input after the Pensions Regulator assumes its powers in April 2005 under the Pensions Act 2004, and, as a result, the

attainment of 'critical mass' to support the Regulator building an 'in-house' actuarial team along the lines of that found at the FSA. GAD is happy to help clients by having different forms of arrangement for advice where these can be accommodated within GAD's available resources.

75. Policy advice is also given to HM Treasury on public sector pensions and to the Inland Revenue on taxation policy and the regulation of pension schemes in relation to their tax privileges. GAD was not asked by the Inland Revenue to advise on the recent simplification of the tax regime for pensions, nor on the Finance Act 2004. GAD did, however, give extensive advice and assistance to the National Audit Office in its high profile review for the Chancellor of the Exchequer of the numbers affected by the imposition of a new lifetime allowance on tax-privileged pension savings.
76. Since 1995, GAD has had a role in relation to the 'income drawdown' facility available on retirement to individuals as an alternative to annuity purchase. GAD prepares and publishes, on behalf of the Inland Revenue and DWP, the actuarial tables that specify the minimum and maximum amounts of income that may be withdrawn. The Finance Act 2004 provides for this responsibility to move to the FSA, following implementation of the tax simplification measures in April 2006. However, following consultation, the Inland Revenue are considering whether GAD should retain this particular statutory responsibility.

#### **Population projections and associated demographics**

77. GAD has carried out the work on the national life tables since its earliest days, as this has always been viewed as a particular area of actuarial expertise. GAD also carried out population projections, since these were needed for the GAD's reports to Parliament on the future finances of social security. In 1954 GAD was appointed by Ministers to be responsible for carrying out the official national population projections, because of its independence from departmental interests and its UK scope, whereas the statistical departments (and the Registrars General) had individual country responsibilities.

78. The rationale for GAD carrying out the population projections remains the same and was reinforced by the government's constitutional reforms establishing the devolved administrations. It continues to be the most efficient way of organising UK wide demographic work in a way which has the confidence of each of the constituent countries. Indeed GAD is now appointed separately to carry out the projections for Scotland and Northern Ireland by the responsible executives in each jurisdiction, demographic projections being devolved responsibilities.
79. GAD also has a strong concentration of demographic expertise to enable it to perform the projections and works in very close collaboration with the Registrars General of England & Wales, Scotland and Northern Ireland in developing assumptions for the projections tailored to their particular situations and in ensuring coordination of the various statistical inputs to the process. In working with the Registrars General to develop appropriate assumptions as to future trends in mortality, GAD is able to draw on its significant contribution over many years to the work of the Continuous Mortality Investigation of the UK actuarial profession.
80. Final decisions on the assumptions for the national population projections are taken by an National Population Projections (NPP) committee comprising GAD, Office for National Statistics in its capacity as Registrar General for England & Wales, the General Register Office for Scotland, the Northern Ireland Statistics and Research Agency, the Welsh Assembly Government and the Home Office (as a provider of migration statistics). Other central government departments are also closely consulted prior to the NPP Committee meeting.
81. Dates for publication of the projections are decided a year or so in advance and have always been scrupulously adhered to. Perceptions by some respondents to the review of delays in the production of the population projections do not have any basis in fact, as the projections have always been

produced and published exactly on time. Exceptionally, publication of the 2002-based projections had to be delayed from October 2003 to December 2003, because of delays and revisions by ONS to the base mid-2002 population estimates for England & Wales. On this occasion, GAD announced the revised publication date for projections immediately the implications of the timing of the ONS revisions were known.

82. GAD has not experienced any examples of inefficiency in data transfer with the Registrars General. Indeed the opposite is true. Coordination with the relevant units at the Registrars is exceptionally good, with all requests from GAD for data and information given appropriate priority. Nor do we accept that transfer of the work to ONS would necessarily reduce fragmentation and increase efficiencies. Indeed, were the Registrars General of Scotland and Northern Ireland to decide to carry out their own projections, as is their right given that it is a devolved responsibility, then fragmentation would be likely to increase. GAD is able to ensure consistency of approach across the UK countries, and that the most defensible and coherent projections are produced at UK level. These longstanding aims would inevitably become more difficult to achieve if the Registrars General were to go their separate ways.
83. At present there is huge uncertainty about the future course of mortality rates, with demographers ranging in their views from very optimistic to very pessimistic. Inevitably views vary. The Pensions Commission commented in its first report that some previous projections made inadequate allowance for future mortality improvement. This is the case measured against current assumptions. The assumptions for each country of the UK have always been decided in close consultation with the respective Registrar General. There is no reason to suppose that the assumptions would have differed significantly if they had been the responsibility of ONS, or separately of the three Registrars General. Virtually all projections the world over, whether of populations or pension scheme survivors, have, with hindsight, made inadequate allowance for mortality improvement. Mortality has continued to improve at a rate which has surprised most demographers and actuaries.

84. GAD has worked hard to improve methods of projecting mortality and, in the 2002-based projections published in 2003, adopted significantly more optimistic assumptions about future longevity. GAD was one of the first national demographic projection agencies to do this, although we think it likely that other countries and international organisations will move in a similar direction. Necessarily, however, it will be some time before a valid assessment can be made of these more recent projections.
85. GAD plans to publish the next (2004-based) projections in October 2005. In response to the requirements of a number of government departments, GAD also plans to bring forward publication of the key UK projection variants and publish them simultaneously with the principal projection.

**Occupational pension scheme survey (OPSS)**

86. The review's questions in this area are largely rooted in the past, in spite of the essentially correct reporting in paragraph 9.83 of the recent developments in this area. A new survey is already taking place under the revised arrangements, working closely with an advisory group of representatives of other government departments and pensions industry organisations, and using the latest internet technology. A good response rate has been achieved with a significantly improved quality of response. A very quick turnaround is planned, with a publication date of 16 June 2005 already having been announced on the GAD website, in line with the code of practice for National Statistics.
87. The GAD survey is very different, and much wider in scope, than anything that ONS does in this field, which tends to be driven primarily by their interest in production of the national accounts. Indeed, ONS are keen to learn from GAD's experience in developing our internet-based survey questionnaire. The GAD survey has always been the most comprehensive survey available of occupational pension schemes in the UK and probably one of the most accurate sources of pension statistics in the UK.

88. For the future it is clear that the role of The Pensions Regulator (TPR) will be critical, once it becomes operational from April 2005. TPR will have the power to collect lots of information from pension schemes and will do so on a regular basis to meet its regulatory and operational requirements. However, it is unlikely that TPR will want routinely to collect all the information about pension schemes that is needed for policy-making in DWP, Inland Revenue and HM Treasury, so there will probably still be a need for regular surveys to be carried out to fill in the gaps. GAD will be happy to provide a service in this area, but the exact nature of what is required will need to be worked out between TPR and the other departments with an interest. The new arrangements with TPR will also provide an opportunity to review other aspects of pension statistics, produced by ONS and others, which have been profoundly unsatisfactory in recent years, as exposed by the Pensions Commission and others.

### Overseas

89. The review has little to comment on in relation to GAD's international activities. This is an important and growing area of GAD's activity, which GAD has sought to develop further in accordance with the expressed wishes of Ministers following the previous review of GAD in 2000. GAD has always carried out a certain amount of international work, originally largely at the request of the Foreign and Commonwealth Office and principally in smaller Commonwealth countries. Although some such work continues, the international scope is now much broader and reflects a considerable demand for actuarial services from governments and public entities (such as regulators and social security institutions) in many countries around the world where there is a shortage of actuarial resources, particularly in the public sector. Overseas clients are generally free to choose where to obtain their actuarial advice and GAD's well respected reputation overseas plays a major role in attracting clients to GAD.
90. GAD offers services internationally in full competition with other providers. Suggestions that GAD is able to compete unfairly in these markets are without any foundation, since GAD is required by Treasury to charge the same hourly

fee rates to all clients, whether in the UK or overseas, in central government or the wider public sector. GAD, with its UK based fee rates, is probably regarded as relatively expensive by many of its overseas clients. Certainly in comparison to local consultants and to international agencies such as the International Labour Office, who compete for social security work in many parts of the world. However, GAD is repeatedly appointed in many different countries because of the quality of its expertise and service, which is highly appreciated by overseas clients.

91. GAD's international role does have very important advantages for UK clients, since GAD is an excellent source of information and advice on experiences in many countries around the world, and, because of its international reach, makes it its business to keep well informed about pension reform issues, international accounting standards developments, insurance solvency discussions at the international level and so on.

### Invoicing

92. Since there are a number of comments which relate to complaints about delays or to billing, it is worth briefly addressing those points here. The earlier chapters of the interim report recognise that consumers of actuarial services do not find it easy to measure its quality. There has been an ever increasing focus within government on budgeting, finance and measurable targets. It is straightforward to check whether invoices for services have been received and how much detail they cover. This is a simple measurable. We readily concede that our invoicing procedures have not always kept up with the increasing demands of clients. However, we strongly believe that this is not a valid reflection of the quality of service and advice GAD provides. It should be noted that the delegation of budgets within government departments often contributes to invoicing difficulties when there is inadequate communication between the budget-holder to whom the advice has been provided and the finance department to which invoices are submitted.

93. Problems with invoicing have been considerably reduced through improved time-recording and invoicing technology and the development of a dedicated client liaison team. It is only recently that we have been able to identify and implement an IT package which integrates time-recording, invoicing and compatibility with government financing requirements and systems. Additional capabilities from this software will come on stream very shortly to permit more detailed billing detail to be provided to clients on a regular and systematic basis.



**Chris Daykin**  
**Government Actuary**

**4 February 2005**



## APPENDIX

### SUMMARY OF GAD'S 2004 CLIENT SATISFACTION SURVEY RESULTS

GAD carries out an annual survey to monitor our clients' level of satisfaction with the service we provide. The survey allows us to identify areas where improvements are necessary and make appropriate changes.

Each year we send survey forms to a sample of around 250 of our clients. The response rate varies each year but is usually around the 50% level. For 2004 the response rate was 49%, a reduction from the 57% rate achieved in 2003.

Our 2004 survey asked clients to rate the importance of, and their satisfaction with, seven specific aspects of our service. It further asked whether we had improved since the previous year and offered the opportunity to make additional comments.

When rating their level of satisfaction clients were asked to choose a box in the range 1: Dissatisfied, to 4: Completely satisfied. In previous years we have used a range of 1 to 6 and for comparison purposes we have rebased the 2003 results to a range of 1 to 4.

We present the result of our survey this year in the light of the Morris review of the actuarial profession and GAD. Morris commented in his interim report that users of actuarial advice were not particularly well equipped to comment on the technical content of the advice. We are therefore pleased to be able to say that the very pleasing results of our survey result from questions relating to the provision and delivery of our advice rather than the advice itself

The main results of the survey and the comparison with 2003 are shown below:

	2004 rating	2003 rating
<b>Services required</b> Were we able to provide the range of services you required?	87%	85%
<b>Services provided</b> Did we provide the services to your satisfaction?	86%	87%
<b>Clarity of advice</b> Was the advice clear and helpful?	91%	85%
<b>Time taken to make substantive response</b> Was the advice or service provided in a timely fashion?	82%	80%
<b>Communication</b> Were you able to contact us easily when you needed to?	89%	87%
<b>Response</b> Were we responsive to your requests?	89%	83%
<b>Value for money</b> Do you feel you got value for money from GAD?	83%	80%
<b>Average score</b>	<b>87%</b>	<b>84%</b>

Overall the survey results are very pleasing and show that the vast majority of clients were very satisfied with GAD's performance.

As we were expecting a number of clients made specific comments about our service. Where these comments were unfavourable we are investigating the reasons and making recommendations to try to avoid recurrence. We found the majority of unfavourable comments related to two main issues – timeliness of response and invoicing - we are concentrating our resources on addressing these concerns.

We received a number of responses commenting that the availability of actuarial advice (from GAD) was restricted due to departments' budgetary limitations and that an in house resource may offer a better alternative. The nature of actuarial work is such that few, if any, departments have sufficient demand to justify an actuarial team of a critical size (to allow for appropriate training, support staff, compliance with and maintenance of professional standards etc). Further given the non-profit nature of GAD we believe it unlikely that material cost savings would result from in house actuarial teams. Leaving aside the size and cost issues, there is much to be gained from across government experience that an independent actuarial resource can provide. GAD remains firmly committed to the importance of an independent actuarial resource for government departments. We hope to be able to work with the clients who have indicated their desire for wider access to actuarial advice to secure the appropriate budget to meet their requirements.