



# GAD

Government Actuary's Department  
[www.gad.gov.uk](http://www.gad.gov.uk)

GOVERNMENT ACTUARY'S DEPARTMENT ANNUAL REPORT 2002/2003

## NEWS RELEASE

10 November 2003

### **GAD MOVES TO NEW CITY PREMISES**

**In July 2003 GAD successfully moved to new and larger premises at Finlaison House, 15/17 Furnival Street in the City of London. From our new home we look forward to continuing to expand and develop services for our valued existing clients and a steadily increasing number of new clients.**

The name Finlaison House was chosen in honour of John Finlaison, the first actuary to be the government actuary, a post which he held from 1822 to 1851. An enthusiastic organiser and innovator, Finlaison's greatest contribution to actuarial science was his work in developing mortality tables used to calculate government annuities. He also received international acclaim for his system for indexing the records and correspondence of the Admiralty. In 1848 he became the first President of the Institute of Actuaries.

In the last year GAD compiled and released a special set of population projections that took into account the results of the 2001 Census. These results showed that the Registrars General's population estimates, used as the base for previous projections, had been overestimated. The interim projections incorporate a reduced assumption of net international migration to the United Kingdom, informed by the first results of the 2001 Census and more recent migration information.

We also broke new ground with a substantial report for the Mexican Social Security Institute on the risks it faces and the reserves and policies required to address them.

In a busy and generally successful year with many tight deadlines, we completed a number of major pension scheme valuations, including reports for the Teachers' Pension Scheme (England & Wales), the NHS Pension Scheme and the Parliamentary Contributory Pension Fund. The Quinquennial Review of the National Insurance Fund continued with the release of a near-final draft. Actuarial advice was also given on a day-to-day basis to dozens of government departments and other public sector organisations in the UK, and to social security institutions or regulators in more than 15 other countries.

Full results from the 2000 Occupational Pension Scheme Survey were published and made available on our website in April 2003.

Feedback from clients in satisfaction surveys indicates that most are highly satisfied with the services we provide. Furthermore, a review of our work on statutory reports for the National Insurance Fund resulted in a highly favourable report.

Our draft Resource Accounts show that the department's financial results were within our allocated resource and cash expenditure limits. Despite the loss of a substantial part of our business to the FSA in 2001, we successfully operated within the financial targets set by the government.

*The highlights of GAD's activities during the year are set out on the following pages. GAD's 2002/2003 Annual report and draft Resource Accounts can be viewed on the GAD website at [www.gad.gov.uk](http://www.gad.gov.uk).*



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### **Pensions**

GAD's chief area of activity is advising public and private sector clients on occupational pensions. Of this, over half of GAD's consultancy work is for clients in central government, most notably the Department of Work and Pensions, the Department of Health and the Ministry of Defence.

Many public sector schemes are unfunded and have unique characteristics that require GAD's special skills. Our actuaries also advise the trustees, and sponsoring employers of a number of funded pension schemes on issues such as actuarial valuations, investment strategy, and the management and communication of structural changes.

Major pensions projects during the year included advising the Department of Health and British Medical Association on the treatment of pensions in the new general practitioners' contract. We also supported policymakers in the Ministry of Defence reviewing the provisions of the Armed Forces Pension Scheme and developed a computer package to enable police and fire authorities to calculate new accounting disclosures and public liabilities.

GAD continued to provide pensions advice on the contracting-out of services, PFI/PPP and staff movements within government. We handled more than 200 transfers of groups of employees, which included assessing pension proposals from bidders, negotiating bulk transfer arrangements, advising departments on sale and purchase agreements, and devising and presenting scheme communication strategies.

Our 'passport' system of certification of the pension arrangements of private sector contractors continued to be in demand. We issued more than 220 passports and actuarial statements certifying that private sector pension arrangements satisfied the government's policy requirement that staff involved in transfers to the private sector should receive pension arrangements broadly comparable to those in the public sector.

GAD continued its work as actuarial adviser to the Occupational Pensions Regulatory Authority (Opra) regarding all aspects of the regulatory regime for employer-sponsored pensions. Our advice included input on the charging structure for stakeholder pensions.

We advised the Department for Work and Pensions (DWP) on a wide range of pensions policy issues prior to publication in December 2002 of the government's Green Paper 'Simplicity, security and choice: Working and saving for retirement' and in the follow-up to that paper.

Preliminary results for private sector schemes from the Government Actuary's 11th survey of occupational pension schemes were published in August 2002. These were followed by preliminary results for public sector schemes in February 2003 and full results for schemes in both sectors in April 2003. The results are available on our website.

GAD staff participated in a review of government data on pensions led by the Office for National Statistics. Following this review, the GAD pension schemes surveys are being reviewed, with recommendations to be supplied this autumn.



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### **Demography**

The Government Actuary is responsible for the official population projections of the United Kingdom and its constituent countries. Normally, these projections are produced every two years, the latest 'full' projections being published in November 2001. However, following the publication in September 2002 of the first results of the 2001 Census, an additional 'interim' set of 2001-based projections was carried out and published on the GAD website in November 2002. The interim projections take preliminary account of the results of the 2001 Census, which showed that the Registrars Generals' population estimates, used as the base for previous projections, had been overestimated. The interim projections also incorporate a reduced assumption of net international migration to the United Kingdom, informed by the first results of the 2001 Census and taking account of more recent migration information.

### **Social Security**

GAD continued to advise the Department for Work and Pensions and the Inland Revenue on the financial aspects of the National Insurance Fund benefits and contributions. The annual report to the UK Parliament on the short-term review of the finances of the National Insurance Fund was published in February 2003. The latest quinquennial review of the National Insurance Fund by the Government Actuary, which presents the results of long-term financial projections of the Fund up to the year 2060, was published in October 2003.

### **Damages and loss of Pension Rights on Unfair Dismissal**

GAD continued to work with a group of employment tribunal chairmen on a revision of the guidance notes used by employment tribunals when assessing awards for loss of pension rights on unfair dismissal.

### **International Consultancy**

GAD provides pensions, social security and insurance advice to a growing number of overseas clients, and is an associate member of the International Network of Pension Regulators and Supervisors. This network serves as a forum for policy dialogue and co-operation on pensions regulatory issues.

Countries we advised in 2002/03 on social security policy issues and the financing of social security arrangements included Guernsey, Jersey, Kuwait, and Trinidad and Tobago. We also undertook a risk management project for the Mexican Social Security Institute.

As part of our insurance supervision advice and training activities, we contributed to the European Union (EU) accession programme through which Cyprus will attain EU membership.

GAD has observer status at the International Association of Insurance Supervisors. Work continued in central and eastern Europe with financial support from the Know-How Fund of the Department for International Development. This included the conclusion of a long-standing actuarial education project in Russia.

Assistance was given, in association with the Faculty and Institute of Actuaries, in the development of the actuarial profession in central and eastern European countries, in China and in several other actuarially developing countries.



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### NOTES FOR EDITORS

1. The Government Actuary's Department (GAD) was created in 1919. It offers an actuarial consultancy service to clients throughout the UK public sector and to private sector and overseas clients. As well as performing its statutory duties, GAD provides actuarial advice to ministers and government departments, to many public sector bodies and to some overseas governments, covering financial and statistical matters, including pensions, insurance, social security and demography.

We offer our clients the benefits of:

- Objective and comprehensive advice, free of conflicting commercial interests.
- Confidentiality on sensitive political and commercial issues.
- Wide experience in handling political and policy issues.

GAD is staffed by 105 civil servants, of whom 31 are qualified actuaries. (As at 1st October 2003)

2. GAD consists of two directorates. One advises mainly public sector clients on occupational pension arrangements. This includes carrying out periodic valuations of assets and liabilities, funding rate advice, general pensions consultancy, bulk transfers, asset/liability studies and privatisation terms. The second directorate provides advice on social security arrangements in the United Kingdom and certain overseas countries, as well as advising on pensions policy and regulation, carrying out pension scheme surveys and producing the official population projections for the United Kingdom.
3. Although constituted as a government department, GAD operates as a consultancy firm within the public sector, offering independent actuarial advice to clients and charging fees for its services. GAD is required to charge to recover its costs but does not seek to make a profit.
4. The Government Actuary is Chris Daykin. He joined GAD in 1970 and qualified as a Fellow of the Institute of Actuaries in 1973. He worked in all major areas of GAD before being appointed Government Actuary in 1989.

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