

Minutes
Presidents' Forum Meeting
November 16, 2006 – 10:00 a.m.
Sheraton Grand Hotel
Edinburgh, Scotland

[Participants](#) to the Presidents' Forum meeting were welcomed by IAA President, Jean-Louis Massé. All present were invited to introduce themselves; the list of attendees is attached to these minutes.

A moment of silence was observed in memory of IAA President-Elect Peter Clark who had passed away suddenly following the IAA meetings last May in Paris. Hillevi Mannonen was introduced as the newly elected President-Elect.

The minutes of the Presidents' Forum meeting in Paris were approved without amendment.

PLENARY

1. European Actuarial Academy (EAA) Program

Roland van den Brink presented an overview of the education program developed by the European Actuarial Academy, founded in 2005 by the actuarial associations of Austria, Germany, The Netherlands and Switzerland. A copy of the presentation is attached to these minutes and is available [online](#).

In the discussion that followed, further details were provided:

- Completion of the EAA courses does not entail membership in one of the four founding associations; students remain members of their home associations.
- The EAA is a low-profit organization, such that any profits would be used to cover the development costs of new courses.
- The EAA was not established through the Groupe Consultatif for practical reasons, i.e., it was easier to work within a smaller group. However, the Academy will be open to all Groupe Consultatif members and will welcome participants from all continents.
- Courses are taught in English by lecturers for whom English is a second language. It was suggested that the EAA should give some thought to having native English speakers review written material, and to promoting the fluency of English as an advantage in actuarial practice.
- Instructors are paid a small wage for teaching the courses, with a high number of volunteers from the four founding associations having volunteered their expertise.
- Approximate attendance for the education conferences would be 60-100 persons. For the education modules, 10 students would be the break-even point, 15 students would be ideal. Savings are found in the free use of facilities of the founding associations, as well as some support from employers, usually in terms of social events.

- The intention of the program is to fulfill the education requirements of all associations worldwide, i.e. the program will meet the local association, Groupe Consultatif and IAA Core Syllabus standards.

2. Update on the International Actuarial Education Programme (IAEP)

Alf Guldberg briefly updated the Forum on developments regarding the IEP program. Details are available in his [presentation](#) attached to these minutes and available on line.

3. Actual and potential strategic directional changes of member associations

[CRUSAP Report](#). Steve Lehmann presented the draft report of the Critical Review of the United States Actuarial Profession (CRUSAP), which examined the critical issues affecting the actuarial profession in the US. He believed that the report could be of relevance to other parts of the world as the profession faced many of the same issues. The work of the task force was scheduled for completion by December 2006, with the final report to be made available on the CRUSAP website, <http://www.crusap.net/>.

[Vision 2020 Report](#). Martin Stevenson presented this discussion paper, prepared by the Vision 2020 Task Force of the Institute of Actuaries of Australia, which looked at the Institute's strategic direction and the challenges facing the profession in Australia.

4. Presentation and discussion of the [report of the Task Force on IAA Governance](#)

The Forum turned its attention to the Task Force on Governance, mandated by the Presidents' Forum held in Paris to propose improvements to the IAA governance structure. The Chairperson, Daniel Lapointe, thanked all the members of the task force for their hard work, and underscored the valuable assistance provided by Kevin Cronin of the American Academy of Actuaries in the United States, Aisling Kennedy of Ireland and Birgit Kaiser of Germany.

Five recommendations were put forth in the report:

1. The IAA Executive Committee (EC) should be empowered with more decision-making authority.
2. The Nominations Committee should continue to report to the IAA Council, but confine its responsibility to recommending candidates for Officer positions as well as for the Executive and Nominations committees.
3. a) The Presidents' Forum should be integrated into the IAA structure so it plays an advisory role to the IAA Council and EC. OR
b) The Presidents' Forum should consider disbanding, contingent on the IAA agreeing to extend the duration of its Council meetings to allow additional time for delegates of Member Associations to discuss matters of importance to the global actuarial community.
4. The IAA Council, EC and committees should use task forces more often.
5. The IAA should take measures to improve transparency.

The President asked for initial reactions to the recommendations and invited questions. One participant expressed concern with the role of the EC in setting/adopting policies, when in most actuarial associations it was the Board that set policies and the EC that implemented

them. In order to strike a balance between efficiency and democracy, the Task Force suggested that perhaps some types of decisions could be relegated to the EC while others would be left to the Council. It is often the case that other governing bodies, such as Boards, meet several times a year; whereas the IAA Council meets only twice, somewhat limiting its ability to make decisions in a timely manner.

Some concern was expressed regarding the structure of committee reporting and how an elected EC would maintain continuity with other committees. Speaking as the chair of a committee, one participant stated that he found the EC to be a useful forum for discussion of issues with other committee and section chairs, but that such a forum could exist outside of the EC.

Operational details were deliberately left out of the Task Force report, which concentrated instead on providing general direction. The Task Force determined that the primary issue surrounding the EC was how to bring about greater accountability in the operation of the IAA. The Task Force emphasized the need to create a central executive group with a strong sense of accountability for delivering milestones, agreed upon within the context of the strategic plan. The Council would remain the governing, direction-setting, and strategic-setting body of the IAA.

One participant commented that the IAA should have its strategic plan in place before contemplating any change to its organizational structure.

By way of background, one participant pointed out that, when the IAA was first established, considerable time had been spent on developing the statutes and internal regulations, with discussions taking place over a period of two years. There was agreement to maintain a principle of subsidiarity and agreement on the pre-eminence of the role of each actuarial association. The principle of subsidiarity ensured that the IAA was not a strong central federation. This responded to the needs of the time and a desire to balance the power. The reality of today was that, with a much greater degree of integration of associations at the institutional and personal level, the principle of subsidiarity was increasingly under challenge, especially in its most extreme interpretation. There had also been lengthy discussions as to whether or not the EC should be a governing body. At that time, it was decided to keep the decision-making power at the Council level and to have an EC comprised only of committee and section chairpersons to provide a forum for peer discussions.

The impact of the proposal put forth today, if it were adopted, would be to assign powers to the EC that were already partly in the hands of the IAA Officers, and to replace the current “bottom up” structure, where powers and ideas come up from the national associations, with a “top down” approach. Lastly, on the comment of the lack of transparency in the Nominations Committee, participants were reminded that members of IAA committees were all nominated by their associations, thereby making them suitable candidates for leadership roles within the IAA.

It was suggested that perhaps the time had come to rethink, fairly fundamentally, whether we wanted a weak or strong IAA. If strong, then a structure that emphasized that strength would

need to be designed, while allowing associations to retain the degree of control they wanted. The EC, as it stood, had no power – only to make recommendations on the budget and location of future meetings. This was in line with the original objective.

The Secretary General agreed that the current situation of having the Presidents' Forum and the Council with overlapping mandates was not optimal and probably not sustainable. He expressed his preference for a merger of the two, with association presidents sitting at the Council table. Administrative work could be relegated to an acceptable body that the Council trusted, freeing up time for higher-level discussions at Council. A democracy by representation was preferable, rather than a system where every citizen could participate in the forum and make decisions. As we grow it will no longer be possible to work the old way and there was a need for a certain degree of trust in a stronger IAA structure in order to move forward and meet the challenges of the day.

One participant suggested that, as a start, we should identify those areas where associations would agree to share power and those where they would not.

There was a suggestion that the IAA should have the courage to disband an existing committee and see if, in practice, its activities were still needed. Should the need arise in future, the committee could be re-activated. This would have the advantage of freeing up a great deal of time and resources. A greater reliance on task forces would also be preferable.

The IAA needed to clearly define the purpose of the EC, i.e., (a) to execute Council decisions; (b) to manage the affairs on behalf of Council so that Council could devote itself to more strategic thinking and the long term future of the profession; or (c) to act as an operations committee concerned with budgets, administration and meetings.

It was suggested that there would be benefit in having not only elected members, but also appointed members (“vice-presidents”) within the EC. These appointed members would each be responsible for managing a portfolio of committees.

Following up on the comment of the importance of institutional memory, one participant proposed that the IAA consider moving toward paid executives, rather than volunteers, to bring forward the work of the IAA in the future.

A potential problem was highlighted with the desire to have more presidents of member associations sit at Council: if the EC were to include representatives from Council, would these members be able to dedicate enough time to their roles as presidents, Council Delegates and members of the EC? Many presidents of associations were serving terms of one or two years, which would entail a quick rotation of Council members and a further loss of institutional memory. There could be a future for the Presidents' Forum since it had less need for institutional memory.

The discussion concluded by recognizing that these were all points for the IAA to consider, most likely through its Strategic Planning Task Force, and not a decision of the Presidents' Forum.

5. Discussion of the recommendations of the Task Force on IAA Governance

The Forum turned its attention to the options proposed by the Task Force and addressed the following series of questions.

1. *Do we agree the need for a clearer / revised definition of stratagem / strategic intent of the IAA?*

Forum participants responded with a definitive “yes.”

2. *Do we think delegating more responsibility to a restructured EC is the way to go?*
Several participants commented that details of any proposed restructure must be laid out before any decisions could be made. It would need to be quite clear what powers would be delegated and how the EC would be accountable to the Council.

One participant commented on the Task Force recommendation for a maximum of nine EC members, in that the maximum would quickly be reached with three or four ex-officio members and a possible five elected members from Council. Further, the IAA was originally designed such that work was done, and decisions made, inside of committees (and sometimes task forces). Each association was entitled to nominate a representative to a committee to defend the position of the national association. The IAA would need to be careful in delegating part of this role to the EC that national associations did not feel that they were losing power as a result.

3. *What is the future role of the Presidents’ Forum?*
 - a) *Formally in IAA, but separate to Council?*
 - b) *Incorporate into Council*

The Forum debated its possible future role. Participants overwhelmingly praised the value of the Presidents’ Forum in terms of providing an opportunity for the sharing of ideas and taking new ideas back to their local associations. These exchanges were beneficial to both large and small associations and often the same issues were important the world over. As a result of such discussions, the Forum could direct a committee to look into a particular issue that came to light. There was also appreciation of the informal character of the Presidents’ Forum.

A meeting of association presidents was thought to be of such great value that many believed that it would likely take place in any case, whether under the auspices of the IAA or not.

The role of the Forum should be to share information about the developments in our member associations – not to discuss the governance of the IAA. One participant voiced a criticism from some IAA members, who were not association presidents, that they had been left out of discussions when important subjects had been discussed at the Presidents’ Forum. It was pointed out that when Forum discussions moved beyond an exchange of views toward subjects involving changes to the IAA, such as governance, that delegates from all associations would be provided the opportunity to partake in the discussions.

For example, in cases where a president could not attend, an alternate representative should be permitted to attend.

Another participant added that, rather than discussing governance at the Presidents' Forum, this subject could have been addressed within the current framework of the IAA, and the resulting recommendations would have carried more weight.

On the other hand, some participants preferred option 3(b) of the Task Force on Governance report and considered that the role of the Council had been reduced to a rubber-stamping body without the opportunity to discuss and influence matters of importance. Additional time for discussion at Council meetings would improve the situation.

The Secretary General drew attention to the cost to associations in time and money of the Presidents' Forum, in particular for smaller associations who might need to send more than one representative. One suggestion could be to schedule the Council for the middle of the meetings' program, in combination with the Presidents' Forum. The addition of a "Consent Agenda" had opened up time for discussion and more such measures could be implemented. He cautioned that in considering options 3(a) and 3(b) presented today, we must also take into account the practicalities of the availability of people and financing, and find the optimal solution for association participation.

6. Break-out sessions

A year ago the Presidents' Forum had identified strategic issues facing the actuarial profession. Several topics had been chosen for further discussion and Forum participants were divided into topic teams of their chosen interest.

a) Branding and marketing

Edward Robbins referenced the three-year branding program undertaken by the Society of Actuaries (SOA) in the United States. Using this market development plan as a basis for their discussion, the group made the following observations:

- Not all actuaries were good salesmen. Several helpful links could be found on the SOA web site, including www.imageoftheactuary.org, which provided comments and responses to questions from the public.
- Standards and a good discipline process would help actuaries live up to the brand promise. However, more environmental scanning of the issues, opportunities, and threats was needed in order to improve the relevancy of exam material and focus future research.
- In order to attract young people to the profession, promotional material must be tailored not only to those good at math, but also to those with business potential.
- Actuaries must become better communicators about complex problems. It was brought to light in the CRUSAP report that actuarial uncertainty was often regarded by the public as incompetence. The public thought in terms of point values and did not understand concepts such as confidence limits.

b) Value added

This group reported on the continuation of the Presidents' Forum with a focus on the discussion of issues of interest to member associations. The following suggestions were made:

- Future Forums should use a “bottom up” approach to building the agenda, perhaps forming an agenda committee drawn from the participants, rather than leaving it to the Officers of the IAA.
- The emphasis should be on discussing matters of common interest and simply exchanging information. It would be useful to have presentations from associations (perhaps on a rotational basis) on what was happening in their country or perhaps on a common theme such as the oversight of actuarial matters.
- The Forum had a role to play in the integration of new Presidents into the international actuarial scene. It resonated with participants to think of the Forum as a think tank.

On the topic of the IAA, the group made the following observations:

- The IAA was of value to many of the smaller associations that could not hope to do everything themselves; they had the opportunity to learn from associations with more resources at their disposal.
- An important IAA role was dealing with international standard setters, such as the IASB and the IAIS. This was also helpful to individual associations in dealings with their own governments on regulatory and accounting issues. For example, to be able to refer to what was going on at the international level added extra weight to their representations.
- It was difficult to achieve good communication directly from the IAA to individual actuaries. Instead, there was a reliance on national associations to report back to their own members as to what went on at IAA meetings that was of interest to them. It was important to help individual actuaries appreciate the added value they were getting from the international association.
- The IAA had a role to play in raising the awareness of the actuarial profession with regulators and governments, etc., as well as a role in assisting the mobility of actuaries between different countries.
- Other than the Groupe Consultatif and the North American Actuarial Council, there was not thought to be a strong need for regional groups elsewhere.

c) Banking and financial management

It was evident from this group's discussions that there was a desire to have more actuaries move into the area of banking and finance. Employers in search of an intelligent person who could solve a range of problems, and with a good business sense, were not always aware that an actuary possessed these skills. With the global profession promoting the actuarial brand, this perception problem could be improved.

7. Concurrent break-out sessions at the choice of participants

a) Pension fund deficits

This group discussed various pension problems in their respective countries. The problems were many in origin: government policies or tax, low interest rates, poor returns on investments, changed attitudes amongst employers, and longevity. There were questions in

some countries as to whether actuaries could have done more to avoid the problems coming to a head. Perhaps actuaries were slow to recognize longevity improvement or were too aggressive in assumptions on rates of return. For the most part, actuaries had not been in front of the firing line on most of these issues.

The pension fund issue produced strong debates within the actuarial profession. There were differences between insurance and pension actuaries, for example, on attitudes to solvency and prudence, and what sort of assumptions would be reasonable. Should bond yields drive pension funding or should there be allowance for higher returns on diversified portfolios? One participant mentioned the possibility of his association splitting up over this issue, with pension actuaries going their separate way because of differences of opinion with insurance actuaries.

The group did not identify any specific role for the IAA to play and it was difficult to see a common strategy, recommendation or support from the IAA that could apply worldwide, given the variations in pension systems. However, there was an important role for the associations to play and they should be active in this field. There might also be some groupings of countries with similar systems that could benefit from exchanges of information.

b) Financial economics and the actuarial profession.

This group felt that this was a very important topic. The experience of the United Kingdom had been quite instructive because of the change to their regulatory regime for life insurers requiring market consistent costing of guarantees. As a result, life actuaries had been retrained in financial economic techniques. With the rollout of Solvency II throughout the EU by 2010 or so, there will be a large comparable retraining exercise in the rest of Europe.

The group discussed the importance of incorporating financial economics into the IAA Core Syllabus as a matter of urgency, and the need to address the subject in continuing professional development (CPD) for experienced actuaries. Actuaries must have a sound understanding of the basics of financial economics to preserve the image of the profession. This might be an area where the AFIR Section could arrange seminars in financial economics and related topics to help with retraining requirements. The pace at which actuaries felt the need to retrain would to some extent be driven by the regulatory and accounting requirements in individual countries.

There was some concern about encroachment from other professions in this area. For example, one country had an issue with persons with CFA qualifications taking work away from actuaries.

One participant commented that when changing the Core Syllabus, it was important to maintain the basic level of the actuary at a reasonable level so that it would not take too long to qualify. New subjects should not be heaped on, but rather they should replace out-dated subjects and techniques. The Forum was advised that the upcoming revisions to the IAA Core Syllabus would contain a section on financial economics.

It was noted that the actuarial profession had been slow to introduce financial economics into its line of work. This raised the question of whether or not other subjects were falling by the wayside, and should there be a mechanism to ensure that we kept abreast of the tools, methodology or basic science needed in practice? For example, stochastic modeling could be useful in understanding the difference between point values and actuarial values.

It was mentioned that the Morris Review had picked up on this issue, noting that in reviewing the syllabus from time to time, the actuarial profession should canvass opinions more widely, and look further outside the profession, for example, to universities, researchers and other professionals.

c) Standards of practice.

This group's discussions included a debate on the deciding factors that should determine the level of a standard. There were a variety of opinions expressed. Although higher level standards resulted in higher quality actuarial work, a positive image and competitive positioning for the profession, they must be weighed against the increased cost to the client. The group questioned the degree to which standards should be specific and tightly drawn or more principles based, and noted the trend toward mandatory standards. Linked to that issue was the freedom to depart from standards if the individual actuary felt that the standard was not applicable in particular circumstances. A number of countries continued to allow such discretion, while some did not on the basis that it might be misused. It was noted that a number of countries had recently introduced independent representation (i.e., professionals who were not actuaries) to their actuarial standards boards.

A lack of standards was sometimes due to an actuarial professional body not having the constitutional authority to impose standards whereby only the state had such authority. However, it was more often due to a lack of resources. Perhaps there should be some movement towards assisting actuarially developing countries in the development of standards.

With regard to the development of international actuarial standards of practice by the IAA, the group discussed the fact that the standards were all introduced at level 4 (educational guidance), and whether they were developing into *de facto* standards with requests for compliance from clients. It was noted that there could be resistance to more mandatory standards, especially where they would conflict with local standards.

This raised the question for the potential need to state in the IAA rules and regulation that the local associations would be responsible for the enforcement of IAA standards as if they were their own. The IAA should not become an enforcing body for standards as this would be contrary to the principle of subsidiarity; local associations were in a better position to assume this role. Was there a need for the IAA to be more explicit as to what happened with its international standards of practice so that they were not applied only at the request of a client? At some point, the IAA will need to form a group to research and resolve this issue.

One delegate stated his preference for an "opt-in" system rather than attempting to mandate the member associations centrally. The IAA had developed useful educational material and,

in a system where local professional associations opted into the system, the standards would be useful to clients.

Another participant added that, from the point of view of actuaries working in the field, the IAA educational guidelines might already be imposing a requirement on individual members without their being aware of it. From a legal standpoint, individual actuaries could be challenged on the failure to use these educational guidelines. It was agreed that this potentially serious issue should be referred to the Professionalism Committee.

Closing Remarks

President-Elect Hillevi Mannonen, attending her first Presidents' Forum, commented that she was pleased to have experienced first-hand the level of discussion and interaction amongst association Presidents. She assured the Forum that their comments would be passed on to the appropriate committees within the IAA and that, in particular, the comments on the IAA governance would be passed on to the Strategic Planning Task Force.

Globalization was a reality that spoke to the important role for the IAA. Transparency in decision-making, active and open communication, and prudence in using the IAA's limited resources should be at the forefront of the restructuring process. The Strategic Planning Task Force would hold discussions on these matters and bring forth suggestions on a timely basis. As had been discussed, she reiterated the need to form a strategic plan before moving on to any restructure. Hillevi thanked the Task Force on IAA Governance for their excellent paper and the speakers for their interesting presentations. Given the strong support expressed for the existence of the Presidents' Forum, she looked forward to future meetings and to working with its delegates in the coming year.

Following a brief discussion of the status of the Task Force on Governance report, it was agreed that a vote on the report and its recommendations would not be held, as only 40 per cent of the presidents of member associations were present. Furthermore, the report had been originally requested by the Presidents' Forum only to facilitate discussion of the subject. The IAA would be made aware of the views contained in the report and the resulting discussions. The President-Elect suggested that the next Presidents' Forum agenda include a report from the Strategic Planning Task Force outlining the progress of the governance issue.

Colm Fagan, Normand Gendron, Steve Lehmann and Fred Rowley volunteered to coordinate the agenda for the Presidents' Forum in Mexico City in April 2007.

José Luis Suarez, President of the CONAC in Mexico, encouraged all presidents to attend in Mexico where they will be warmly welcomed by their Mexican colleagues.

There being no further business to discuss, the meeting was *adjourned* at 5:20 p.m.