

Council Webcast

prior to Council Meeting in Cape Town

October 19, 2016

First Webcast (08:00 EDT) Attendance

Presenters:

Malcolm Campbell, President
Tom Terry, President-Elect
Fred Rowley, Immediate Past President; Chair,
Nominations Committee
Cecil Bykerk, Chair, Audit and Finance
Committee
Alf Gohdes, Chair, Actuarial Standards
Committee

Attendees:

Carla Angela
Ralph Blanchard
Errol Cramer
Eric Dal Moro
Rainer Fühaupter
Yas Fujii
Jill Hoffman
Ken Hohman
Hirota Ito
Jan Kars
Cathy Lyn
Yvonne Lynch
Jose Mendinhos
Abraham Hernández Pacheco
Juan Carlos Padilla
Francis Ruygt
Arne Svendsen
Lisa Wade
Peter Withey
Cynthia Ziegler

IAA Secretariat:

Nicole Séguin
Norah Neill
Carol Ann Banks
Christian Levac

Second Webcast (15:00 EDT) Attendance

Presenters:

Malcolm Campbell, President
Tom Terry, President-Elect
Cecil Bykerk, Chair, Audit and Finance
Committee
Alf Gohdes, Chair, Actuarial Standards
Committee

Attendees:

Vladimir Bubalov
Doug Carey
April Choi
Bob Conger
Mikkel Jarbøl
Edward Levay
Phil Merdinger
Dave Pelletier
Breanna Rodriguez
Michael Sherris
Andrés Vesga

IAA Secretariat:

Nicole Séguin
Norah Neill
Carol Ann Banks

1. WELCOME

Malcolm Campbell, President

Slide 1 – Welcome. This is a little bit of a trial in order to optimize time at the Council meeting in Cape Town in terms of allowing for more discussion. We have included into this presentation some of the pieces that are a little bit more routine. Some of the items here will lead to a discussion, but it's not the purpose to have the discussion here at during this webcast. The purpose is to present things, and there is an opportunity to ask questions about it, but I think it is going to be more productive to have any discussion

at the Council meeting in Cape Town so that everyone gets the benefit of the discussion. Ok, we will get started, Cecil you're on.

2. a. FINANCE AND ADMINISTRATION:

REPORT OF AUDIT AND FINANCE COMMITTEE, Q3 FINANCIAL STATEMENTS, INVESTMENTS PORTFOLIO OVERVIEW, INVESTMENTS POLICY OVERVIEW AND ROLE OF TREASURER

Cecil Bykerk, Chair, Audit and Finance Committee

Slide 4 – You can see the display of financials that are all in Canadian dollars. There is a comparison to September 2015 so you can see what is going on there. If you focus on assets and liabilities and in assets, you can see comparisons between 2015 to 2016 which is pretty much the same. If you go down to revenue, we have \$200,000 plus more in revenue and then you look at the expenses we also have a greater amount of expenses I'm sure due in part to our trip to St. Petersburg and other things. Then there are extraordinary items which include unrealized capital gains and losses and interest. The excess line, since we are a not-for-profit, it's not a surplus, it's a gain of revenue over expenses.

Slide 6 – This is an area we are focusing on as a committee. Although we don't have a huge amount of assets, we think we could do a bit better job with our investments and our reporting on our investments. You can see here how they are broken up.

Slide 7 – You can see the different asset classes; by equities, fixed income by percentages and by dollars.

Slide 8 – Many of you who were around back when we had the Secretary General and know that we had the Secretary General position carry the responsibilities of the Treasurer. When we transitioned away from that we enhanced the role of the Treasurer and passed it on to the Immediate Past President. Now that we have evolved as an organization, we have a fair bit more staff, most of the work is done in the Ottawa office by staff. So, we have begun to consider, wonder and discuss whether or not we really need to have the Treasurer position. We have analyzed as a committee what are the current roles of the Treasurer and if we eliminated that position how would that role or roles be taken care of.

ROLE	COMMENTS FROM PRESENTER	PROPOSAL
Ensures that the Audit and Finance committee's (AFC) terms of reference are clear and continually updated to reflect the strategic objectives of the IAA, utilizing the model terms of reference.	As any committee, the AFC has ToRs and those are approved by Council. So to the extent that those ToRs would be done in a normal fashion, any changes would first be considered by the EC and then go to Council.	A&F, approval by Council
Ensures that the committee follows the IAA's goals, implements a plan of action and stays on focus.	All committees in effect do this through EC or Council and the AFC is accountable directly through Council, perhaps a little bit different from some committees, but because of its role as care taker of audit and finance it does report directly to Council.	Council

Attends meetings as required.	The Officers are ex-officio members of the AFC and they are invited to attend the meetings, so that just kind of takes care of itself.	Not required
Reviews and signs off on hotel contracts and all other contracts over \$ 100,000.	That function would be performed by the President and in considering hotel contracts and so forth, anything unusual would be taken up by the Officers.	President
Reviews the investment portfolio to ensure the safeguarding of assets and compliance with the investment policy	This really is a function of and would be handled by the AFC, the EC, and Council. The policy is currently developed by the AFC, reviewed by the EC, approved by Council. There is a paper on the investment process and policy guides this process. Reporting wise: Secretariat to the AFC, the AFC to EC, and EC to Council. So the AFC already has the responsibility through its ToRs and investment guidelines and is required to report to the EC and Council at least annually and a paper regarding this is currently in place. So, in effect, this has already been taken care of at those different levels.	A&F, EC, Council
Reviews the financial statements	AFC and EC already review the financial statements; the audited statements are approved by Council. Again, that function is already being handled.	A&F, EC, Council
Oversees the preparation of the annual budget, for approval by the EC.	Currently, the Director of Operations and Finance help prepare the financial analysis and the presentation to the EC.	Director of Operations and Finance, EC, Council
Considers succession planning issues and discusses them with the Nominations Committee.	The EC has appointed EC liaisons to each committee who assist with succession planning so this would really be handled by the nominations committee and the EC liaisons to the various committees.	NC, Officers
<p>Compensation Policy</p> <ul style="list-style-type: none"> Market salary data will be reviewed by the ED in consultation with the Treasurer to ensure that pay rates remain competitive The salary ranges will be reviewed annually by the Treasurer 	This currently is handled by the Officers and so the proposal would be that if the Treasurer position is eliminated then it would more fully reside with the Officers.	Officers

<ul style="list-style-type: none">• On an annual basis the ED, in consultation with the Treasurer, will determine the overall annual budget for salaries		
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The plan is to discuss the role of the Treasurer in Cape Town. We wanted to give you an overview of this change now so that you would be in a better position to act on something in Cape Town.

QUESTIONS

Carla Angela, Council Delegate – Istituto Italiano Degli Attuari and Ordine Degli Attuari: At times meetings are required. Because the proposal is not required, does it mean it's not required with these meetings?

Cecil: Think about it in terms of the role of a Treasurer, ok, a person, and one of their charges was to attend meetings. And of course if the position Treasurer is eliminated whoever picks up the various parts of the role would be doing that but most of the duties are handled by Council, or will be handled by Council, or are already or by the Officers or the Executive Committee (EC). And all of those people already attend the Council meetings and other financial meetings that are required. So that is already taken care of. Other questions?

Carla Angela, Council Delegate – Istituto Italiano Degli Attuari and Ordine Degli Attuari: I am wondering if some of these views should be also applied to the Treasurers of the Sections. For example, ensure that the committees follow the International Actuarial Association rules implements a plan of action, maybe responsible only of the Council. This is a responsibility of the Section also, so I would like to think that some way maybe we can implement them in this document not only thinking of the role of the Treasurer of the International Actuarial Association but also the Treasurer of several Sections.

Cecil: Thanks for that question/comment. I don't have a specific answer now Carla, but we will take that under advisement and discuss that as we move forward towards Cape Town.

Post webcast response: The point of contact for the Section Treasurers is the Director of Finance and Operations, who reports to Audit and Finance Committee.

Bob Conger, Council Delegate – Casualty Actuarial Society: Who will chair the Audit and Finance Committee?

Malcolm Campbell: That would be Cecil.

Cecil Bykerk: The role of the Treasurer is separate from the Audit and Finance Committee and the Audit and Finance Committee is defined to be 3 individuals who are from each of the 3 regions: USC, EUR and ROW, so nothing would change there.

2. b. FINANCE AND ADMINISTRATION: [2017 DUES RECOMMENDATION](#)

Tom Terry, President-Elect

Slide 10 – The topic of the increase of dues was first introduced at our last meetings in St. Petersburg but we did not have a specific amount for Council to consider about the dues. Since then, we have worked with the EC and we do have a recommended dues increase as you'll see on this page. Just a little bit of background. Our budget has been running this past year at about 2 million dollars, we will see slight increase next to about 2.1 million Canadian dollars. We are recommending a dues increase from \$17.75 to \$18.75 per actuary which we deem to be needed for purposes of a break even budget. The EC noted as we prepared this recommendation that we are operating at a relatively low surplus level. Our net surplus, net assets and liabilities is running about \$600,000, which is lower than we would hope and lower than maybe deemed prudent for general standards for an organisation like us. So the dues increase, we want to note, does not address building up that surplus again nor does it address the needed investment that we believe is going to be required in the next year or two to upgrade our technology platform. So, I wanted to flag that point that we still have some work to do to make sure we have a sustainable organisation going forward, but we are confident for 2017 that the \$18.75 will be sufficient. Let me add one more bit of context, and that is that the EC in St. Petersburg continued that conversation that we always have about monitoring IAA operations and how we spend our money. We have ideas, we continue to push those ideas, some of those are very minor, some of them are more significant but we constantly talk about the efficiency of the IAA operations. I'll note that one thing we have concluded is that the reason why our budget increases, and has increased over the last several years, is that the IAA is doing a lot more today than we have done in years past and the level of activity of the IAA has grown substantially over the years; which leads me to my final point I want to make which is that the IAA is about to commence a review of its strategy. We all are familiar with the 6 strategic objectives which we orient to all the time in terms of guiding the work of committees, working groups and Sections and so our strategic objectives are an important factor in the financial requirements of the organisation We are planning on commencing a review of our strategic objectives this fall. We expect that we will have something to talk to Council about in Cape Town. We think that everything is on the table and under consideration. Our future resource needs, we believe, will be influenced by this review. We expect and want active participation from the Council and everyone in the IAA as it relates to where our strategy is headed. So I just want to emphasize we are just beginning a process that we will all have an opportunity to weigh in on in Cape Town, but it's only the beginning; there are no preconceived notions, everything is on the table, everything will be considered and I think many of us that have been involved in this are very enthusiastic about the opportunity to evaluate where we've been, where we are and more importantly where we're headed. We are going to really need the Council to weigh in and give us some great contributions and so forth as we prepare for a Council discussion on this topic in Cape Town. The final thing I'll say before we leave this slide is that we will have an opportunity to discuss this dues recommendation in Cape Town. The purpose of presenting this to you today is to get you thinking about it so that when we do get to Cape Town we can have some good concise discussion about it and we don't have to spend a lot of time presenting it. There was a 3-page background write-up distribution about our financial outlook which was included in one of the mailings having to do with this webinar so I would encourage you to take a look at that as it includes a little bit more detail than I've included here. That is my brief presentation on the dues recommendation

Malcolm Campbell: Ok, thank you Tom. As Tom said, the intention is to discuss this Cape Town but if there is a question about the paper we can take that now.

QUESTIONS

Juan Carlos Padilla, Council Delegate, Colegio Nacional de Actuarios A. C.: Thank you Tom for the presentation. I think it is very clear, but just a few comments. First of all, I don't know if we can present to the Council in a more specific way what happens if we don't increase that dollar, the dues for next year, what will be the impact and also the risk for not approving the full increase. I hope that Council will approve the dollar increase that you are recommending but what is the scenario if that amount is not approved. What would be the impact on the operations? Also you mentioned Tom which I think is extremely important the work that the Strategic Planning Subcommittee (SPS) is doing at this moment to have a precise diagnosis on what we are doing and what we have achieved and if we are going in the right direction, if the structure is the right structure because 66 committees and working groups to begin with seems like too many, but that's what we need. That's why it's so important to have a complete and precise diagnosis from the SPS in order to know how well we have achieved our programs, our activities and to respond to the strategic objectives. You presented 2 pie charts that outlined how do you expense what's been done according to the strategic objectives and also according with the categories. Are those expenses distributed the way we expected or they just came in this way? Or we should balance in different way the expenses by the strategic objective and also by categories.

Tom Terry: Juan Carlos those are terrific comments and I thank you for them. You're right on this last point: we will be evaluating how we apply resources towards those strategic objectives; a broad look at how we are doing and what we are doing is important. I will make sure that we bring to the Council meeting the implications of not increasing the dues so thank you for that suggestion.

Post webcast response: Too many committees and TF's? This needs to be addressed in Cape Town. First, there is a need to present a slide that shows the expenses relative to the number of committees/TF's. That was not in the papers. Second, it will need to be mentioned that this is one of the focus points for the strategy day on November 17.

Juan Carlos Padilla, Council Delegate, Colegio Nacional de Actuarios A. C.: Sorry just to take a few seconds more. It is very good to look closely at expenses, but I don't see any reference to income. I think we should also review if we should find another way of sources of income to the IAA. There have been some recommendations, but I don't know what the policy is of having more contributors or other ways to raise our income because I think that is the other part of the budget that is very important to look at not only expenses but also income.

Tom Terry: Thanks for that suggestion too, Juan Carlos. I will say that the EC does take a look at that and has taken a look at that, but let's make sure that we touch on that when we get to Cape Town.

Post webcast response: What if there is no dues increase? This was actually in the paper that was distributed. No increase would imply a 95k loss and a decrease in surplus from 28% to 23%.

José Mendinhos, Council Delegate – Instituto dos Actuários Portugueses: I think this initiative is really a good initiative because I have read the documents. They are very well structured, as usual but it is good to have a talk on the subjects before the Council. On the dues, of course you know that my association is not a big association and we are not rich but we are not going to be ruined by that \$1 per

person increase; but I really don't see the need of that because when you look at the accounts, we have at the IAA a very good situation. Everything you said I'm sure is true, no doubt about that, but you are ignoring the huge profit made with the congress and in 2 years' time we are going to have another congress so most probably we will have another profit on that also. We are reducing an important staff, the Treasurer, so we are reducing expenses. We are on the other side always increasing the number of actuaries so there is an increase in the income, the natural increase. So, I don't see the need for the increase of the dues even including the activity we have been doing in the last years. So this is my general comment and perhaps in Cape Town you could explain better the reasons for that.

Tom Terry: Ok, great. I will thank you for that, for those remarks and those questions so I will make sure we address each of those in our Cape Town presentation and we will have an opportunity for more discussion on exactly these points, so thank you.

Post webcast response:

Increase in members – prudent budgeting is not to rely too much on increase of members. This will need clarification in the papers.

Typically, the congresses have not generated high surpluses and any surplus has usually been restricted to specific activities.

ICA 2014

75% of the net surplus (\$438,340) was transferred to the IAA and is externally restricted (by congress organizers) for use as follows:

Initiatives relating to the support of actuaries and the actuarial profession in developing countries

Financial Assistance Fund	50,000.00
Work of A&A / AWB	125,000.00
Congress bursary fund	138,340.00

Defraying the operating expenses of the various IAA Sections.

Section administrative costs	125,000.00
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It is expected that these funds will be expended over a 5-year period, starting in 2015.

ICA 2018

Any surplus over 10,000 Euros will be allocated as follows:

Any net surplus generated by the Congress, after the payment of all Congress expenses will be distributed as follows:

- 25% of the net surplus will be transferred to the Congress Reserve Fund of the IAA;
- 25% of the net surplus will be transferred to the IAA Special Fund for use in financing Committee and Council meetings, and in supporting the IAA's initiative to fund travel costs of delegates from developing countries to attend IAA Committee and Council meetings;

- 25% of the net surplus will be transferred to DAF for the establishment and maintenance of a content-based electronic platform promoting actuarial knowledge and professional development for actuaries worldwide; and
- 25% of the net surplus will be transferred to DAF as an unrestricted contribution for its programmatic activities.

3. NOMINATIONS COMMITTEE (NC) [REPORT ON DIVERSITY](#)

Fred Rowley, Chair, NC

Slide 11 – The NC is always aware of its goals in terms of diversity and we have a very broad scope to seek diversity in the nominations as they are made. The first way we look at nominations is to contrast them with the proportion of the people attending the various meetings so you'll find that the meeting attendance is in that first column on the left and the recommendations from the NC on the next, the large columns. I'll talk through those contrasts just briefly. The first thing to draw attention to is the proportion of the non-native English speakers in the recommendations for the NC is around the 42 percent, something like that, compared to just over 50 percent attending the meetings and that's a relatively stable position and I think it is improving slightly and we are working on it, but that's where we have been for some time. We have measures designed to assist non-native English speakers to participate in meetings but this may be something where we just need to try harder, I'll come back to what "trying harder" means at the end. The small associations are sitting around 10 percent which is obviously below the proportion attending the meetings. The interesting thing is to regard that as a proportion when you look at the proportion that small associations represent of the overall number of actuaries in the world they are actually ahead of that proportion. So I guess we are picking a higher proportion of our nominations from the smaller associations in regard to that measure. There is an observation that the attendance at these meetings tend to be different people and the smaller associations don't get the continuity that the larger ones do but again that's not something we have statistics to back-up. The proportion female is around 16 percent of nominations and around 8 percent of those attending in averages and I think that is not out of proportion in terms of who is taking part in the meetings. It probably is out of proportion in proportion to the number of female actuaries in the world. So, the question there comes back to who is attending. The geographic diversity is about in line with the attendance, it is quite variable depending where the meetings are but that is something we are not very worried about. The geographic diversity is something we apply very systematically in the NC and we always do have scope to use it. I think one other aspect of diversity is age but we don't have statistics for that but we do actively seek out younger participants in all of the committees. In all of these measurements, we can always do better. The levels are fairly special and we are probably improving on some of the measures as we go. The real issue I want to stress to Council is these proportions are against who is attending the meetings. If we really want to get diversity in nominations for our committee leadership, and even for the presidency, then we will need to have a more diverse selection of nominees coming forward and that probably means that the members associations may need to think harder about the diversity of their own delegates coming to committees. I will close with that in mind. I will say one last thing, nominations for the presidency is one area we actively seek to get candidates for and to get diversity into that. We don't get as many nominations as we would like, so for all of you out there, the more we see the more we can consider and if we don't see them we can't consider them.

Malcolm Campbell: Thanks very much. This was more background than anything else so this was more information. The actual nominations themselves will be discussed at Council in Cape Town.

QUESTIONS

Juan Carlos Padilla, Council Delegate, Colegio Nacional de Actuarios A. C.: Thank you very much Fred. I think it was a very good exercise to put this chart on different findings about participation and diversity. I would like to try a deeper exercise to interpret in a more complete way what these numbers mean. For instance, I think the numbers for the rest of the world could be a little confusing or misleading because we as we know there are 35 countries in the rest of the world but fairly dominated by 3 large organisations that are in that region. So, I think that we have to look more carefully what should we do with the rest of the world because even though the numbers when you put them together but if you display them in more detail we will see that most of the representation is coming from the large organisations and the rest are very light participation. So, I think that one issue that the NC, EC and Council has to look at it because it doesn't seem to have the right representation. The NC has problems getting more and more candidates from small and medium organisations and also from the rest of the world but in my belief the Council has maximum authority of the IAA to have more information and perhaps a better understanding of how the NC take the decisions and the recommendations and the criteria they follow to select the presidents. We know that we do not have too many candidates but we know when we have a fairly good candidate, is put aside. So, I think that for me the Council should know better the criteria and the way the NC take decisions on this matter.

Fred Rowley: Thank you Juan Carlos. I think we can always do better with analyzing the statistics and we will take those ideas going forward. I think we will go and think about the request for information about decision making. All of the processes of the NC are set out in the protocol and of course part of the protocol is confidentiality. I think you are raising an interesting point and one we should think about but I its not necessarily going to be easy to follow through. Thank you very much for the suggestion and we will give it some thought.

Abraham Hernández Pacheco, Chair – PBSS Section: Just talking about diversity, let's see if we can come up with some ideas in Cape Town of how to enhance the participation especially of female and younger actuaries.

Malcolm Campbell: That is something we have been looking at and will look at. We are aware that it would be good if we could achieve that but we are open to suggestions and we are considering it.

4. REPORT FROM THE ACTUARIAL STANDARDS COMMITTEE (ASC)

Alf Gohdes, Chair, ASC

Slide 12 – We have spent most of our time since St. Petersburg on ISAP 1A and ISAP 5. When we were in St. Petersburg we had got the comments in from the exposure draft that was exposed for 6 months and we started working on responses to that. We exposed the final draft for 30 days between the middle of August to the middle of September. We received almost the same member associations that had commented to the exposure drafts comment again on the final drafts. Most were happy with the changes we had made but there were one or two tweaks that we inserted and put those on the 60-day agenda and we have the final, final proposal that we will be able to put on the 30-day Council agenda.

Slide 13 – We had a first time situation here that the task forces not only had to deal with their subject matter and obviously the commenters as well but we obviously had to coordinate between those two task forces. So, the ISAP 5 Task Force and their commenters had their own views on what ISAP 5 should contain and the same was true for the ISAP 1A. The two task forces were doing their own thing but they

had to coordinate with each other. As you know what we issue from the ASC are model standards and these model standards have to follow some model, right? Or some idea of what it should be, a principle, or as the Greeks would say they had to follow some “goddess” of standards.

Slide 14 – The task forces moved forward individually, those are the 2 dolphins, but they also kept the model steady. Another message that this picture gives us is that the whole work of the last 2 years was fast but it wasn’t hurried.

Slide 15 – As you know we have 3 other ISAPs in the process ISAP 6, ISAP 7 and ISAP 4, we will be talking about them in Cape Town. There has been a lot of work that those task forces have been doing and the ASC too, but primarily the task forces.

Slide 16 – We have put this graphic on the ASC landing page showing the work status. So, just looking at ISAP 1 for an example, we started in 2010 and finished in 2012. We see now that the processes have become lengthier not just because of the Due Process which was tightened up and fit with our governance principles better than it did before. With the Professionalism Committee the ASC is considering interaction of ISAPs with educational material which we call IANs. We also work with the Standard-Setters Roundtable which is just an exchange of ideas, facts and information on what is happening around the world, so we keep in contact with them. One of the goals I had during my Chairmanship was to be in contact with local associations. I was at the Iberian actuarial congress in June this year and we want to continue doing that.

Slide 17 – We hope that ISAP 1A and ISAP 5 will be adopted together and the next step would be to hold a webinar in probably January 2017.

Slide 18 – We are planning to survey the member associations and standard setters regarding the dating of ISAP 1. Since its adoption in 2012, we have had some ideas that have floated how we can clarify. This will be a cleaning up/house cleaning exercise. We will canvas the members before we do so with the ideas we have and suggest 1A gets merged into 1 because they are both in respect of general actuarial practice.

COMMENTS

Edward Levay, Correspondent – Israel Association of Actuaries: Thank you all for the excellent presentation and update. I believe that we will get the short summary of the discussion from today? We are moving forward very well from the IAA point of view but maybe we could get a couple of words on the discussions and the points here.

5. ADJOURNMENT

Malcolm Campbell: Hopefully this has been useful. We will evaluate this after the meetings in Cape Town but hopefully this exercise means we’ve got another hour for discussion in Cape Town. Thank you all very much for attending and we will see you in Cape Town.