Pre-Council Webinar

Gábor Hanák
IAA President
April 24, 2019
Welcome!
Opening remarks by President Gábor Hanák

The purpose of this webinar is to preview certain topics that we will be discussed at our in-person Council meeting in Washington DC.

We will not do a roll call of participants. The attendance list and recording of webinar will be sent afterwards.

We will set aside 5 to 10 minutes at the end for questions or comments. Please use the WebEx Question & Answer facility for this.
Today’s agenda

1. Welcome remarks
2. Brief overview of the Washington DC. meetings (May 14-18)
3. Council agenda – May 18
4. More background on some of the topics
   • IAA Renewal
   • IAA Internal Regulations
   • 2018 Financial Statements & 2020 preliminary Budget
5. Questions or comments
Brief overview of the Washington DC. meetings

May 14-18
Overview of the Washington DC. meetings

**Tuesday, May 14**
- Banking Seminar: The Evolution of Modeling, Analytics, and Risk – organized by the ASSA, CAS, CIA and SOA

**Wednesday, May 15**
- Presidential Town Hall including IAA Renewal  08:30 – 12:30
  IFRS 17 update, IAIS update, OECD update, Sections update

**Saturday, May 18**
- Members Forum / Pre-Council Discussion 08:00 – 12:30
- Council  14:00 – 18:00
Council Agenda
Saturday, May 18
Council agenda

Consent agenda

• Results of electronic ballots since December 1, 2018 Council Meeting
  – Approve the revised vision, mission, values and strategic objectives
  – Approve the changes to the Terms of Reference of the Membership Committee
• Ratification of Executive Committee’s appointments to fill immediate vacancies
Council agenda

Statutory committee reports

• President and Executive Committee
• Nominations Committee
• Audit and Finance Committee and Administration
  – Report from the acting Chair of the Audit and Finance Committee
  – Audited financial statements for 2018 – for approval
  – 2020 preliminary Budget – for discussion
Council agenda

Business agenda

• Internal Regulations - for discussion
• IAA Renewal - for discussion
• Actuarial Standards Committee
  – Strategic Action Plan for International Standards for Actuarial Practice (ISAPs) – for approval
  – Typographical changes to ISAP 1 as approved by the Executive Committee – for information
• ICA 2018 report
Council Business Agenda
IAA Renewal - for discussion

Saturday, May 18
Identified issues until Mexico City Council

- Our current structure has grown to be too complex
  - Difficult for FMAs to understand and have meaningful involvement in IAA initiatives
  - Difficult to assure that all our work is in alignment with the strategy of the IAA
  - Duplication of topics; duplication of effort
- Small or decreased participation in some committees
- Increase in cross-committee activities
Identified issues until Mexico City Council (continued)

- Insufficient “top-down” direction and management to assure IAA work product fits with our strategy
- Few opportunities for more direct involvement of FMAs
- Efficiency of bi-annual IAA meetings
- Efficiency of the operations of Sections
- Assuring the quality and strategy-alignment of all work produced under the IAA brand
- IAA governance – decision making, role and composition of the EC, assuring strategy alignment, etc.
Organizational Chart presented in Mexico City
Identified issues at the Mexico City Council

• Although overall agreement on the high level three key Strategic Objectives: Impact, Assure, Advance…
• …suboptimal governance on Council decision-making and agreeing on strategic initiatives
• It is not just the structure of entities of the IAA that need renewal …
• …some of the key elements of the IAA governance and the IAA culture need rethinking
IAA Renewal Task Force (RTF)

- Created by the Executive Committee right after the Mexico City Council meeting
- Comprised of 14 Full Member Association (FMA) delegates, representing an appropriate diversity of the IAA in terms of size, geography and language, also includes 1 Section delegate
- Chaired by Charles Cowling of the Institute and Faculty of Actuaries
- The Officers and the Executive Director are non-voting members
- 2 in-person meetings: London (Jan 14-15) and Paris (Feb 21-22)
- 8 conference calls
RTF Terms of Reference

- Develop recommendations for an improved governance and organizational structure of the IAA
- The new governance and organizational structure should reduce unnecessary complexity and improve the operation, efficiency, and decision-making of the IAA
Key issue

- Effectiveness of Council
- Current Council is too big to be effective
- The Executive Committee consists of “IAA hat” members
- There are serious issues where FMAs have different views such as
  - what concrete strategic initiatives would best serve the high-level Strategic Objectives?
  - should the profession grow worldwide where it does not exist?
  - should we embrace a wide diversity of actuarial topics/initiatives?
  - what should be the future role of ISAPs?
Key issue

• There is a need to create a new body that
  • is a subset of Council;
  • is much smaller than Council, allowing for effective discussions and settling controversies;
  • still broadly representative of the diversity of Council;
  • does not make decisions on behalf or instead of Council; and
  • consists of FMA representatives

• The answer of the RTF is to create a Strategic Planning Committee (SPC)

• Key principles, but not all details, developed/agreed and now presented for discussion before and in Council in Washington

• The RTF also touched the structure but further work is needed
RTF is an archetype of the SPC

- FMA representation
- Diversity of views
- Very difficult to work out consensus or compromises – but managed in most cases
- The “Locked Room Group”
Able to make compromises
Unable to make compromises
Key principles agreed

Executive Committee

Audit and Finance Committee

Nominations Committee

Council

Strategy Planning Committee

Direction: Reporting:
Key principles agreed

Council

Audit and Finance Committee
Nominations Committee

IAA

IAA

FMA

FMA

SPC

Recommend strategy

Direction: Reporting:

Executive Committee
Execute strategy
Key elements of the proposal to create the SPC

• The FMA populated SPC recommends strategy to Council – no decision making, no operational tasks

• Transfer all strategic matters from EC to SPC

• No changes to Council, Nomination Committee (other than new requirements to fill SPC), Audit and Finance Committee

• 12 member FMAs recommended by Nomination Committee and approved by Council. Selected amongst 3 Tiers by size (750-; 750-5000; 5000+ MWAC)

• Chaired by Immediate Past President. Other Officers and Executive Director attend as non-voting ex-officio members
SPC Observers

- General agreement on the need to have observers
- No agreement on limiting (or not) the number of observers
- Difficult to find the balance between the need to keep the SPC small and effective while allowing FMAs who want to contribute the chance to do so
- Proposal of the majority of the RTF:
  - Start with an unlimited number of observers
  - Limit the number of observers if that proves ineffective
- Minority view: no limit on the number of observers
RTF next steps

- Listen to guidance of Council in Washington
- Work on
  - details of the governance related recommendation;
  - IAA Structure and key functions (Impact, Assure and Advance);
  - IAA culture;
  - future communities and bottom up work.
- These will require considerable work between now and Tokyo
- The transition work post-Tokyo will be extensive
Discussions in Washington D.C.
Times to have discussions in Washington on important matters

- May 14, Wednesday morning during the Presidential Town Hall
- May 18, Saturday morning during the Member’s Forum
- May 18, Saturday afternoon during Council
Council Agenda - Audited financial statements for 2018 & 2020 preliminary Budget

Saturday, May 18
Audited financial statements for 2018 – for approval

• Lower assets as 2018 was a Congress year when significant bursaries were paid out to support actuaries from around the world to attend the Congress

• Unrealized loss on investments followed the market contraction in Q4-2018

• Expenses
  – Amortization, professional services and website are all increased due to the new IT system
  – Initiative were for the following Section programs: VICA, ASTIN Annual Report, IACA Jubilee events and the IACA Tender Warehouse

• Lower revenues were forecast and lead to the Fees Task Force

• Overall deficit was lower than expected

• Unallocated reserves continue to go down, now at 2.6 months of operations
2020 preliminary Budget highlights – for discussion

- Slight surplus – first time in 3 years
- Fees remain unchanged at C$18.75 per count – 5th consecutive year
- IAA reserves remain a priority
- Increased meetings and travel cost for additional SPC meetings
- Increased staff support for the transition to the new structure
- 4% reduction in total expenses YoY
Questions & Answers