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AMERICAN ACADEMY *of* ACTUARIES

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Thomas F. Wildsmith IV, MAAA, FSA, *President*

March 25, 2016

Dear Members of the IAA Executive Committee:

We appreciate the two webinars held by the Education Committee's Syllabus Review Task Force last week. It was useful to hear directly from Task Force members. Their comments underscored our conviction that there is still no clarity about the purpose of the proposed syllabus, how it will be used, and its likely impact on Full Member Associations (FMAs). The purpose of this letter is to identify what we believe the underlying governance issue to be, to clearly state the position of the American Academy of Actuaries (the Academy), and to suggest some alternative approaches to clarifying how the syllabus would be used.

On the one hand, we heard comments from Task Force members acknowledging that the new syllabus will require significant changes by FMAs, and suggesting that the webinars represented the last opportunity for FMAs to comment on the syllabus and that the syllabus would become the basis for additional detailed accreditation requirements.

- "This is change"
- "We all need to change"
- "Future circumstances by definition require change"
- "We can't know until our ideas are put into practice which FMAs will have difficulty"
- "This is your final opportunity for comment on the syllabus"
- "Detailed accreditation requirements based on these will be discussed further after approval"

On the other hand, we also heard comments from Task Force members suggesting that the new syllabus does *not* represent a significant change, that it is simply a recommendation that will be discussed further at Council, and that detailed compliance will *not* be enforced.

- "This is simply more detail except for one or two areas"
- "We would like to maintain a system much like we had in the past"
- "Fully in support of a governance system like we had in the past...collegial...light touch"
- "We won't consider minor variations a problem"
- "The Education Committee only sends recommendations to Council. It is up to them to act"
- "Fully aware of the fact that we may have gotten it wrong"

I do not know whether these mixed messages represent real differences of opinion within the Task Force, or simply a lack of clarity about the recommendation and how it would affect the relationship between the International Actuarial Association (IAA) and its FMAs. In either case, it is evident that we do not yet have a common understanding of what is being proposed. Because of this, we believe that the Education Committee's request for a vote by April 12<sup>th</sup> on the revised syllabus is premature.

The deepest disagreements surrounding the role and implementation of the proposed International Association of Actuaries (IAA) Education Syllabus do not arise from differences in educational goals or philosophies. Instead, they are the result of different views of how the IAA is – or should be – governed. The IAA has historically approached member actuarial associations with an attitude of inclusiveness and support, rather than an attitude of top-down enforcement.

Our past president, Cecil Bykerk, served on the IAA Education Committee for more than twelve years, half of that time as chair of the committee. This period of service included the entire period of time during which the initial Syllabus and Education Guidelines were developed, as well as the following period of rollout and implementation. In that role, he was fully engaged in evaluating and providing guidance to the many applicants for FMA status. During these formative growth years for the IAA, the Education Guidelines – including the Syllabus – were used in a manner that is fundamentally different from what the Syllabus Review Task Force is now describing. The Education Committee truly had a “light touch.” For example, it chose to withdraw from the website examples that had been developed and posted reflecting approaches and documents that could be viewed as consistent with the IAA’s Education Guidelines, because those examples were beginning to be seen as the only preferred manner of demonstrating “compliance.” It was not the practice of the Education Committee, nor the intent of the IAA, to provide a level of detail that could be misinterpreted as rigidly prescriptive or mandatory. The Academy believes this approach is both correct and consistent with the original intent of the founders of the IAA as reflected in the IAA’s governing documents.

Sub-Section 2.2.2(d) of the IAA Internal Regulations, part of the section on Accreditation Criteria, is central to this discussion. Proponents of the proposed Syllabus have used the first sentence of this subsection to justify positioning the proposed Syllabus as a regulatory requirement imposed on Full Member Associations (FMAs) by the IAA, with the understanding that FMAs would be obligated to render detailed compliance.

*“The Full Member shall require all of its actuaries who are recognised as having attained fully qualified actuarial status on or after January 1, 2006 to successfully complete an education programme compliant with the Education Guidelines and the Education Syllabus, as adopted by Council from time to time.”*

We believe that pulling out this one sentence, while ignoring the rest of the subsection, seriously misrepresents the intent of the Accreditation Criteria. In particular, we would draw attention to the last two sentences of the sub-section.

*“Components of the Education Syllabus may be given different weight by different actuarial associations, and subjects may be arranged and material from various topics within the Education Syllabus may be combined in an education system as appropriate. An education system may be assessed based on the overall balance between depth of coverage and breadth of coverage, rather than a narrow focus on each part of the Education Syllabus.”*

The Academy believes this language is very clear. Notwithstanding the details of any syllabus that may be promulgated by the Education Committee and adopted by Council, FMAs have the right to adapt the various components of that Syllabus to their local needs. This right to adapt goes beyond the ability to make minor adjustments to the specific subtopics covered within a topic area. FMAs have the right to rearrange and reweight the subjects to be covered, and to find the overall balance between depth and breadth of coverage that best meets the needs of their members – and of the public served by their

members. This interpretation of sub-section 2.2.2(d) is consistent with the language of sub-section 2.2.2(a), which obligates FMAs to have a code of professional conduct. It explicitly states that “[t]he code of professional conduct must be consistent with the principles described in the provisions below, but the provisions contained in the code do not need to be identical with the provision below.”

When the current accreditation requirements were adopted, the IAA syllabus was a short set of broad guidelines. (We have verified this with those among our own leadership who were part of that process.) This is in sharp contrast to the proposed syllabus, which specifies precise percentage requirements for the coverage of topics and subtopics within individual learning areas, while at the same time expanding the number of topics and subtopics from 99 to 260. We were – and still are – quite comfortable in committing to a set of broad educational guidelines that are flexibly applied, as described in the last two sentences of section 2.2.2(d). That is what we – and we believe most of the other FMAs – understood that they were agreeing to. We certainly did not intend to cede to the IAA the authority to regulate actuarial education in the United States.

Had we known that the language would be interpreted to justify viewing the IAA as a global regulator for actuarial education, we would not have agreed to it. We do not believe most other associations would have agreed to it either. This would be – in our view – fundamentally inconsistent with the original intent of the Accreditation Guidelines, which emphasized the flexibility of FMAs to adapt any syllabus to their own local needs.

However, the discussion around the proposed syllabus has made it clear that there is some disagreement regarding how the Accreditation Guidelines should be interpreted. We believe this disagreement must be resolved before any final decisions may be made regarding the acceptance of the proposed syllabus. Used appropriately, the proposed syllabus will doubtless prove a useful tool for many FMAs. It encompasses a wide range of subjects that will be of importance to the actuarial profession of the 21<sup>st</sup> century. But the Academy believes that a syllabus “update” should not be the vehicle for making a fundamental change in the nature of the relationship between the IAA and its FMAs.

Some have argued that the IAA’s education requirements have evolved over time so that, whatever the original practices may have been, the Syllabus now represents a mandatory minimum requirement – and that this evolution has long been well understood and accepted by IAA members. We disagree. The Education Committee may, in recent years, have quietly begun taking a more aggressive approach to new applicants. This has never been explicitly authorized by Council, and we believe that most existing FMAs have been unaware of the implications because it has not directly affected them. The Education Committee has now crossed a significant Rubicon by explicitly asking Council for the authority to take on a regulatory role that would affect each and every FMA. This is an authority that has never been given to them, and we believe is fundamentally inconsistent with the purpose and structure of the IAA.

We strongly believe that the long-standing relationship of support and assistance should be maintained, and a change to one of regulation and enforcement should only be made by a very conscious decision of the full Council.

Assuming that the Council does not intend to change the original consensus understanding of the Accreditation Criteria, there are several ways in which that intent could be clarified. The purpose of any such clarification would be to ensure that any current or future changes to the IAA Education Syllabus will not be interpreted as altering the relationship between the IAA and its FMAs.

In the Academy's view, the key elements of the original consensus understanding of the Accreditation Criteria regarding the IAA Education Guidelines, including the IAA Syllabus, are as follows:

- They are not an enforcement mechanism.
- They are intended to:
  - Provide the Accreditation Committee and Council with a tool to use in evaluating applications for membership; and
  - Provide Full Member Associations with a tool they may use in improving their educational programs.
- An FMA may adopt the IAA syllabus as a model, adapting it as they deem most fitting for their local jurisdiction, and in the best interests of their members and the public.
- In adapting the syllabus, a Full Member may take into account any factors they deem relevant, including but not limited to local laws, regulations, patterns of practice, qualification standards, licensure requirements, and educational needs and resources.

The Academy believes the current language is clear. However, the current debate over the proposed syllabus suggests that further clarification is needed. If the Council were to reaffirm the key elements of the original consensus, and appropriately memorialize those elements in writing, the Academy would then be in a position to support the proposed syllabus.

The simplest method would be to adopt an interpretation document, similar to the one adopted for subsidiarity, that would cover these key elements. Adopting such a document would assure FMAs that the adoption of this, or any future updates to the IAA Syllabus would not undermine the principle of subsidiarity or change their relationship with the IAA in any other way. Another approach would be to add appropriate language covering these elements to the Education Guidelines. A third approach might be to replace the last two sentences of sub-section 2.2.2(d) with more detailed language stating the principle that a Full Member may adopt the IAA syllabus as a model for its education programme, adapting it as they deem most fitting for their local jurisdiction, and in the best interests of their members and the public.

The Academy strongly believes that any such clarification should reflect the original intent of the Accreditation Criteria, the long-standing historical practice of the IAA, and the complementary roles of the IAA and FMAs in advancing global actuarial practice. It should also reflect the ultimate purpose of actuarial education programs around the globe, which is to ensure that actuaries are fully prepared to responsibly provide professional actuarial services in the specific jurisdictions in which they practice.

As currently framed and described by many, if not most of the members of the Task Force, the proposed syllabus represents much more than a simple list of actuarial topics. It is not appropriate to suggest that FMAs can adopt the proposal in its current form and work out the governance issues later – they are an essential part of the proposal. This is implicit in the syllabus itself, which specifies precise percentage requirements for the coverage of topics and subtopics within individual learning areas. We continue to believe that a vote for the proposal is a vote for fundamentally changing the relationship between the IAA and its member FMAs. Thus we must oppose the adoption of the proposed syllabus until its impact on the relationship between the IAA and its member associations is clarified.

We value our collaboration with the IAA, and would appreciate the opportunity to discuss these issues at the next Council meeting.

Sincerely,

A handwritten signature in black ink that reads "Tom Wildsmith". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

Tom Wildsmith, President  
American Academy of Actuaries

Cc: Malcolm Campbell, President, IAA