



AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

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

March 11, 2016

Mr. Malcolm Campbell
President
International Actuarial Association

Mr. Klaus Mattar
Chair, Education Committee
International Actuarial Association

Dear Malcolm and Klaus:

I'm writing on behalf of the American Academy of Actuaries to dispel some common misconceptions about the place of Enrolled Actuaries in the U.S. profession. There seems to be a perception that the recognition of Enrolled Actuaries represents an unfortunate weakening of standards that has been made necessary by the internal politics of the U.S. profession. Nothing could be further from the truth.

The passage of the Employee Retirement Income Security Act (ERISA) of 1974 was a watershed moment for pension actuarial practice in the U.S. – equivalent to the Morris Review in the United Kingdom. In response to national concern about the management of private sector pension programs, the legislature determined that government intervention was necessary. Part of that intervention was the establishment of licensure requirements for actuaries who perform specific functions for pension plans governed by ERISA. The Joint Board for the Enrollment of Actuaries was established to govern this licensure process for “Enrolled Actuaries” (EAs). The scope of services performed by EAs is, by design, very specific – but the new licensure requirements raised the standards in this area of practice, which was their purpose.

To put this into perspective I, like many other actuaries seeking Society of Actuaries (SOA) credentials at the time, took a pension mathematics exam. My score was high enough to satisfy the requirements of the SOA, but not high enough to meet the requirements of the Joint Board. Of course, the exam served different purposes for the two organizations, so different pass rates were completely appropriate. The SOA examination program was designed to demonstrate competence in a wide range of actuarial topics. The Joint Board, in response to the mandate given it by Congress, required an even higher level of competence in actuaries licensed to provide specific services to pension plans governed by ERISA. It would be hubris for me, or anyone who has not met the requirements of the Joint Board, to claim that they are – simply by virtue of having a different designation – more competent or more qualified than an EA working within the scope of his or her license.

The Academy faced a difficult decision when the Joint Board was established. The power to define who was an “actuary” had been – in a specific, narrow area of practice – taken away from the profession. The Academy could have ignored these individuals. Instead, we chose to professionalize those whom the U.S. government licensed as actuaries. By including them, instead of pretending they do not exist or engaging in a fruitless dispute over definitions with the government, we brought them within the scope of our Code of Professional Conduct, which requires them to only perform services for which they are qualified, and our disciplinary process.

Similar situations may well arise in other jurisdictions in the future, as the result of perceived or real failures in the actuarial community. As the U.S. experience illustrates, when governments intervene, it will be to raise standards in specific areas, not to lower them. When governments choose to license actuaries, the wise response is not to exclude them, but to bring them into the broader structure of the profession with its codes of conduct and standards of practice.

Forty years ago it was the judgment of the Academy’s Board of Directors that it was in the best interest of the U.S. public to professionalize individuals who were licensed by the Federal Government to perform critical actuarial services for pension plans. Looking back today, we are more convinced than ever that this was the correct decision. It is also the type of decision that only a national association is equipped to make. An international body, looking in from the outside, simply is not in the position to determine what is truly in the public interest in situations such as this.

Any conflict between the professionalization of such practitioners and the IAA Education Guidelines reflects the limitations of those guidelines, and not a failure of a local national association to advance the best interests of the profession and the public.

Sincerely,

A handwritten signature in black ink that reads "Tom Wildsmith". The signature is written in a cursive, flowing style.

Tom Wildsmith, President
American Academy of Actuaries

Cc: Members of the IAA Executive Committee