

MINUTES
CAS BOARD OF DIRECTORS MEETING
MARCH 19-20, 2009
Coconut Grove, FL

PRESENT

Directors: Albert Beer, Brian Brown, David Chernick, Eugene Connell, Wayne Fisher, Morton Lane, Mary Miller, Joanne Spalla, John Tierney, Mark Vonnahme, Michael Wacek, Mavis Walters.

Board Chair: Christopher Carlson

President: John Kollar

President-Elect: Roger Hayne

AAA Liaison to the CAS Board: Gary Josephson

CIA Liaison to the CAS Board: James Christie

Vice Presidents: Ralph Blanchard (International), Kevin Dickson (ERM), Louise Francis (Research & Development), Andrew Kudera (Professional Education), David Menning (Admissions), Kenneth Quintilian (Administration), Patricia Teufel (Marketing & Communications).

CAS Executive Director, Cynthia Ziegler; Assistant Secretary – Board of Directors, Chester Szczepanski

Invited Guests: Cecil Bykerk, President, Society of Actuaries and Robert Wolf, Staff Partner - Risk Management Solutions, Society of Actuaries and CAS member.

Other Attendees: Michael Boa – Director of Communications and Marketing, CAS Staff; Todd Rogers – Director of Finance and Operations, CAS Staff.

Observers: Clive Keatinge

Absent: Charles Bryan

Chris Carlson called the meeting to order at 8:00 a.m. EDT on March 19, 2009 and referred the Board to the meeting guidelines and attendance policy that were included in the agenda material.

I. CONSENT ITEMS

- The following consent items were moved and approved.
 - Minutes of November 16, 2008 Board meeting and February 4, 2009 Board Teleconference
 - Audit Committee staffing
 - Nominating Committee revised charge
 - International Leadership Team formation
 - Board Governance Task Force formation
- The following consent items were briefly discussed, then moved and approved.
 - Board Liaison Position Descriptions
 - Appointment of Kathryn Morgan to the CAS Board for a one-year term beginning November 2009
- The Vital Statistics were reviewed.

- Variability in examination pass ratios was noted. David Menning pointed out that the passing score was based on “the minimally qualified candidate concept” which may lead to greater volatility. Also noted were comments from students that the fall 2008 Fellowship exams were too long.
- Meeting attendance statistics were reviewed.

II. GLOBAL ERM CREDENTIAL

- Chris Carlson provided opening comments and background on the issue. He referred to the CAS ERM Designation Task Force Report included in the agenda material.
- Kevin Dickson, who worked closely with the ERM Designation Task Force, noted that the Task Force considered the developing international designation and the SOA’s CERA credential. The Task Force recommends that the CAS should pursue an ERM designation. He expressed support for the Task Force recommendation and an urgency for the CAS to move forward at this time.
- Cecil Bykerk commented and provided additional background on the CERA designation:
 - While the SOA has invested heavily in the CERA, it is willing to accommodate other partners.
 - There are many unanswered questions about the possible global designation (XRX).
 - The SOA does not wish to have two different ERM designations within the North America actuarial community.
- John Kollar reported that he had addressed the SOA Board earlier in the week and received indications that the SOA is flexible in regards to partnering on the CERA designation.
- A lively Board discussion followed. Several Board members commented that the CAS needs to take action on an ERM designation and it was noted that some CAS members have already been earning the CERA credential from the SOA.

There was some discussion as to whether to pursue a partnership with the global designation (XRX) or the CERA designation and it was noted that XRX seems more exclusive while CERA is more inclusive, i.e. it appears that the XRX will have greater educational requirements than does the CERA. The ERM Designation Task Force recommended that the CAS should pursue efforts to reconcile the two designations such that it would become the ERM designation for the CAS, SOA, and other actuarial associations in North America and possibly globally.

The education and training necessary to achieve an ERM designation was discussed. There were questions regarding the gaps that existed between the CAS’s ideal learning objectives for an ERM designation and the syllabi for the designation options. It was mentioned that the CAS was currently in the process of developing its 2011 syllabus as part of the basic education redesign.

- **A motion was offered and seconded that the CAS should pursue an ERM designation.** The motion was approved unanimously.
- The Board proceeded to conduct a series of straw polls on the Task Force’s ERM Designation Recommendations. The results were:
 - In pursuing an ERM designation, the CAS should be in discussion with the SOA considering the appropriateness of CERA as the designation.
16 votes in favor (unanimous)
 - Simultaneous to pursuing CERA discussions with the SOA, the CAS should continue discussions with international actuarial associations in consideration of the global designation.
16 votes in favor (unanimous)

- The CAS should pursue efforts to reconcile CERA and XRX such that it would become the ERM designation for the CAS, SOA and other actuarial associations.
15 votes in favor; 1 abstention
 - If efforts to achieve the outcomes of the above recommendations falter, should the CAS pursue its own ERM designation?
12 votes in favor; 1 against; 3 abstentions
 - To be eligible for any ERM designation the CAS would offer, candidates must satisfy current CAS membership requirements at the associate level or higher. In other words, an ERM designation should NOT be an alternative path to associateship.
16 votes in favor (unanimous)
 - The CAS should work toward the long-term learning objectives consistent with those established by the International Syllabus Task Force.
14 votes in favor; 0 against, 2 abstentions
 - The minimum membership level for a CAS ERM designation should be ACAS.
13 votes in favor; 2 against, 1 abstentions
 - The CAS should have a transition program to create an initial group of designation holders; this could include an experience practitioner's pathway similar to the CERA approach.
12 votes in favor; 1 against, 3 abstentions
 - If the CAS were to have a transition program, the CERA would be a good model to follow.
13 votes in favor; 1 against, 2 abstentions
 - The CAS should not impose an experience requirement for normal matriculation (i.e. the steady state after an initial "transition period") for its ERM designation.
10 votes in favor; 5 against, 1 abstention
- **A motion to charge the Executive Council with preparing an implementation plan for an ERM designation for the May 2009 Board Meeting was made, seconded, and approved unanimously.**

III. PENSION FUNDING

- The pension funding status and action paper were reviewed.

A motion to adopt the following recommendations of the Executive Council was made, seconded, and approved unanimously.

That the CAS Board establish a long-term funding target of 90% funded status for the CAS pension plan. This funding target should be initially achieved incrementally over five years by making additional voluntary contributions each year, not to exceed 50% of the required contribution for that year. In years when the funded status is 90% or above, no additional voluntary contributions will be made. For 2009, the additional voluntary contribution would be \$66,821 (50% of the required contribution for 2009).

It is further recommended that the funded status of the pension plan continue to be monitored annually, as part of the annual financial audit. Absent any reason warranting an active review of the plan and funding targets arising from the annual review, the plan and funding targets should be actively reviewed/considered at least once every five years.

IV. AUDIT COMMITTEE REPORT

- The Audit Committee action paper and report were reviewed. In particular, it was noted that the independent auditors had originally increased the discount rate used to value pension plan liabilities from 6.0% to 7.25%. The committee, after review and consideration of various indices, insisted that the 6.0% discount rate be maintained. There was a \$200,000 impact from this decision. The overall surplus is consistent with targets.
- **A motion to adopt the following recommendations of the Audit Committee contained in the action paper was made, seconded, and approved unanimously.**
 - That the Board resolve to make additional, voluntary pension contributions to the plan to achieve a long term funding target of 90%.
 - That CAS management strengthen internal controls by adopting a procedure whereby the Executive Director reviews non-recurring journal entries, and documents the review by a signoff and date.
 - That CAS request a proposal from the audit firm for the FY 2009 financial audit.

The Board adjourned to Executive Session at 11:00 a.m. The Board reconvened at 1:00 p.m.

There was a motion to refer any CAS member in good standing who is criminally convicted or pays the settlement of a civil penalty to the Actuarial Board for Counseling and Discipline. The motion was seconded and approved unanimously.

V. INTEGRATED SPONSORSHIP REPORTING PROGRAM

- Joanne Spalla reviewed the background of this item, activities since the September Board meeting and the Task Force on Revenue Opportunities recommendations.
- There was some discussion by board members regarding controls to insulate the meeting and seminar planning committees from sponsors.
- It was noted that sponsorship activities at the 2009 RPM Seminar were successful.
- **A motion to approve the Action Plan prepared by the task force was made, seconded, and approved unanimously.**

VI. BOARD TASK FORCE ON BUDGETING REPORT

- Brian Brown reviewed the background and recommendation of the Board Task Force on Expenses. The Task Force considered three questions:
 - Is the CAS surplus target appropriate?
 - What should be relative reliance on dues revenue versus revenue from exams/seminars.
 - Should the CAS provide more services?
- There was considerable board discussion with regard to the second question. Comments included the following.
 - Historically, the CAS has adhered to a policy that called for meetings to break even and revenue from seminars to support research. The Board should first reconsider the policy question: should the CAS fund research from dues or meetings/seminars?
 - There was some concern expressed regarding the fact that some members/companies do not support seminars but they reap the benefit of the research/knowledge created through the seminars. It was noted that the employers of seminar speakers are providing a significant subsidization.

- In order to bring seminars to a break-even level and maintain the current surplus, dues would be raised by 17%. Members of the Board questioned whether the CAS should institute an increased dues structure, given the current state of the economy.
- **A motion to adopt the following task force recommendations and to direct the Vice President – Administration to prepare a budget based on current policy was made, seconded and approved unanimously. The approved recommendations stated that:**
 - **The CAS Board maintain the goal of having surplus between 40-60% of annual operating expenses.**
 - **The level of CAS services be kept relatively constant and that this issue be re-evaluated as appropriate.**
- A straw poll was suggested and conducted regarding the task force’s recommendation to set CAS seminar fees at a break-even level while increasing dues to be revenue neutral, in order to address the inequity issue. The questions and results were:
 - Does the CAS have a problem in this regard?
 - 9 – yes, 7- no, 0 - abstaining.
 - Should the CAS avoid revising policy now given the economic climate?
 - 7 – yes, 6 – no, 3 – abstaining.
 - Should the CAS consider offering a free webinar to dues-paying members as a member benefit funded out of dues?
 - 14 – yes, 1 – no, 1 – abstaining.
- **A motion to increase dues within the 2010 budget by \$30 and, all other things being equal, appropriately adjusting the 2010 seminar fees was made and seconded but was not approved. The vote was 6 – yes, 6 – no, and 2 – abstaining.**
- A straw poll was suggested and taken on whether the Board should ask the task force to consider whether greater support than half price or \$200 reductions in meeting/seminar fees should be offered to speakers. The results were: 14 – yes, 1- no, 0 – abstaining.

VII. AMENDMENTS TO THE RULES OF PROCEDURE FOR DISCIPLINARY ACTION

- Chris Carlson introduced this topic by providing background on the issue. The Rules of Procedure for Disciplinary Actions contain instructions for the process the CAS should follow when a recommendation for disciplinary action has been received from an investigatory body. However, the Rules are not clear in delineating the steps to follow in the case when public disciplinary action is recommended, such as who is notified and when they are notified. CAS legal counsel was asked to review the rules and to make recommendations for clarifying the process of notification in the case of public discipline.
- The Board discussed the recommendations and agreed with the suggested changes in concept. However, there was concern regarding a lack of clarity in the order of notification in the proposed language.
- **The Board unanimously approved a motion to accept the changes to the Rules as submitted, in substance, while asking legal counsel to consider further changes to improve the clarity of the Rules.**

VIII. KEY BUDGET ITEMS

- The Vice President for Administration highlighted key budget items and noted that the first item had been pre-empted by discussion and action taken in VI above.

- This topic concluded with a request from the Board for a report from the Investment Committee for the May Board meeting that includes a detailed history of the original procedure that was used to establish the current investment policy, along with the Committee's thoughts regarding whether such policy continues to be appropriate.

The Board adjourned for the day at 4:40 PM Eastern.

Chris Carlson called the Board meeting to order at 8:00 a.m. EDT on March 20, 2009.

IX. INTERNATIONAL ENVIRONMENTAL SCAN

- Ralph Blanchard presented the international environmental scan. Critical observations included the following:
 - There is a growing potential for a Euro-centric actuarial world if the CAS does not more actively participate in the international actuarial community.
 - Currently the CAS' international strategy includes:
 - Partnering with other general insurance specialists, in particular those whose primary language is English.
 - Supporting development of actuarial programs in other countries, focusing on those based in English.
 - Supporting growth of CAS membership, but not through attempts to supplant local associations.
 - Actively supporting international developments that cut across practice areas.
 - Major CAS international decisions are coordinated through the CAS International Leadership Team.
 - There is clearly growth potential in Asia.

X. TECHNICAL EXCELLENCE

- Pat Teufel presented background and the Position Paper on Technical Excellence and Board members commented on the paper. There was a general consensus that the position paper should be converted to an action plan.
- **A motion to accept the Position Paper was made, seconded, and approved unanimously.**
- **A motion to direct the Executive Council to convert the Position Paper to an action plan was made, seconded and approved unanimously.**

XI. CAS RISK MANAGEMENT COMMITTEE REPORT

- Kevin Dickson provided an oral report. He noted that Steven Johnston was stepping down, and Aaron Halpert ascending, as Chair of the committee.
- **A motion to accept Aaron Halpert as Chair was made, seconded, and approved unanimously.**

XII. EXAM 3L

- David Menning presented background and the Exam 3L Task Force Report. Two options were presented. The committee solicited guidance for their discussions with the SOA.
- A Board discussion followed. Key comments and observations included the following:
 - Statistics is not tested by the SOA, and CAS students need a statistics foundation for other analyses.
 - The CAS candidates need statistics, but ideally the CAS and SOA would co-sponsor Exam 3. The CAS should work with the SOA to include statistics.
 - A conflict between minimizing exam changes and the need for statistics was noted.
 - Some on the Board expressed an understanding of the appeal of a joint exam, but much of the SOA material is irrelevant to CAS candidates
- A straw poll was suggested and conducted asking if the CAS should adopt SOA Exam 3 just for basic Life Contingencies. The results were: 11- yes, 2 – no, 1- abstaining.

XIII. CENTENNIAL GOAL RESEARCH PROPOSAL

- Louise Francis presented the discussion paper on research projects that could help the CAS achieve its Centennial Goal.
- The Board discussed the paper. Comments included the following:
 - We have not identified ERM research goals, but have started a process.
 - The paper includes a list of possibilities. The CAS needs to focus its efforts and prioritize the items.

XIV. FOUNDATIONAL STATEMENTS

- Chris Carlson introduced the topic.
- Louise Francis presented a task force update. In particular she noted that the task force might be able to produce a recommendation by the May meeting. However, the task force needed some direction.
- The Board discussed the issues. Comments and observations included:
 - The Board should first determine if the existing statements of principles should be replaced.
 - It was noted that the task force should complete the work of identifying whether the details of the various statements of principles are included elsewhere.
 - A member of the Board observed that actuaries involved in litigation rely on the statements of principles. It was also mentioned that the statements serve members who practice outside the United States.
- **A motion to ask the ASB to develop an Actuarial Standard on Ratemaking was made, seconded, and approved unanimously.**
- **A motion that the Board withdraw the Statement of Principles on Reserving was made and seconded, but not approved. The vote was 3 – yes, 10 – no, and 3 – abstaining.**
- Chris asked the task force to provide a comparison of the Actuarial Standards of Practice and the Principles on Ratemaking and Reserving, noting what in the Principles is not included elsewhere, by the September Board meeting.

XV. ADDITION TO LIST OF APPROVED UNIVERSITIES FOR CAS EXAM WAIVERS – QUEEN’S UNIVERSITY IN BELFAST

- The Board discussed the Executive Council recommendation that the Board accept Queen’s University (Belfast) as an addition to the CAS list of approved universities for CAS exam and VEE waivers from the Faculty of Actuaries and Institute of Actuaries in the U.K. and the Institute of Actuaries of Australia.
- **The Board unanimously passed a motion to approve the concept of approving such additions to the list of approved universities for CAS exam and VEE waivers, and directed the EC to handle the details of such requests in the future.**

XVI. IAA EXPENSE REIMBURSEMENT POLICY

- **The Board unanimously approved the motion to change the CAS travel reimbursement policy, so as to reimburse up to the full coach fare on flights over eight hours to IAA committee meetings.**

XVII. INFORMATION ITEMS

The following items were presented for the Board’s information:

- EC Minutes (Dec.16, Jan. 26 and Feb. agenda)
- Q1 FY 2009 Financial Statement
- Executive Director’s Report
- Results of Fall 2008 Exams
- Board Meeting Schedule 2010
- NAAC Notes
- Council of U.S. Presidents (CUSP) Notes
- ABCD Report
- CIA FEM Task Force
- Regional Affiliate Report on Presentations
- IAA Cyprus Report
- Jt. China Office Report
- Strategic Planning Comm Updates
- Board Agenda Calendar
- AAA Board Meeting Summary

The Chair adjourned the meeting at 11:50 a.m. EDT.

Respectfully submitted,

Chet Szczepanski
Assistant Secretary – Board of Directors

Approved May 3, 2009.