

**MINUTES**  
**CAS BOARD OF DIRECTORS MEETING**  
September 12-13, 2002  
Chicago, Illinois

**Present**

Board Members: Phillip Ben-Zvi, Ralph Blanchard, Amy Bouska, Stephen D'Arcy, Gary Dean, Janet Fagan, Frederick Kist, David Hartman, Janet Nelson, and Deborah Rosenberg

Immediate Past President: Patrick Grannan

President: Robert Conger

President-Elect: Gail Ross

Executive Director, Cynthia Ziegler; Assistant Secretary-Board of Directors, Joanne Spalla

Vice Presidents: LeRoy Boison, Chris Carlson, Gary Josephson, Mary Frances Miller, Sheldon Rosenberg and Roger Schultz

Incoming Vice-Presidents: Don Mango and John Narvell

Board Members Not Present: Michael Miller and Susan Witcraft

Other Attendees: Michael Boa – Manager, Communications and Research, CAS Staff; Todd Rogers – Manager, Finance and Administration, CAS Staff; Steve Johnston, Chair of the Investment Committee; Aaron Halpert, a member of the Long Range Planning Committee. Jean Frankel and Heather Crossin from Tecker Consultants, LLC were present for the LRPC Update, Visioning Session and discussion of Mutual Recognition. Clive Keatinge attended as an observer.

Pat Grannan called the meeting to order at 9:00 a.m. on Thursday September 12, 2002.

**1. MINUTES OF MAY 19, 2002 BOARD MEETING**

The minutes of the May 19, 2002 Board Meeting were approved.

**2. CONSENT ITEMS**

**There was a motion to approve the following items on the consent agenda:**

(a) Addendum to Cross Border Discipline Agreement: the Board approved an EC recommendation, included as attachment 2 of the agenda, to direct the President to negotiate and sign with the Presidents of the other U.S. actuarial organizations and the Canadian Institute of Actuaries an addendum to the 1996 CBDA that:

- Specifies that nothing in the CBDA prevents the CAS, when it receives a recommendation for discipline pursuant to the CBDA, from undertaking whatever action the CAS deems necessary, consistent with the CAS disciplinary procedures, for the purpose of determining whether a material breach of the CAS Code of Conduct warranting discipline occurred.
- When it is unclear whether the investigation should be conducted by the ABCD or the CIA, identifies the CIA's Executive Director and the ABCD legal counsel as the responsible individuals in

each of these organizations to initiate discussions between ABCD and CIA to determine which organization will undertake the investigation.

- Identifies that the Chairperson of the CAS Discipline Committee is the position within the CAS to which the other organizations should address questions about recommended disciplinary actions.
- The Cross Border Discipline Agreement (and amendments) will continue to be published in the CAS Yearbook and on the Web Site.

(b) Rodermund Award: The Board approved the nomination of David Skurnick as the recipient of the 2002 Matthew Rodermund Service Award.

(c) Chairs of Board Committees: The Board approved the following staffing of Board Committees:

1. Nominating Committee: In response to the recommendations of the Election Process Task Force, the Board voted at its March 2002 meeting to alter the composition of the Nominating Committee. As a transition for the elections conducted during Summer 2002, the Board elected to retain the five existing 2002 Nominating Committee members and add one at-large Fellow of more than ten years and one at-large Fellow of less than ten years for two-year terms. The future composition of the Nominating Committee will be the two Immediate Past Presidents, one past Board member, two members who have been Fellows for at least ten years, and two members who have been Fellows for less than ten years. The Board approved the following members of the 2003 Nominating Committee:

Pat Grannan -- Chair	Penultimate Past President
Bob Conger	Past President
Anne Kelly	Past Board Member
Leon Gottlieb	Member-At-Large > 10 Years
Steve Kelner	Member-At-Large < 10 Years
Doreen Faga	Member-at-Large >10 Years
Julie Stenberg	Member-at-Large <10 Years

2. Discipline Committee: The Board approved the following Discipline Committee members:

Irene Bass – Chair	John Purple
Albert Beer	Richard Roth
Linda Bell	John Tierney
Michael Fusco	Michael Toothman
Steven Goldberg	Michael Walters

3. Other Board Committee Chairs

- a. Audit Committee – Ralph Blanchard
- b. Long Range Planning Committee – Steve D’Arcy
- c. Advisory Committee on Asset/Liability Management and Investment Policy – Gary Venter
- d. Advisory Committee on Securitization/Risk Financing – William Dove
- e. Advisory Committee on Valuation of P/C Insurance Companies – To Be Determined
- f. Committee on Volunteer Resources – Regina Berens

(d) Dues Waiver Policy: The Board resolved to adopt the revised “CAS Policy for Waiver or Deferral of Dues,” included as attachment 7 of the agenda. At its May 2002 meeting, the Board asked the EC to review the dues waiver policy. The Board was concerned that the current policy might be too restrictive with respect to granting waivers, particularly to members retiring before the age of 55, which is inconsistent with the CAS’ desire to keep this source of volunteers actively engaged. Over the past several years, the Board has granted annual waivers to members who are contributing to the society; however, such waivers must be applied for and considered by the Board annually. The EC considered

the dues waiver policies of both the SOA and AAA and agreed that the current CAS policy is still appropriate, but proposed expanding the policy. The current ad-hoc policy of granting annual dues waivers to contributing members should be formalized, and the VP—Administration should be delegated the authority to grant “automatic” annual dues waivers to members that are volunteering or otherwise contributing to the Society. Other members retiring before the age of 55 should be granted a 50% waiver of CAS dues. The proposed changes do not require a Bylaw change.

- (e) Vice President Re-Alignment Proposal: The Board approved an EC proposal, included as attachment 8 of the agenda, re-aligning the responsibilities of the Vice President—Programs & Communications and the Vice President—Continuing Education and re-naming the officers the Vice President—Professional Education and the Vice President—Marketing & Communications.
- (f) Member Reinstatement: The Board granted a request, included as attachment 9 of the agenda, to reinstate a member who was dropped from the CAS membership in 1999 for non-payment of 1999 dues subject to repayment of the past three years’ dues (1999, 2000 and 2001; \$280, \$290 and \$300, respectively (total \$870)) in addition to the current year’s dues (\$310).

The motion to approve the consent agenda was seconded and approved unanimously.

### **3. IAA EXPOSURE DRAFT – “GUIDELINES OF ACTUARIAL PRACTICE FOR SOCIAL SECURITY PROGRAMS”**

On April 12, 2002 the IAA issued an Exposure Draft – Guidelines of Actuarial Practice for Social Security Programs (SSPs) for review and comments, which was summarized in attachment 3 of the agenda. The full exposure draft was distributed at the meeting. The EC felt that it was not appropriate for the CAS to review and comment on this Exposure Draft, as it pertains to an area of practice outside the purview of the CAS membership’s expertise. Therefore, the EC recommended that the Board instruct the CAS delegate to abstain from voting on the final approval of these guidelines.

A Board member questioned whether there had been sufficient review of the exposure draft and if it had been determined whether U. S. workers compensation was included in its scope. The Board expressed concern that the process for reviewing IAA statement could miss issues that are within the scope of casualty practice.

**There was a motion that the Board instruct the CAS delegate to vote no on the final approval of these guidelines unless there is clarification that the guidelines do not apply to U. S. workers compensation. If there is clarification that the guidelines do not apply to U. S. workers compensation, then the CAS delegate is instructed to abstain with a commentary letter.** The motion was seconded and approved unanimously. Cynthia Ziegler suggested collaborating with the AAA on a response.

### **4. IAA FINAL DRAFT OF “THE FUNCTION OF THE ACTUARY IN PRUDENTIAL SUPERVISION OF INSURANCE COMPANIES”**

The Board discussed the IAA Final Draft of “The Function of the Actuary in Prudential Supervision of Insurance Companies,” included as attachment 4 of the agenda. Ralph Blanchard said that although the document is a big improvement over the previous draft, he remains concerned that direct reporting responsibility to regulators is listed as one of the areas that the IAA believes that supervision is best served by the actuary. He felt that such a duty to regulators would imperil the actuary’s relationship with senior management. It was noted that the audience for this statement is countries that are developing a formal regulatory framework, and that the draft recognized that the law places this duty to regulators on the actuary in some countries. There was a suggestion to revise item (v) to state “reporting responsibility directly to the Board and, if statutorily required, to regulators.” There was also concern about actuary’s responsibility to “monitor the reasonable expectations of policyholders and how they are treated as the insurer exercises the contractual discretion in the policy.”

**There was a motion that the Board instruct the CAS delegate to vote against the release of the final draft with an explanation that the CAS would be comfortable if area (v) under the “Range of Actuarial Involvement in Prudential Supervision” is revised to state “reporting responsibility directly to the Board and, *if statutorily required*, to Regulators” and if it is indicated that the actuary’s responsibility to “monitor the reasonable expectations of policyholders and how they are treated as the insurer exercises the contractual discretion in the policy” is not meant to apply to claim adjusting.** The motion was approved with ten members in favor, two opposed and one abstaining.

There was further discussion about how voting against release of this draft would be perceived. It was suggested that the response be changed to instruct the CAS delegate to vote in favor of release of the draft if the last two sentences of the introductory paragraph under the “Range of Actuarial Involvement in Prudential Supervision.” were deleted.

**There was a motion to rescind the previously approved motion.** The motion to rescind was seconded and approved with eleven members in favor and two abstaining

**It was then moved that the Board direct the CAS delegate to vote in favor of the final draft with comments stating that the CAS would prefer that area (v) under the “Range of Actuarial Involvement in Prudential Supervision” be revised to state “reporting responsibility directly to the Board and, *if statutorily required*, to Regulators” and if it is indicated that the actuary’s responsibility to “monitor the reasonable expectations of policyholders and how they are treated as the insurer exercises the contractual discretion in the policy” is not meant to apply to claim adjusting.** The motion was seconded and approved with nine members in favor and four opposed.

## **5. REVISED INVESTMENT POLICY**

Pat Grannan introduced Steve Johnston, Chair of the Investment Committee. During discussion of a proposed revised Investment Policy at the May 2002 Board meeting, the Board posed several questions to the Investment Committee and asked that the Chair be invited to this meeting. Steve Johnston described the background of the Investment Committee and its current membership. He discussed the thought process behind the current proposal, included as attachment 10 of the agenda, and addressed the specific questions the Board posed at its May 2002 meeting.

The Board discussed the need to define the purpose of surplus and how the surplus funds should be segregated. A Board member also suggested that the scenarios used to test the adequacy of surplus should be updated and the possibility that more than one scenario could operate at the same time should be considered. It was also noted that a strategy to realize capital gains from the increased investment in equities needs to be developed; interest payments from U. S. Treasuries are currently used to fund operations. It was also suggested that the CAS investigate risk management strategies and other financing alternatives to address catastrophic events. A member reminded the Board that the amount of surplus, and hence the amount that could be invested in equities, will change with market cycles; it was suggested that the calculation of the proportion of surplus that can be invested in equities should be based on average surplus.

**There was a motion to adopt the revised CAS Investment Program, and it was seconded.** During the discussion of the motion, it was suggested that the objective of the CAS Investment Program be reworded.

**The motion was amended to adopt the revised CAS Investment Program dated 4/4/02 with a change in the objective to state “the CAS investment objective is to maximize investment *total return* within the constraints of preserving capital and maintaining sufficient liquidity to meet CAS expenses,” rather than “to maximize investment *income*.”** The Board also resolved to put a discussion of the purpose of surplus on a future agenda. The motion was seconded and approved unanimously.

The Board thanked Steve Johnston and the Investment Committee members for their work.

## 6. 2002-03 BUDGET

Sheldon Rosenberg introduced a discussion on the travel stipend for the President and President-Elect, included as attachment 11 of the agenda. The CAS provides an annual stipend to the President-Elect (\$13,000) and President(\$16,000) to defray a portion of the North American travel expenses incurred in the course of their duties. The policy states that the intent of the stipend is to cover approximately two-thirds of the actual expenses expected. The current President and President-Elect estimate travel expenses incurred this year, excluding international travel, will be in excess of \$30,000 for the President and \$20,000 for the President-Elect. The other North American actuarial organizations reimburse President and President-Elect travel expenses dollar-for-dollar. The EC considered several different reimbursement levels and administrative options and unanimously agreed that the stipend policy should cover 100% of the President and President-Elect travel while representing the CAS. The proposed budget includes a \$50,000 provision for the increased reimbursement.

A Board member stated that he preferred that the amount of reimbursement be capped. Another Board member requested that the Board examine the demand for President and President-Elect travel; it was suggested that other officers might help relieve the burden.

**There was a motion to directly reimburse 100% of actual travel expenses for the President and President-Elect. The specific details of the expenses covered and the manner of documentation would parallel existing CAS and/or employer policies.** The motion was seconded and approved with eleven members in favor. Bob Conger and Gail Ross abstained.

Sheldon Rosenberg provided an overview of the highlights of the proposed FY 2003-2004 Budget. The budget contains a proposed FY 2003 \$20 dues increase, which accounts for \$68,460 of the total FY 2003 budgeted income from operations of \$4,261,337. A further \$20 increase is included in the FY 2004 budget forecast. The FY 2003 budget anticipates that the exam fee for the Fall 2002 sitting will not increase, remaining at the \$475 published in the *2002 Syllabus* and approved by the Board in September 2001. Proposed exam fees of \$500 for the Spring 2003 and Fall 2003 sittings and \$525 for the Spring 2004 sitting increased due to higher costs, including the use of educational consultants. The Examinations budget includes a \$45,000 capital item for new CAS exam-grading software, which will be depreciated over three years.

The FY 2003 Meeting and Seminar budgets, as recommended by the EC, include a \$25 increase over the 2003 Annual Meeting fee with an additional \$25 increase for the 2003 Spring Meeting. In addition, the FY 2003 budget includes a \$25 increase in all seminar fees, except the online course fees, which remain unchanged.

The International Travel budget of \$145,500 does not include funding to participate in the Actuaries Office of Hong Kong, which will be discussed by the EC and Board later this year. The FY 2003 budget also includes \$5,000 to partially offset travel expenses to Board and EC meetings for the new VP—International, who lives in London, to approximate those of a domestic EC member.

The CAS Office budget is consistent with the FY 2003 Office Plan that was reviewed by the EC and the CAS Office Compensation Plan that was reviewed by the CAS Compensation Committee. No new staff positions are planned for FY 2003.

The budget anticipates 20% annual increases in insurance expenses for FY 2003 and FY 2004. This estimate is consistent with the cost of recent renewals and is representative of the current insurance market. A Board member suggested reviewing the limits of the D&O policy.

The proposed budget includes \$104,400 to maintain and grow the CAS and Joint CAS/SOA Career Encouragement Web Sites, including \$54,900 for the vendor costs of adding new functions. Funds have

been budgeted to support a COOS initiative to web cast portions of the 2003 Annual Meeting in Boston to pilot this technology.

Although the budget normally does not include legal fees to support the Discipline Committee, the FY 2003 budget includes \$15,000 to support the Discipline Committee.

The budget includes \$45,000 for The Chauncey Group, the education consultant who will continue working with the Syllabus and Examination Committees to conduct pass score studies and provide item writing training. In addition to The Chauncey Group, the budget includes \$6,000 for academic consultants for specific exams and \$20,000 for the commissioning of study notes.

The budget includes \$150,000 of interest income for FY 2003 and FY 2004, which assumes that all existing U. S. Treasury Bonds will be held until maturity. Due to the considerable uncertainty involved in estimating market returns, the budget does not include unrealized gains or losses on marketable securities.

In response to an inquiry about any potential revenue shortfalls, Gail Ross stated that meeting attendance was the only concern. A Board member commented on the dramatic increase over the five year time period in Operating Expenses. Increased meeting expenses and the decision to reimburse Exam Committee members, as well as a growth in the number of members, were cited as the main contributors to the increase.

**There was a motion that the Board of Directors resolve to:**

**Approve the Following Dues and Fees:**

<b>Member Dues</b>	<b>\$330 (increased \$20)</b>
<b>ASB/ABCD Dues Assessment (for Non-AAA Members)</b>	<b>65 (unchanged)</b>
<b>Subscriber Program Fees</b>	<b>400 (increased \$20)</b>
<b>Academic Correspondent Fees</b>	<b>75 (unchanged)</b>
<b>Publications for Members in Dues Waived Status (Retirees, Temporary Dues Waivers)</b>	<b>50 (unchanged)</b>
<b>Discount for Electronic Publications</b>	<b>35 (increased \$5)</b>
<b>Late Fee (After 6 months)</b>	<b>75 (unchanged)</b>

**Approve the Following CAS Exam Fee Structure (for Spring 2003, Fall 2003):**

<b>Exam Parts 5, 7, 8 (Spring)</b>	<b>\$500 (increased \$25)</b>
<b>Exam Parts 6, 9 (Fall)</b>	<b>500 (increased \$25)</b>

**Approve the Following Fees for Joint CAS/SOA Exams:**

<b>Exam 1</b>	<b>\$ 95 (unchanged)</b>
<b>Exam 2</b>	<b>140 (unchanged)</b>
<b>Exam 3</b>	<b>350 (unchanged)</b>
<b>Exam 4</b>	<b>350 (unchanged)</b>

**Approve the FY 2003 Budget Presented by the Finance Committee (Dated 8/20/02) which includes a Net Loss of \$88,139**

The motion was seconded and approved unanimously.

**7. CAS BYLAWS CHANGES**

Sheldon Rosenberg discussed the two changes, described in attachment 14 of the agenda, that must be made to the CAS Bylaws in order to implement the recommendations of the 2002 Election Process Task Force that the CAS Board of Directors approved at their March 2002 meeting. A review of the Constitution has found that no constitutional changes are needed to implement this proposal. However, the current Bylaws would need to be changed in two ways:

1. The Bylaws indicate that the candidates with the four highest vote counts, even if those counts represent a plurality, are elected. The Bylaws will be changed to indicate that the plurality is subject to a minimum percentage of the votes cast.
2. The Bylaws indicate that any runoff elections must be held at the Annual Meeting. The Bylaws will be changed to allow the runoff election to be held by mail ballot.

The EC presented two implementation options and recommended that the Board consider the option that allows more flexibility to change the process for the runoff election.

One Board member asked the Board to consider a preferential ballot where the voter ranks the candidates. Another Board member requested adding a requirement that the Board publish the election procedures in advance of the election.

**There was a motion to revise the first paragraph of Article IV of the CAS Bylaws as follows:**

**Procedures for nominations and elections shall be established by a majority vote of the Directors present and voting at a meeting of the Board of Directors. These procedures shall be provided to the membership annually at the beginning of the election process. A majority of the votes cast by Fellows shall be necessary for the election of the President-Elect. For the election of Directors, the four candidates with the highest number of votes shall be elected, subject to a requirement that one-third of the votes cast shall be necessary for the election of a Director.**

The motion was seconded and approved unanimously.

It is anticipated that this Bylaw change would be presented to the members in November/December. The Board asked to consider other Bylaw changes at the next Board meeting.

**8. MERGER AND FUNDING FOR AERF**

Gary Josephson described the proposed merger of the Actuarial Education and Research Fund (AERF) and The Actuarial Foundation (TAF), detailed in attachment 12 of the agenda. The CAS is one of the sponsoring organizations of AERF and TAF, and Gary Josephson is a member of the AERF Board. The two organizations have a five-year funding arrangement that will expire at the end of the year. Discussions are

ongoing for a merger of the two organizations. The EC discussed the merger at its August meeting and noted that AERF has been a useful vehicle for research; the EC also noted that the organization needs to be viewed as ecumenical in order to be fully supported by CAS members. The EC expressed that the proposed \$500,000 AERF/TAF operating budget was too high. The Council of Presidents had similar concerns and appointed a task force, with Mike Toothman representing the CAS, to review the proposed budget. The EC recommended that the CAS support the activities of both the AERF and TAF and the proposed merger. The EC also recommended that the CAS express a willingness to provide some funding, but not at the proposed level. Rather, the EC recommended that the AERF/TAF be encouraged to issue a RFP for administrative services.

A Board member commented that there was little commonality between the objectives of the two organizations, and the synergy of the combined organizations was unclear. There was debate about the recommendation that the AERF/TAF be encouraged to issue an RFP to solicit proposals for managing the foundation and which organizations would be in the best position to respond to the RFP.

**There was a motion that the CAS support the merger of the AERF and TAF.** The motion was seconded and approved with nine members in favor, three opposed and one abstaining.

**There was a motion regarding the willingness of the CAS to provide financial support.** The motion was seconded. There was debate about the wording of the motion, and it was amended twice. A Board member suggested that specific fundraising goals and a prescribed allocation of the funding to research should be established.

**The final amended motion stated that the CAS would express willingness to provide financial support for the administration of the AERF/TAF organization, subject to Board reviews of business plans, goals, objectives, and budgets.** The motion was seconded and passed with twelve members in favor and one opposed.

**There was a motion that the CAS Board express its support for the activities of both the AERF and TAF. This support would also apply to the proposed merger, if the activities of both organizations were continued.** The motion was seconded and approved unanimously.

The Board adjourned for lunch at 12:00 p. m. The meeting reconvened at 1:00 p. m.

## **9. REPORT OF THE DESIGN TASK FORCE ON EXAMS 3 AND 4**

Mary Frances Miller reviewed the Report of the Design Task Force on Exams 3 and 4, included as attachment 15 of the agenda. The CAS Board of Directors has stated that Exams 3 and 4 do not adequately meet the needs of CAS candidates. At its November 2001 meeting, the Board created the Design Task Force on Exams 3 and 4 and charged it with designing and preparing Exams 3 and 4 that are appropriate for casualty actuaries. The Task Force has recommended that the coverage of life contingencies for Exam 3 should be reduced to approximately the level of old CAS Part 4A and an introductory treatment of pension mathematics should be included with contingent payment models. In addition, the Task Force has recommended deleting the material on stochastic process models and treating ruin models in less depth. The Task Force also stated that, if the proposed change to life contingencies material is the only obstacle to jointly administering these exams with the SOA, the level of coverage of life contingencies material is not sufficient to warrant separate administration of the exams. The Task Force noted that the topics on Exam 4 are and the level at which the learning objectives are tested are appropriate, but has made recommendations about specific readings to strengthen the presentation. The Task Force recommended that the suggested deletions be implemented no sooner than Spring 2003 and that other recommendations be implemented as soon as practical thereafter.

The EC recommended that the Board direct the VP—Admissions to explore the possibility of working with the SOA on a life contingencies exam. The EC also recommended that the CAS Board of Directors approve

the report, dismiss the Task Force with thanks, and direct the Vice President—Admissions to implement the recommendations.

There was debate about whether the CAS should test life contingencies separately. There was also discussion about the timeframe to implement a CAS sponsored Exam 3.

**There was a motion that the CAS adopt a syllabus for a CAS-sponsored Exam 3 in November 2003 with the content based on the Design Task Force on Exams 3 and 4 recommendations, excluding the recommendation to add pension mathematics unless and until the Future Education Task Force recommends that it be on the syllabus.** The motion was seconded and approved unanimously. It was stated that the Board's intent is to withdraw joint sponsorship of Exam 3, but to give CAS credit for the SOA Exam 3.

Mary Frances Miller was instructed to draft an announcement to be released after the completion of election balloting.

## **10. PROPOSED EC GOALS FOR 2002-03**

Gail Ross presented the Proposed EC Goals for 2002-03, included in attachment 16 of the agenda. A new format has been being introduced that should streamline the cycle reporting and review process. Goals are grouped into three categories: (i) Ongoing Operational Goals – Focused Activities, which are carryovers from the previous year; (ii) New Initiatives; and (iii) Ongoing Operational Goals – Routine, which are goals that are required to be completed each year. Gail Ross thanked CAS staff for their help in developing the new format

## **11. INFORMATION ITEMS**

Pension Issues: Sheldon Rosenberg described the current multi-employer defined benefit pension plan for CAS staff. The pension plan was initially brought to the Board's attention because of a material increase in the shortfall of the projected benefit obligations over the fair value of plan assets from 2000 to 2001 as reported in the FY 2001 Audit Report. The EC, after consulting with the pension actuary, discovered that the major reason for the increase in the under funding status is due to poor return on investments during 2001. The EC discussed this with the pension actuary and does not feel that the under funded status is a major concern. The pension plan uses smoothing techniques to mitigate investment performance. First, investment losses and gains are recognized gradually over a 5-year period using the plan's asset valuation method. Second, the plan's funding method also amortizes actuarial gains and losses over a 5-year period.

July 2002 COP Meeting: The minutes will be distributed and discussed at the November Board meeting.

Gail Ross noted that the March Board meeting in Las Vegas has been moved to March 10-11, 2003.

The following items were included in the agenda package for the Board's information:

- CAS Insurance Program for 2002-03 (Attachment 18)
- Report on Program Audit (Attachment 19)
- Continuing Education Issues Report (Attachment 20)
- Results of May 2002 Exams (Attachment 22)
- Q3 FY 2002 Financial Statement (Attachment 23)
- EC Minutes (May 21, Jun 10, Jul 18, Aug 14, Sept Agenda) (Attachment 24)
- Third Cycle Reports/Review 2001-02 Goals (Attachment 25)
- 2002-03 Board and EC Meeting Schedule (Attachment 27)
- Executive Director's Report (Attachment 28)
- SOA Preliminary Education Working Group on "Education & Qualification 2005" (Attachment 29)

- China Office (Attachment 30)

## **12. EXECUTIVE SESSION**

The Board went into Executive Session at 3:55 p. m. The Board meeting reconvened at 4:25 p. m.

## **13. LRPC UPDATE AND VISIONING SESSION**

Gail Ross introduced Jean Frankel and Heather Crossin from Tecker Consultants, LLC who facilitated the discussion during this agenda item. Steve D'Arcy described the strategic thinking process being utilized by the Long Range Planning Committee. The first step is to develop the "Core Ideology," i.e., the Core Purpose and Values of the organization. Their next step was to develop the "Big Audacious Goal," i.e., a "clear and compelling catalyst that serves as a focal point for effort." The following criteria were used by the LRPC to narrow the goals down to three candidates:

- Goals must be consistent with CAS core purpose and values.
- Goals should involve something we are passionate about and that will inspire the membership.
- Goal should lend themselves to precise measurement on their progress.
- Goals should reflect our vision about our assumption of the future and how it will affect actuaries.

The group then considered three goals. The first dealt with global recognition issues and focused on credentialing. The second focused on the actuary as a resource for a broader market and focused more on utilization. The third combined the first two. Aaron Halpert stated that the determination of a goal is an ongoing process. The Board discussed the LRPC's draft proposed goals and provided feedback.

The meeting was adjourned at 6:10 p. m.

The meeting was reconvened at 8:00 a. m. on September 13, 2002.

## **14. PRESENTATION ON BOARD ROLES AND PROCESSES**

Jean Frankel provided a brief presentation on the Leadership Mission. She suggested that the Board's function and responsibility, in a partnership with staff, is to provide oversight in the leadership, operational and cultural arenas and to monitor the quality of the interaction among the three arenas. Jean Frankel said that the key to effective association leadership is knowledge-based decision making, which involves nine steps. The challenge of leaders is to balance the following four questions for knowledge-based decision-making:

- What do we know about our stakeholders' needs, wants and preferences that is relevant to this decision?
- What do we know about the "capacity" and "strategic position" of our organization that is relevant to this decision?
- What do we know about the current realities and evolving dynamics of our organization's environment that is relevant to this decision?
- What are the ethical implications of our choices?

Jean Frankel said that effective Board motions should include background, action and guiding principles.

## 15. MUTUAL RECOGNITION

Jean Frankel and Heather Cross facilitated the Board's discussion during this agenda item.

The Board reviewed the Mutual Recognition Task Force Report, included as attachment 13 of the agenda. In 1999, the Board approved the report of a Mutual Recognition Task Force, including a recommendation that the CAS should not seek to enter bilateral agreements with other actuarial organizations granting reciprocal Fellowship status to Fellows wishing to practice in the host country of the other organization. Subsequently, there were developments in Australia and Ireland regarding qualifications for a valuation actuary that excluded CAS members, as a consequence of the CAS not entering into mutual recognition agreements. In addition, CAS leaders perceive that the CAS's position on mutual recognition might be negatively impacting how the CAS is viewed within the international actuarial community. In September 2001, the CAS Board decided to readdress the mutual recognition issue and appointed a new Task Force. The 2002 Mutual Recognition Task Force gathered current information from a wide variety of sources, including an online survey of the CAS membership. There is a question whether the CAS *Constitution* currently allows for mutual recognition agreements. The Task Force believed that it is in the best interest of CAS members to enter into mutual recognition agreements with the Faculty and Institute of Actuaries and the IAAust if there is broad support of the membership. However, there was not unanimity within the Task Force regarding all the specific actions to take..

The Board recognized that there may not a sufficient and common understanding among the CAS membership about the meaning of mutual recognition.

The Board enumerated advantages and disadvantages of the following action alternatives:

1. Endorse Mutual Recognition Unconditionally
2. Endorse Mutual Recognition Conditionally
3. Reject Mutual Recognition
4. Move to fill information gaps, including the definition of mutual recognition, the education of members and stakeholders and determine if there are any constitutional issues
5. Develop guidelines under which mutual recognition would apply
6. Do nothing

The Board dismissed options 1, 3 and 6. The Board suggested that a decision on mutual recognition should be affirmed by a large number of Board members. However, Board members thought that while they could support the concept of mutual recognition, more information was needed before making a decision. A Board member suggested sharing the Board's position with the other organizations at IAA's October meeting and seeking feedback about how the other actuarial organizations are dealing with the issue. In addition, Board members expressed the need for a participative process of two-way communication with the membership. It was agreed that the topic of mutual recognition would be put on agenda for Annual Meeting in Boston.

The Board then drafted the following proposed motion on mutual recognition:

Whereas:

- The Board knows that mutual recognition is an important issue, and that our members are concerned and not fully informed.
- The CAS affirms that it is important to maintain our high standards.
- The CAS designation is highly valued.
- The CAS wants to be more influential in the global arena and does not want to be viewed as isolationist by the international community.

- Some CAS members are currently excluded from qualification in certain countries by the CAS not having mutual recognition.
- The Board has identified only three organizations that presently have the potential for mutual recognition.
- The 2002 Task Force on Mutual Recognition has provided a significant amount of background that has informed the Board on this issue.
- The Board has not identified any significant disadvantages to our members by mutual recognition as long as the high credential level is maintained.
- The Board believes that mutual recognition is a concept that has potential benefits for the CAS.

Be it resolved that the Board will proceed on several paths:

- Begin to explore potential mutual recognition with the three organizations.
- Seek broader member understanding and input in a participative manner.
- Seek to fill information gaps, including constitutionality.

The Board intends to move forward with the goal of reaching a resolution in 2003. The Board decided not to entertain a formal motion on mutual recognition at this meeting because time constraints did not provide sufficient opportunity for discussion. The EC was directed to craft a formal motion for future consideration.

The meeting was adjourned at 11:30 a.m.

Respectfully submitted,

Joanne S. Spalla  
Assistant Secretary - Board of Directors

Approved November 12, 2002