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Investment track approved

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The SOA Education and Examination Management Committee has approved a new Fellowship Track in investments, effective November 1995. For the first time, the track offers candidates a path to Fellowship with an investment focus. First envisioned in 1989 by the Task Force on Investment Education, the decision was to develop the track slowly through the introduction of elective courses over time as actuarial expertise in these areas increased. With the introduction of Course F-595, Applied Asset-Liability Management, the vision has become reality.

The Investment Track has elements of both portfolio management and asset-liability management (ALM), with an emphasis on ALM. Required courses for the track are:

- F-385, Financial Management

- F-480, Derivative Securities: Theory and Practice
- F-485, Advanced Portfolio Management
- F-585, Applied Corporate Finance
- F-595, Applied Asset-Liability Management

In addition to Course F-595, required courses for the new curriculum consist of two current electives and two required courses from the Finance Track. Despite the overlap, the focus of each track is distinct and emphasizes different skills and knowledge. The Finance Track focuses on financial issues facing banks, insurance companies, investment houses, and other institutions.

An emphasis on asset-liability management is a natural extension of the actuary's traditional strengths, quantitative skills, and understanding of

liabilities. Investment principles require an understanding of contingencies other than life contingencies. ALM uses both extensions of traditional modeling and new modeling techniques.

An increasing number of SOA members have found roles in the investment operations of financial institutions and benefit programs. As investment vehicles become more complicated and less predictable, actuaries who have additional training in ALM, portfolio management, and other topics that relate directly to investments become more valuable. The Investment Track provides recognition for this career direction and greater opportunity to develop the skills necessary to pursue employment in these areas. Creation of the Investment Track is a public statement that actuaries' skills can play a major role in investment operations.

Applied asset-liability management course created

A new 20-credit course, F-595, on applied asset-liability (ALM) will be offered for the first time in fall 1995. This course complements the theoretical investment concepts covered in courses F-480, Derivatives Securities: Theory and Application; and F-485, Advanced Portfolio Management. While the material further explores some theoretical concepts, this course is intended to develop the student's knowledge of asset-liability matching strategies with an emphasis on practical applications.

Completion of this course will enhance skills necessary for work in areas such as risk management for financial institutions, product design for products with substantial saving components, liaison roles between investment and product areas, pension asset consulting, and, perhaps, direct responsibilities with investment operations.

The course provides an overview of ALM techniques, covers applicable modeling techniques, explores ALM applications in the area of pension investment management, looks at the uses of swaps and other derivative securities as ALM tools, and discusses the ethical issues that may arise in practice.

A complete list of study notes for this course is as follows:

595-21-95	Strategies and Techniques for Asset-Liability Management: An Overview	595-26-95	Non-Parallel Yield Curve Shifts and Durational Leverage
595-22-95	A Numerical Examination of Asset-Liability Management Strategies	595-27-95	Non-Parallel Yield Curve Shifts and Immunization
595-23-95	CIA Measurement of Exposure to Interest Rate Risk, including Appendices	595-28-95	Managing Illiquid Bonds and the Linear Path Space
595-24-95	A Guide to Buying Convexity	595-29-95	Key Rate Durations: Measures of Interest Rate Risks
595-25-95	Strategies and Tools for Managing Interest Rate Risk	595-30-95	Applying Ethics in the Real World
		595-31-95	The Role of Ethics in the U.S. Capital Markets
		595-32-95	Managing Pension Fund Investments, Chapters 10 and 11 (omit paragraph 11.06)
		595-33-95	Asset Performance and Surplus Control: A Dual Shortfall Approach
		595-34-95	Funding Ratio Return