



SOCIETY OF ACTUARIES

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IFAA meeting brings world's actuaries together

by Robert L. Collett

If all membership applications from 43 actuarial associations are eventually approved, the International Forum of Actuarial Associations (IFAA) could someday represent 99% of the world's recognized actuaries.

Membership was one of the topics reported at the IFAA at the March 17 meeting in Washington, D.C., its second since being founded September 1995 in Brussels. Other topics discussed by the 34 people representing 21 actuarial associations were education, international accounting standards, public statements, and a business plan.

Membership

The forum began with a review of membership status. The Accreditation Subcommittee chairperson, Walter S. Rugland, reported that 23 associations have been admitted to the IFAA (21 full members and two in other categories). The other 20 are awaiting processing, still submitting needed information, awaiting membership status clarification or, in one case, is not currently eligible because of nonpayment of International Actuarial Association dues.

Education

The Subcommittee on Education arranged for all attendees to hear three major presentations on new directions for actuarial education from the Institute of Actuaries of Australia, the Institute of Actuaries and Faculty of Actuaries in the United Kingdom, and the Society of Actuaries.

The new Australian education model has three major parts:

- Basic actuarial building blocks
- Defining and educating on the "actuarial control cycle" (problem definition, model building, results interpretation, and then reiteration)
- Specialization within areas of

practice. This is the only part that is country-specific to Australia.

The U.K. presentation reviewed its actuarial education system and the concept of the "actuarial scientific method." It had much in common with the Australian control cycle dealing with model building, assumption setting, and feedback. Once again, much of the content is noncountry specific. Specialization is introduced through a Fellowship paper in one practice area.

Chris Daykin, the presenter, also described how the Group Consultatif (comprised of 18 actuarial associations within the European community) have committed to move toward a common actuarial educational concept with agreed-upon core objectives. This approach still accommodates various education approaches and mixes of academic and professional elements. The U.K. would like to see a common core of knowledge universally recognized among the world's actuarial associations.

The third presentation, from the United States, was made by Rob Brown and Cecil Bykerk, members of the SOA's Board Task Force on Education. Its proposals completely revamp the SOA education process. Like the Australian and the U.K. presentations, it concluded that the unique core competencies of actuaries are the primary subjects to be developed and enhanced through the education process. Most importantly, the SOA task force has concluded that our current examination system is too big and burdensome to be sustained into the 21st century and is not the optimum system, in any event. In its place, the task force proposes substituting an education system utilizing the best available sources for education at every level, including relying more on the academic world for the earliest levels of education.

International Accounting Standards Committee

The International Accounting Standards Committee (IASC) and its recent employee benefits proposals got much attention at the IFAA meeting. In the past, the IASC has functioned principally as a developer of accounting standards for countries having no national standards. Its role has been important, but not crucial. Its impact on most organizations and locales has been limited. Recently, the IASC has been seeking a much greater role in setting standards all around the world.

Now the International Organization of Securities Commissions (IOSCO) is backing the IASC's expansion.

IOSCO, through its member stock exchanges, is able to require multinational companies to comply with international accounting standards to be listed on those exchanges. Since multiple sets of books are quite burdensome, it is likely that the international accounting standards being developed by the IASC will become increasingly important and perhaps ultimately of paramount importance.

While the IASC is dealing with a whole set of accounting standards, the one of immediate interest to actuaries relates to retirement and other employee benefit costs. The IFAA has created a subcommittee to respond to IASC proposals, with the proposed standard on retirement and other employee benefits getting first priority. An article by Barry Watson on the next page reports on the subcommittee's work.

Public statements

At the present time, no procedures exist that permit the IFAA to speak out on behalf of the world's actuaries or the member organizations. While the

need to do so may be infrequent, if the world's actuaries were able to speak with a single voice on a matter such as the IASC proposed standard, they clearly would have a greater impact on influencing the direction of developments. Knowing that making public statements may not be easy or often needed, the IFAA created a Subcommittee on Public Statements. Its only assignment is to "prepare a due process to govern the preparation and release of public statements by the IFAA." The process will not become effective unless approved by both the IFAA committee and the council of the International Actuarial Association. David G. Hartman, representing the American Academy of Actuaries, is the U.S. member of the subcommittee.

Business plan

As a final item of business, Paul

McCrossan, current chair of the IFAA, presented preliminary ideas about a business plan for the IFAA, including future IFAA activities and objectives. It included a mission statement stating, "The mission of the IFAA is to develop a global profession of technically competent and professionally reliable actuaries who are recognized as such." He plans to hold discussion of a formal business plan at the next meeting of the IFAA in Brussels on September 27, 1996.

After the September 1995 meeting, I wrote an article for the International Section newsletter, saying that I believed the IFAA could be of great import for the profession. I encouraged all readers to monitor the association's progress. Seeing the IFAA serve as the primary conduit for actuarial input to the IASC, looking at the potential

influence on actuarial education worldwide as a result of information sharing, and considering the new business plan, I believe those comments were quite appropriate. I urge your continued monitoring. I encourage you to send your thoughts on the IFAA to me or any of the North American IFAA members at our *Directory* addresses. Members include Cecil Bykerk, Sam Gutterman, David Hartman, Curtis Huntington, Allan Kaufman, Paul McCrossan, Walt Rugland, and Barry Watson.

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The IFAA recognized as important resource

by Barry Watson

The International Accounting Standards Committee's (IASC) mandate to produce internationally recognized standards for employee benefits gave the International Forum of Actuarial Organizations (IFAA) an early opportunity to show its importance in representing actuarial interests internationally.

Background

An IASC task force distributed an issues paper in August 1995, before the IFAA was formed, setting out its understanding of existing employee benefits accounting practices and asking for comments.

A points outline, dated February 2, 1996, showed principles on which an exposure draft of the accounting standard would be based. These were largely those of SFAS 87 and presented few problems for U.S. companies, but many for companies in other countries.

The IFAA IASC Subcommittee appointed a working group to prepare a response that would represent a consensus of views of experienced actuaries.

The IASC welcomed the IFAA response but adopted few of its proposals, including the one that recommended the discount rate be long-term to reduce volatility. Rather, the IASC went in an opposite direction. The major change was that asset values should be "fair value" only, thus increasing volatility.

The IASC Board accepted these proposals and directed the Benefits Task Force to prepare a draft exposure draft, which it did in mid-May. The IFAA working group developed comments on certain key issues, especially volatility.

Once again, the working group's input was well received, but few changes of substance were made.

The draft exposure draft will be approved at an IASC Board meeting in mid-September. Comments can then be made on this draft before final approval in early 1997, but few significant changes are likely.

The lesson to be learned? The IFAA is urgently needed for this type of actuarial diplomacy. A means of formal response by the IFAA must be adopted — and soon. Any response must be early — "present at the creation" is best. Assistance from member associations in monitoring developments and providing time and money is critical.

It is safe to say the international stage will not be dull.

Barry Watson is a member of the working group of the IFAA's IASC Subcommittee.