

MINUTES
CAS BOARD OF DIRECTORS MEETING
September 13-14, 2011
Boston, MA

PRESENT

Directors: Eugene Connell, Jeanne Crowell, Richard Delaney, Wayne Fisher, Beth Fitzgerald, Richard Goldfarb, Stan Khury, Ronald Kozlowski, Andy Kudera, Morton Lane, Kathryn Morgan, Arlie Proctor, Kenneth Quintilian, Alice Underwood, Mavis Walters.

Board Chair: Roger Hayne
President: Ralph Blanchard
President Elect: Patricia Teufel

American Academy of Actuaries Liaison to the CAS Board: Tim Wisecarver
Canadian Institute of Actuaries Liaison to the CAS Board: Christopher Townsend

Vice Presidents: Nancy Braithwaite (Marketing and Communications), Kris DeFrain (International), Louise Francis (Research and Development), Barry Franklin (ERM), Leslie Marlo (Administration), David Menning (Admissions), Chet Szczepanski, (Professional Education).

CAS Executive Director: Cynthia Ziegler

Invited Guests: Aaron Halpert, Chairperson of the Risk Management Committee

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

I. EXECUTIVE SESSION

The Board went into Executive Session at 8:00 a.m. on September 13, 2011. **When open session reconvened at 10:00 a.m., the Board unanimously ratified the following decisions made during Executive Session: The Board agreed to:**

- **Annually conduct a signing ceremony in which the Board, Executive Council members, and staff sign the Leadership Values document and agree to conduct Board business according to the guidelines therein.**
- **Review the Leadership Values document with in-coming directors at the annual Board orientation session.**
- **Include a copy of the Leadership Values document with all Board agenda materials.**

II. APPROVE AGENDA

A motion to approve the meeting agenda was approved unanimously.

III. CONSENT ITEMS

A motion to approve the following consent items was made:

- a. 2011-12 Chairs of Board Committees and Discipline Committee Members
The following 2011-12 committee chairs and members of the Discipline Committee were presented for Board approval:

Centennial Steering	Gail Ross
Risk Management	Aaron Halpert
Discipline	Tom Myers
Leadership Development	Joanne Spalla
Nominating	Roger Hayne
Strategic Planning	Arlie Proctor

Discipline Committee members: Tom Myers (Chairperson), Rich Fein, Michael Fusco, Alice Gannon, Steven Goldberg, Orin Linden, David Oakden, Sheldon Rosenberg, Richard Roth Jr.

b. Appointed Board Member

There was a recommendation to approve Michael Steel to serve as an Appointed Director for the period of March 2012 through November 2012.

The motion to approve the items listed above was carried unanimously.

The following consent items were identified for discussion:

c. Minutes of May 15, 2011 Board Meeting and August 9, 2011 Board Teleconference

There was a motion to approve the minutes of the May 15, 2011 Board meeting and August 9, 2011 Board teleconference. Several edits to the May meeting minutes were suggested by members of the Board and accepted as amendments.

The minutes of the May 15, 2011 Board meeting were approved as amended and the minutes of the August 9, 2011 Board teleconference were approved as written, by unanimous consent.

d. CAS CE Policy

The Board discussed the proposed revision to the “Procedures for Review and Approval of Continuing Education Standards of Additional National Actuarial Organizations within the CAS Continuing Education Policy.” Members of the Board offered various editorial suggestions for the procedures and discussion ensued. There was general agreement that, given the discussion, the document needed additional work and was not ready for approval.

A motion to table the discussion was approved unanimously. The EC will revise the procedures based on the discussion and present the procedures for Board approval at a future meeting.

e. Procedures for Removal of an Elected Officer

Ken Quintilian explained that the most noteworthy proposed change to the “Procedures for the Removal of an Elected Officer or Director” is intended to limit the participation by the subject actuary’s legal counsel in any hearing, with the wording drawn from the current CAS Rules of Procedure for Disciplinary Actions.

There was a motion to adopt the changes to the “Procedures for the Removal of an Elected Officer or Director” as amended. The motion was approved unanimously.

IV. NOMINATING COMMITTEE PROCEDURES

Roger Hayne provided an overview of the three recommendations put forth by the Nominating Committee and the Board discussed each of the recommendations.

a. The Nominating Committee recommends that the Board add an additional position to the Nominating Committee that would be designated for a representative of the Leadership Development Committee (LDC), preferably the Chairperson.

A question was raised regarding the role of the Leadership Development Committee. It was clarified that the Committee both develops and identifies future leaders.

There was a concern expressed regarding the potential for over-representation of the Leadership Development Committee on the Nominating Committee. However, there was general support for formally expanding the Nominating Committee by one position in order to maintain ongoing involvement by the Leadership Development Committee and facilitate communication between the two committees.

There was a motion to add a position to the Nominating Committee designated for a representative of the Leadership Development Committee, preferably the chair. The motion was approved with 16 in favor, one opposed, and one abstention.

- b. The Nominating Committee recommends that the Board establish a task force to improve the process for identifying appointed director candidates, specifically addressing the concerns and resulting ideas raised by the Nominating Committee as outlined in the agenda material.

There was general agreement that a new task force was not needed. Several additional suggestions for improving the process were suggested as additions to the list provided by the Nominating Committee. These suggestions included:

- The preferential ballot process should invite suggestions for appointed directors.
- The Nominating Committee should begin exploring candidates for appointed directors earlier in the process.
- Use a recruiter to assist with identifying appointed director candidates. This would require the Board to develop a detailed outline of the attributes desired of appointed directors.
- Ask current and past appointed directors to provide input to the Nominating Committee.

- c. The Nominating Committee recommends that the Board elect a new candidate to fill only one of the two appointed Board member spots that are scheduled to become vacant next year. The Board could elect a new candidate to fill the second appointed Board member spot in the following year (2013). This would allow the three appointed Board members to rotate like the elected directors, that is, there would be one appointed Board member in each class of directors.

There was a concern expressed with leaving an appointed seat open for one year, and there was not support for appointing an outside director for only a one-year term instead of a normal three-year term because of the learning curve involved in understanding the issues addressed by the Board. However, there was a sentiment that having an appointed director serve only one year was more desirable than leaving the position vacant.

There was a motion to elect a new candidate to fill only one of the two appointed Board member spots that are scheduled to become vacant next year. The motion failed to carry with six in favor, 10 opposed, and two abstentions.

While on the subject of designated positions on the Nominating Committee, there was a suggestion to revisit the Board's decision to include Associates on the Nominating Committee, in light of the results of the failed votes on the recent Constitution and Bylaw proposals to expand the participation of Associate members in the CAS governance process. There was a concern expressed with the idea of removing Associates' voice from the Nominating Committee. With input from a straw poll vote, the Board agreed to discuss at a future meeting the implications of the results of the votes on expanding the participation of Associates in the CAS governance process.

V. 2011-12 NOMINATING COMMITTEE MAKE UP

The Board discussed the proposed 2011-12 membership of the Nominating Committee.

There was a motion:

- **To approve the proposed 2011-12 Nominating Committee membership, including Larry A. Haefner as the new member of the Nominating Committee filling the vacancy in the “FCAS over 10 years or ACAS over 15 years” slot.**
- **That with the Board approval to add a position for a representative from the Leadership Development Committee, Joanne Spalla should continue on the Nominating Committee but as the Leadership Development Committee representative and Amy Bouska should be approved to fill the “Past Board Member “position.**

The motion was approved with 17 in favor and one opposed.

VI. CAS REVENUE STRUCTURE

Leslie Marlo presented the Revenue Structure Task Force Report and provided an overview of the recommendations in the report.

The Board unanimously approved the motions to:

- **Receive the CAS Revenue Structure Task Force Report and dismiss the Task Force with thanks.**
- **Make no changes to the examination fee structure.**
- **Codify the current unwritten policy of using sponsorship revenue to offset the expenses of the meeting or seminar to which the sponsorship applies.**

The Board discussed the statement in the report that the Task Force supports the recommendation of the Volunteer Issues Task Force (VITF) to provide an additional pool of \$25,000 in the CAS budget to be spent at the Executive Council’s discretion for volunteer expenses. It was clarified that the Board approved this funding as part of its approval of the recommendations of the VITF Report at the May 2011 meeting. The Executive Council will decide how to manage requests for use of the funds.

While on the subject of CAS revenue streams, there was a suggestion that the Executive Council should explore the possibility of a dues differential between Associates and Fellows, in light of the results of the failed votes on the recent Constitution and Bylaw proposals, which will continue to limit the role of Associates in the CAS governance process. The Board conducted a straw poll on the question and 15 voted in favor of having the EC explore a dues differential, with two voting against and one abstaining.

VII. STRATEGIC PLAN DISCUSSION

Arlie Proctor, chair of the Strategic Planning Committee, led the discussion on the development of the next iteration of the CAS Strategic Plan. He described the work of the Committee in outlining seven strategic goals and plans to meet those goals. In addition, the Committee drafted a complete strategic plan for the CAS’s international activities.

Members of the Board, Executive Council, and staff then engaged in small group discussions with specific draft goals assigned to each group. The breakout groups considered whether the goals are appropriate and outlined strategic activities the CAS will need to undertake to meet those goals. The feedback and input will be provided to the Strategic Planning Committee as it completes a draft strategic plan for review and approval at a future Board meeting.

VIII. EXECUTIVE SESSION

The Board held an Executive Session from 2:45 p.m. to 3:15 p.m. **When open session reconvened, the Board unanimously ratified the following decisions made during Executive Session:**

- **The July 8, 2011 teleconference minutes were approved as written.**
- **The request for an additional staff position of “Member and Volunteer Coordinator” was approved.**

IX. FY 2012 BUDGET

Leslie Marlo led the discussion on the FY 2012 CAS budget. She noted that exam fees and meeting/seminar fees are proposed to remain constant in FY 2012 and that proposed dues reflect a \$10 inflationary increase. The proposed budget results in a surplus ratio of 55%, which is within the targeted range.

Leslie described the changes to the proposed budget from the first draft of the budget that the Board reviewed at its May meeting. She also referred the Board to comments on the budget provided by the Finance Committee and the Executive Council’s responses to those comments.

Members of the Board asked questions and offered comments related to the budget and there were brief discussions regarding exam-related revenue, dues, staff compensation and the defined benefit plan, and the support of The Actuarial Foundation.

The Board passed the motion to approve the FY 2012 budget as proposed with 16 in favor and one abstention.

X. EC RESPONSE TO RISK MANAGEMENT COMMITTEE REPORT

Ralph Blanchard led the discussion on the Executive Council (EC) response to the Risk Management Committee (RMC) report and referred the Board to the summary of actions taken by the EC to mitigate the strategic risks identified by the RMC to an acceptable level.

Aaron Halpert, Chair of the CAS Risk Management Committee, joined the discussion. A member of the Board requested a report from the Committee on current operational risks to the CAS. It was also suggested that the Committee should examine emerging risks. Aaron responded that the Committee is discussing emerging risks and related mitigation activities, which will be provided to the Board in the Committee’s next report.

XI. CASUALTY PRACTICE COUNCIL REPORT

Tim Wisecarver, American Academy of Actuaries Liaison to the CAS Board, gave a report on the Academy and Casualty Practice Council (CPC). He provided brief comments on the Academy’s summer summit, Council on Professionalism, international issues that impact U.S. actuaries, discussions regarding the definition of a qualified actuary, Committee on Property and Liability Financial Reporting (COPLFR), and Flood Insurance Subcommittee.

XII. CANADIAN INSTITUTE OF ACTUARIES REPORT

Chris Townsend, CIA Liaison to the CAS Board, gave an update on the CIA. He reported that an Associate-level designation, ACIA, was recently approved as an official designation of the CIA. He also provided a brief update on the CIA membership survey, research, and recent public comments.

XIII. CERA UPDATE

The Board received an update from Vice President-ERM Barry Franklin on the status of the CAS application to the Global CERA Review Panel for CERA award signatory status. Barry described the recent work on revising the CAS application and plans for submitting the application in advance of an upcoming review team meeting. The CAS is now proposing that its criteria to qualify an individual for

the CERA designation would include participation in a rigorous three-day seminar and successful completion of the U.K. ST9 Enterprise Risk Management Specialist Technical Exam. Barry reported on progress in developing the ERM Seminar, which will cover the ERM learning objectives covered in the ST9 Exam and corresponding syllabus materials. The seminar is planned to be rigorous and intended to prepare candidates for successful completion of the exam.

XIV. OUTSIDE PERSPECTIVE

Morton Lane, an appointed director who is not an actuary, gave a presentation to the Board on his work related to insurance securitization. He also described his role in the Financial Engineering program at the University of Illinois at Champaign, which he helped develop. Board members thanked Morton for this “outside perspective.”

The Board adjourned for the day at this juncture of the meeting and reconvened at 8:00 a.m. on September 14, 2011.

XV. AUDIT COMMITTEE PROPOSAL

Ken Quintilian, chair of the Audit Committee, introduced the Committee’s proposal to prepare a document outlining the recent non-financial internal control review initiatives by the CAS and their outcomes. A question was raised as to whether this activity was an appropriate undertaking for the Audit Committee, which historically has focused primarily on financial issues. It was clarified that the Audit Committee would catalog the various reviews and make recommendations, but would not be performing reviews.

XVI. BOARD COMMITTEE STRUCTURE TASK FORCE REPORT

Stan Khury, Chair of the Task Force on Board Committee Structure, led the discussion on the Task Force’s report and recommendations and thanked the Executive Council for providing feedback on the recommendations. He mentioned that the Board had already considered several of the recommendations during a short discussion of the Task Force report in May. The Board proceeded to consider the following recommendations that were not addressed in the earlier discussion.

a. *Designate the Finance Committee as a Board committee.*

While the Board has final oversight of the CAS budget, it was suggested that without Board participation on the Finance Committee, the Board cannot fully perform its fiduciary responsibility. However, since the Finance Committee is primarily operational in nature and the Board already reviews and approves the budget and any changes to the investment policy, some believed that the Finance Committee should continue to report to the EC and that strategic issues related to financial activities could be handled by a Board-appointed task force.

There was a motion to adopt the recommendation to designate the Finance Committee as a Board committee. The motion failed to carry with seven in favor and 10 opposed.

There was a motion to add two members of the Board to the Finance Committee. The motion was approved with 11 in favor, four opposed, and two abstentions.

b. *Have one or two Board members common to both the Audit Committee and the Risk Management Committee.*

It was suggested that having Directors serve on multiple committees in addition to Board service may be placing a heavy burden on Directors. It was pointed out that the Board had previously agreed that every Board committee should typically include at least three Board members, preferably staggered, to strengthen the elements of continuity and Board oversight in the work of each committee.

There was a motion to include at least three members of the Board on the Audit Committee, with one Board member from each class. The motion was approved with 15 in favor, one opposed, and one abstention.

There was a motion that one member of the Audit Committee should also serve on the Risk Management Committee, and that the dual committee member does not need to be a Board member. The motion was approved with 15 in favor, one opposed, and one abstention.

- c. *Sharpen and stream line the mission descriptions of the Strategic Planning Committee and the Risk Management Committee, especially as it relates to potential functional overlaps.*

There was a consensus to ask the chairs of the respective committees to work together in reviewing the committee charges and suggesting modifications as needed.

- d. *Adopt a charter to describe the operations and reporting of EXECOM as the principal facilitator of Board operations.*

It was mentioned that EXECOM was formally formed when the Board adopted recommendations from a prior Board structure and operations task force, with the Board intent that this would not be set up as an official committee and hence would have no executive power, which would make this recommendation unnecessary. The Board asked Cynthia Ziegler to research this issue and report back to the Board.

- e. Disband the Task Force with thanks.

There was a motion to dismiss the Task Force on Board Committee Structure with thanks. The motion was approved with 15 in favor, one opposed, and one abstention.

XVII. JOINT DISCIPLINE AGREEMENT

Roger Hayne led the discussion on the proposal for joint discipline for the U.S. actuarial profession. With the approval by the Fellows to amend the CAS Bylaws to allow the CAS to enter into an agreement for joint discipline, the Board discussed the next steps.

Roger outlined for the Board the options currently under consideration for the structure of the Joint Discipline Council, along with cost considerations for each option. The Council of U.S. Presidents (CUSP) will be discussing the options and Ralph Blanchard asked the Board for feedback so that he may provide this input to CUSP deliberations.

Through a straw poll, the Board unanimously supported the creation of an entirely separate legal entity for the Joint Discipline Council. The Board then proceeded to conduct a straw poll on three options for the physical location of such an entity. The options and number of Board members supporting the option follow:

- House the entity separately from any existing actuarial organization – 3
- House the entity within an existing actuarial organization (The Actuarial Foundation model) – 6
- No preference – 8

The Board then discussed which actuarial organizations might be best suited for housing the entity. Concerns were expressed with housing the entity within the offices of the American Academy of Actuaries due to the costs associated with office space in downtown Washington, D.C. It was suggested that the CAS has the infrastructure in place to house the entity and the sense of the Board was that the CAS would be open to housing it.

XVIII. BOARD/MEMBER COMMUNICATIONS

Nancy Braithwaite presented the Action Paper on Board/Member Communications included in the agenda material and outlined four recommendations from the Executive Council intended to enhance communications with the CAS membership.

There was a motion that the Board formalize its outreach to Regional Affiliates to include at least annual contact with each affiliate and a report back to the Board after a CAS leadership presentation on CAS issues.

It was suggested that making presentations to Regional Affiliates should be considered a responsibility of Board members and that the reports back to the Board were an important aspect of this activity.

The motion was unanimously approved.

There was a motion to increase the publication frequency of *The Actuarial Review* to six issues per year, beginning in FY 2013.

Nancy explained that *The Actuarial Review* is the most widely-read CAS publication and one of the best vehicles for communicating to members. Along with the increase in frequency, it is envisioned that the *Actuarial Review* will transition to color and incorporate advertising to help off-set increased production and mailing costs.

A member of the Board suggested that the CAS explore allowing members to opt-out of paper copies of the *Actuarial Review*, for potential savings to the CAS in production and mailing costs. It was mentioned that the set-up for printing the newsletter is the most costly aspect of the production and therefore printing smaller quantities would not result in meaningful cost savings. Meanwhile, there is a concern that any phasing out of the printed version would result in a decline in readership, similar to the experience with the CAS Forum, at a time the CAS is aiming to enhance readership. Leslie Marlo mentioned that the Publications Management Board has this issue on its agenda.

The motion was approved unanimously.

The Board discussed the remaining two recommendations:

- Experiment with the idea of an informal online “Question of the Month” to get member feedback on priority issues facing the Society. The EC suggested that this could increase in frequency to a “Question of the Week” if there is sufficient demand.
- Experiment with more formal “Lightning Polls” of the entire membership, which are surveys of one to three questions on high priority issues that necessitate quick feedback.

While formal Board action was not required on these recommendations, members of the Board provided feedback and suggestions, including:

- Do not force a Question of the Week if there is not a particularly important question to be asked.
- The EC should experiment with these new tools to see what works well and what is not effective.
- If the entire membership is surveyed, the EC should be sure that the topic is a high-priority issue.

XIX. EXECUTIVE COUNCIL GOVERNANCE AND TASK FORCE REPORT

A discussion was requested on the Information Paper on the Executive Council Governance and Task Force Report.

There was a question related to the pending elimination of the VP-ERM position (as the position was established with a 2011 expiration). It was clarified that this position was temporarily extended due to the

timing of the CERA award signatory approval process and that this extension is only temporary, however, the decision to make this extension only temporary may be revisited.

There was a question about the planned transition of responsibility between Vice Presidents and CAS staff described in the information paper. It was explained that the EC will be experimenting with a shared management responsibility approach to determine what is appropriate for the division of responsibility between Vice Presidents and staff.

XX. INFORMATION ITEMS

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

- a. Centennial Goal Progress
- b. Results of Spring Exam Sitting
- c. Debrief of May NAAC Meeting
- d. Compensation and Benefits Study
- e. ABCD Report
- f. Q3 FY 2011 Financial Statement
- g. 2011 Election Results
- h. CAS Insurance Program for 2011-12
- i. EC Minutes from May 17, June 21 and July 26
- j. CE Implementation
- k. Notes on ASAE Symposium
- l. Groupe Consultatif Actuariel European Article
- m. FY 2010 Tax Returns
- n. The Institute and Faculty of Actuaries Strategy
- o. 2010 Travel Time Report
- p. Presentation to The Hartford
- q. Presentation to Liberty Mutual
- r. Review of Past Board Meeting Evaluations
- s. Staff Goals Update
- t. VP Goals Update

XXI. EXECUTIVE SESSION

The Board held an Executive Session from 10:30 a.m. to 11:00 a.m.

XXII. NOMINATING COMMITTEE APPOINTMENT

There was a motion to appoint Morton Lane to serve on the Nominating Committee for one year, with the possibility for reappointment for up to two additional years, beginning when his term as an appointed Board member ends in November. The motion was approved unanimously.

There was a motion to adjourn the meeting. This motion was approved unanimously. The meeting was declared adjourned at 11:00 a.m.

Respectfully submitted,
Michael Boa
Director of Communications and Marketing

Approved: November 6, 2011

Subsequent to the meeting, the Board unanimously approved via e-mail the recommendation to post on the CAS Web Site the September 13-14 Executive Summary, with 16 voting.