



October 30, 2020

Ms. Katherine Campbell
Chair, Committee on Qualifications
Council on Professionalism
American Academy of Actuaries
1850 M Street, NW
Suite 300
Washington, DC 20036

Dear Ms. Campbell:

Subject: Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States

Aon plc appreciates the important role of the American Academy of Actuaries (“Academy”) in establishing and maintaining standards of professionalism for U.S. actuaries. The Academy’s work in this area helps ensure that actuaries are qualified to perform actuarial services for their respective principals, and that they deliver those services with quality and care.

We would like to submit comments regarding the recent Exposure Draft of proposed changes to the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (“Qualification Standards”). The Qualification Standards are promulgated by the Academy and apply to members of the five major U.S. actuarial organizations. Aon makes every effort to ensure that our actuaries comply with these requirements and provides comprehensive support to our actuaries in this process.

In addition, we would like to submit comments regarding the organized activity provision of the continuing education requirements of the Qualification Standards. This provision is unchanged in the recent Exposure Draft; however, as revisions to the Qualification Standards are under consideration, we ask that the Academy consider whether the organized activity provision has achieved its intended purpose. Aon submitted similar comments regarding the organized activity requirement in 2017, and we believe these comments continue to be relevant and appropriate.

Who We Are

Aon plc (NYSE: AON) is a leading global professional services firm providing a broad range of risk, retirement, and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance. For further information on our capabilities and to learn how we empower results for clients, please visit: <https://www.aon.com>.

Proposed Changes in Exposure Draft Applicable to Enrolled Actuaries

Section 2.1.1 of the Exposure Draft appears to introduce additional basic education and experience requirements that would apply to Enrolled Actuaries. Specifically, the current Qualification Standards deem an Enrolled Actuary to meet the basic education and experience requirements of Section 2.1 for the pension practice area, while the Exposure Draft would limit this deemed satisfaction of the requirements to “Statements of Actuarial Opinion that ERISA mandates an Enrolled Actuary to issue.” For other Statements of Actuarial Opinion that ERISA does not mandate an Enrolled Actuary to issue, the actuary is deemed to satisfy section 2.1(b), but must satisfy sections 2.1(c) and (d) with regard to the subject of the Statement of Actuarial Opinion.

For example, an Enrolled Actuary who is an Associate of the Society of Actuaries would be deemed to meet the basic education requirements of section 2.1 under the current Qualification Standards. However, for such an actuary to be able to issue a Statement of Actuarial Opinion not mandated by ERISA, the Exposure Draft would require the actuary to have a minimum of three years of responsible pension actuarial experience under the review of an actuary who was qualified to issue the Statement of Actuarial Opinion at the time. This represents a change from the current Qualification Standards.

The Exposure Draft cites funding calculations and Form 5500 Schedule SB filings as examples of work that ERISA mandates an Enrolled Actuary to issue. However, there are many other subject areas in which an Enrolled Actuary may perform work under ERISA and that are covered by the syllabus for the Joint Board examinations (e.g., nondiscrimination testing). It is unclear whether this work would be considered “mandated” by ERISA under the Exposure Draft. We believe an Enrolled Actuary should be considered qualified to issue a Statement of Actuarial Opinion in such areas, and that this should be clarified in the Exposure Draft. Work in areas not covered by ERISA, such as pension accounting, would presumably be subject to the additional requirements noted above.

The preamble to the Exposure Draft asks, “the goal surrounding the updated language related to the basic and continuing education for Enrolled Actuaries was to add clarity but not change the requirements. Is this clear in the updated language?” As noted above, we believe the language in the Exposure Draft represents a change in the requirements and not merely a clarification. If this was not the intent, we believe the Exposure Draft should be revised accordingly. If a change was intended, we believe it would be appropriate to issue a second Exposure Draft that more clearly identifies the proposed changes and the rationale for those changes.

Organized Activity Requirement

Section 2.2.2 of the Qualification Standards requires that, in order for an actuary to satisfy the General Qualification Standard, the actuary must complete and document at least 30 hours each calendar year of relevant continuing education. A minimum of six hours must consist of “organized activities” that, as defined in section 2.2.7 of the Qualification Standards (section 2.2.6 of the Exposure Draft), “involve interaction with actuaries or other professionals working for different organizations.” Such organized activities “include, but are not limited to, conferences, seminars, webcasts, in-person or online courses, or committee work that is directly relevant to the area of practice of the subject of the Statement of Actuarial Opinion.”

While we believe it is appropriate to require that an actuary obtain a minimum number of hours of relevant continuing education that involve interaction with other actuaries and professionals, we do not believe the requirement that organized activities include individuals working for other organizations has proven to be effective.

Ideally, the requirement would encourage collaboration and knowledge sharing between actuaries and professionals working for different organizations, but in actuality this is not happening very effectively. In many cases, actuaries currently meet this requirement by attending webcasts or similar courses in which material is presented by an actuary from another firm (often a competitor of the actuary's own firm). While the information presented may be relevant to the actuary's area of practice, the degree of information sharing is often limited by a presenter's legitimate concerns over sharing his or her firm's intellectual capital. In addition, the degree of interaction between the audience and presenter may be limited due to the format of the program. For example, while webcasts often allow an opportunity for the audience to submit questions electronically, they tend to be much less interactive than a face-to-face meeting. As a result, we do not believe that these courses foster the degree of knowledge sharing and collaboration originally envisioned as part of the organized activity requirement.

Additionally, even relevant content presented by a speaker from a different organization often does not truly deepen the actuary's understanding of the topic. An external speaker may not be familiar with internal learning opportunities available to an actuary and may not know the information and opinions to which the actuary has already been exposed. Therefore, taking part in continuing education opportunities that meet the organized activity requirement can become a "check the box" exercise, where the actuary "intended to learn something, or confirmed his or her existing understanding" per the advice in Q&A 36 in the "FAQs On The U.S. Qualification Standards" posted on the Academy's website, as opposed to a learning experience that genuinely makes the participant a better actuary.

We believe the value of a continuing education program comes from depth of content, effective delivery, and interaction and exchange of perspectives among the audience and presenters, and that internally developed programs can often meet these objectives as well as, if not better than, externally developed programs. These internal programs often provide more relevant content in a timelier manner than external programs. Such internal programs can ensure that actuaries are aware of new innovations, or able to share their own knowledge of such innovations. In addition, large firms generally employ a diverse group of actuaries with varying backgrounds. When internal continuing education programs are developed by such firms, these valuable human capital resources are drawn upon, without any concerns about sharing intellectual capital, to provide a broader range of views than may be available from an external source. This allows the participants to engage in robust, open discussions on how to bring greater value to both their principals and society as a whole.

With this in mind, we respectfully ask the Academy to consider expanding the definition of organized activities to include all relevant, structured activities that provide the actuary with the ability to interact with other actuaries and professionals, including ones from the actuary's own organization. This would allow internally developed continuing education programs that are relevant to the area of practice in which an actuary may be issuing an actuarial opinion to qualify as organized activities.

To help ensure the robustness of such internal programs, the expanded definition of organized activities could require a designated instructor and a minimum number of participants who are able to interact with the instructor, similar to the definition of “formal programs” under the regulations of the Joint Board for the Enrollment of Actuaries. Alternatively, the Academy could approve specific “internal-speaker” sessions as organized activities based on a course description and/or presentation materials.

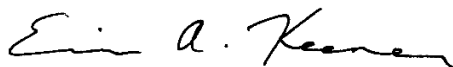
If the goals of continuing education include improving the actuarial work provided to clients and employers, strengthening the profession, and enhancing the profession’s reputation, as stated in the Transmittal Memorandum that accompanies the current Qualification Standards, we urge the Academy to expand the definition of organized activities. Including internal continuing education programs as organized activities would allow for additional means by which an actuary can meet those goals in a way that exposes the actuary to deep content matter and unrestrained collaboration.

Closing

We appreciate your review and consideration of our comments regarding the Exposure Draft and the continuing education requirements of the Qualification Standards. If you have any questions or would like to discuss further, please contact the undersigned at the telephone numbers or electronic mail addresses provided below.

Sincerely,

Aon plc



Eric A. Keener, FSA, EA, MAAA, FCA
Senior Partner and Chief Actuary
Aon | Retirement & Investment
eric.keener@aon.com
(203) 523-8454



Jay Gotelaere, FCAS, MAAA, CERA, ASA
Executive Vice President–Global Risk Consulting
Aon | Commercial Risk Solutions
jay.gotelaere@aon.com
(312) 381-2772



Edward Cwikla, FSA, MAAA, FCA
U.S. Chief Actuary
Aon | Health Solutions
ed.cwikla@aon.com
(847) 442-3098

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