

January 19, 2018

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Subject: Transparency

Dear Sirs:

I would like to thank the Presidents who considered my earlier letter. I have a couple of updates that I would like to share.

First, I have heard from neither the Academy nor the ASB with respect to my letter dated January 8, 2018. Additionally, my request to the ASB staff liaison for information regarding the next Pension ASB Committee goes unanswered. As a pension actuary, I have great interest in observing this meeting because it is my understanding that they are working on revisions to ASOP 4.

Second, under the Academy's open meeting policy, I requested information to attend the next conference call of the Committee on Qualifications ("COQ"). I have previously served on and chaired the COQ, and I have a renewed interest in the COQ's work due to the NAIC's "Qualified Actuary" Exposure Document. I have been advised today that

"The chairperson of the COQ and the Academy's Vice President of Professionalism have decided that COQ meetings should and will be closed to observers for the reasons noted above."

Generally, I would not expect the Presidents of other organizations to have an interest in how the Academy administers its own open meeting policy – it is an internal matter between the member and the Academy. For example, the CAS has a policy that its board meetings are open to its members. If a CAS member was denied entry to a CAS board meeting, I would not expect the other organizations to act. However, the COQ is of particular importance to all US-based actuarial organizations.

The COQ drafts and recommends changes to the Qualification Standards which apply to all actuaries who issue statements of actuarial opinion and who belong to any of the five US-based actuarial organizations. This would include changes to the Specific Qualification Standards. Changes to the Qualification Standards are subject only to the approval of the Academy Board.

Given that the COQ sets minimum standards for qualifications, it needs to be as transparent as the ASB. This is particularly important given the removal of the special directors from the Academy Board. At some point in the future, the COQ will need to open the Qualification Standards for revision if for no other reason than the inevitable changes to the NAIC's definition of Qualified Actuary for P/C opinions. There needs to be transparency. It is not in the best interest of the Academy, the profession or the public that the ASB and COQ be allowed to work behind closed doors when setting standards or qualifications.

In addition to the suggestions of my January 8, 2018 letter, I suggest the Presidents of the US-based Actuarial Organizations work to attain the following for the benefit of the public and the profession:

- Any portion of a COQ meeting which involves the drafting of proposed changes to the Qualifications Standards, deliberating whether to send proposed changes to the Qualification Standards to the Academy Board for exposure or approval, reviewing comment letters regarding an exposure draft, reviewing suggestions to change the Qualification Standards be open to the public
- Any portion of an Academy Board meeting which discusses issuing an exposure draft of the Qualification Standards or adopting revisions to the Qualification Standards be open to the public
- Adequate notice of the date, time, location and agenda shall be provided for the above to all interested parties
- All other COQ and Academy Board meetings to be handled according to the Academy's open meeting policy (if any)

The above suggestions are intended to balance the Academy's right to determine its own internal policies with the profession's and public's need to have visibility into the qualification setting process. There may be other ways to address these issues such as making the COQ a subcommittee of the ASB and allowing the Selection Committee to choose the members of the COQ. However, as a starting point, the above seemed much simpler given that the COQ is currently constituted as a committee of the Academy.

I am in the processing of retaining counsel to assist me with what I believe to be the ASB's and Academy's failure to adhere to their respective open meeting policies. I have expressed via email to the Academy's general counsel Paul Kollmer-Dorsey and Executive Director Mary Downs that I wish we could resolve the open meeting issues without the necessity of lawyers. This does seem like a matter that reasonable parties should be able to resolve without lawyers. However, at this time, I am not optimistic.

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Thank you for your consideration of my letter. I know you are all extremely busy, and I do not expect a response. Additionally, I do not anticipate that there are any other committees or boards that I will write to you about in the future!

The opinions expressed in this letter are my own and do not represent any actuarial organization to which I belong. In fact, I am quite certain that at least one or two of the organizations to which I belong want me to stop having opinions and writing letters.

If I can be of any assistance, please email me at karens@nova401k.com.

Sincerely,

Karen Smith

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