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Governance texts propositions 2017

This document is intended to inform the Membres Titulaires on the Governance propositions, which will be included in the agenda of the General Assembly on Friday 22 September 2017. Copies of this document will also be sent to members of the Standards, Freedoms and Professionalism Committee.

This document is an updated version of the one presented to the AAE Member Associations during the consultations which started the 14th of March 2017 and ended on 14th of April 2017.

Modifications to the documents that were agreed during the SFPC meeting in Reykjavik have been taken into account as well as corrections of remaining inconsistencies or language corrections.

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1. Executive summary

A Task Force called “Implementation of the Strategy Review 2016 Proposals (ISRP)” was established by the Standards, Freedoms & Professionalism Committee (SFPC) and began its work on 16/12/2016. This ISRP Task Force succeeded to a predecessor task force, called “Strategy review 2016” established by the Officers.

The conclusions of this first task force were presented at the Presidents’ Meeting on 1 September 2016, at the SFPC meeting in Barcelona on 22 September and to the General Assembly on 23 September 2016. At the Barcelona SFPC meeting consensus was achieved regarding the general strategy and the strategic objectives whereas more discussion was requested on the review of the governance structure. The General Assembly in Barcelona endorsed the SFPC proposal to continue its work on the implementation of the strategy review through a new task force. The ISRP TF was created for that purpose.

On governance, the ISRP TF discussions have been finalized. Changes of the governance structure include amendments to the statutes and the Terms of Reference of the Board and the Nominations Panel.

In parallel with the consultation, a call was organized to present the ISRP TF works on governance issues and the consultation questions to the SFPC and to the Member Associations on March 27. Based on the positive results and support from the Member Associations of this consultation, an interim report to the SFPC was presented at the Spring Meeting in Reykjavik on Friday 12 May 2017. The interim report has been endorsed by the SFPC and the Officers, the Nominations Panel will soon begin to seek candidates for the different new functions, if any. This is the final report that is prepared for consideration by the SFPC and the General Assembly at the Annual Meeting taking place in Copenhagen on Friday 22 September 2017.

The ISRP TF and its two subgroups on strategy and on governance met regularly in January and in February, at least one call per week and a meeting in person in Brussels on the 7th of February. Members of the Task Force are Nick Dumbreck, Birgit Kaiser, Luis Sáez de Jáuregui, Jeroen van den Bosch, Giampaolo Crenca, Christophe Heck, Tony O’Riordan, José Manuel Mendinhos, Hillevi Mannonen, Gábor Hanák, Inga Helmane. The Task Force has been coordinated by Thomas Béhar, Vice-Chairperson of the Actuarial Association of Europe.

2. Role and Composition of the Board of Directors

2.1 Summary of strategy review's key elements and need for change

From the strategy review and the General Assembly meeting held in Barcelona there was a clear request to redefine the Board's role and composition.

As per the survey, the main reasons are:

- The Board of Directors should propose the strategy and monitor its execution while the Committees, Working Groups and Task Forces should execute it. In the current composition, there is a blurred line between who owns the definition of the strategy, the monitoring of its execution and the execution itself.
- Member associations should have stronger link with the AAE as the Presidents' Forum is not sufficient.
- Importance of being flexible in executing the strategy and therefore, importance of having more flexibility in creating and disbanding Committees and setting their ToRs.

2.2 Summary of ISRP Task Force discussions - Role of the Board of Directors

Based on a survey among member associations as conducted by the predecessor task force on the future mandate of the Board of Directors, the previous Terms of Reference for the Board (which had not been submitted to the General Assembly) as well as the ISRP Task Force's own considerations regarding the various AAE activities the Task Force has developed a proposal on the future role of the Board. This is reflected in the new draft of the Terms of Reference which comprises all duties of the future Board as regards

- Strategy
- Execution
- Finance
- Operations
- Relationship management and
- Information.

The Task Force carefully considered how the Board's role could be outlined in order to optimally execute the AAE's strategy. In particular, the Task Force examined how the management of the AAE Committees could be further improved in terms of establishing and monitoring the committees and appointing the future leadership.

The Task Force came to the conclusion that the creation of Committees and the nomination of their Chairpersons are decisions that cannot be delegated to the Board of Directors. Therefore the General Assembly should create Committees as proposed by the Board and elect their Chairpersons as per the Nominations Panel's recommendation.

The following table summarizes how the various roles and responsibilities are shared between the bodies of the AAE:

Roles and responsibilities	GA	Board	CEO	Nominations Panel	Committee chairs	Task chairs	Force
Nominating Board				X			
Electing Board	X						
Developing Strategy		X					
Approving Strategy	X						
Proposing Committees		X					
Creating Committees	X						
Nominating Committee Chairperson				X			
Electing Committee Chairperson	X						
Supervising Committees		X					
Driving Committee's activities					X		
Creating Task Forces		X			(X) delegated to the Committees which look for the Board of directors' consent		
Electing Task Forces Chairperson		X			X		
Supervising Task Forces		X			(X) delegated to the Committees which look for the Board of directors' ongoing consent		
Driving Task Forces' activities						X	
Recommending admission/rejection new members		X					
Approving admission/rejection new members	X						
Reporting activities and open positions		X					
Organizing staff and accommodation		X					
Preparing external relationship policy		X					
Organizing Annual Meetings		X					

Approving external relationship policy	X					
Executing external relationship policy (representing the AAE)		X			(X) if delegated by the Board (e.g. Technical Discussions)	
Recommending annual budget		X				
Approving Annual budget	X					
Supporting board and Chairpersons			X			

Details are summarized in the Board of Directors' Terms of Reference.

2.3 Composition of the Board of Directors

Based on the feedback collected from the strategy review and General Assembly meeting held in Barcelona, the Task Force has looked at different Board compositions and came up with six different scenarios. The main difference consisted of whether the Committee Chairpersons would be Board Members or not. The minor differences consisted of how the composition of the Board can best balance various factors, that the TF felt important to achieve proper diversification, when choosing candidates from Member Associations. The Task Force considered various scenarios and finally short-listed three main scenarios:

Scenario	Description
A	<ul style="list-style-type: none"> As per current situation
B	<ul style="list-style-type: none"> The Board of Directors comprises the Chairperson, the Vice-Chairperson, the Immediate Past Chairperson, and six additional members, one of whom will assume the role of Honorary Treasurer. Each voting categories gets at least one seat with no more than one member from each Association. Committee Chairpersons are not Board Officers but are invited to the Board meetings. Committee Chairpersons are eligible for appointment as Board members, but must retire from their Committee Chairperson position at the date of their appointment to the Board
C	<ul style="list-style-type: none"> The Board of Directors is composed of thirteen members (similar to scenario A, but one seat per voting category is added). Committee Chairpersons are Board Officers.

To ensure a good diversity (voting rights, size of association, geography, gender and otherwise), the Task Force proposes that the Board Members have a term of three years, with two members retiring each year (i.e. staggering Board Member rotation). A term of office normally may only be renewed further if a member is elected Vice-Chairperson.

In addition, the Task Force proposes to delegate the task of maintaining diversity while ensuring that the Board Members have the right skills to the Nominations Panel rather than adding diversity rules in the ToRs and Statutes, as this would hinder flexibility without adding value. The Task Force has updated the Nominations Panel's ToR accordingly. This change will strengthen the importance of the role of the Nominations Panel.

In order to define which scenario is best, the Task Force has developed the following scoring:

- a. Oversight by the Board of the strategy execution by Committees, Working Group and Task Forces are done independently;
- b. Fair representation in the board of small, middle and big associations;
- c. Fair representation of voting rights;
- d. Efficient and easy communication between Board and Committees Chairs;
- e. Improve member associations involvement;
- f. Ensure that Committees Chairperson and Board Officers have the right skills for their respective mandate;
- g. Ensure AAE's organizational flexibility;
- h. Fitness of the Board to deliver the SOs of the AAE effectively.

Based on those criteria, the Task Force came to the conclusion that scenario B corresponds best to the feedback provided by the Member Associations in the strategy survey last year and during the General Assembly meeting held in Barcelona.

Scoring item	Scenario B
Oversight by the Board of the strategy execution by Committees, Working Group and Task Forces are done independently	Improved oversight as Committee Chairperson are not in the Board. In fact, it is hard to oversee its own work (i.e. Board member who is also Committee Chairperson and is overseeing its own work).
Fair representation in the board of small, middle and big associations	Each voting category has at least one member in the Board of Directors.
Fair representation of voting rights	Each voting category has at least one member in the Board of Directors.
Efficient and easy communication between Board and Committees Chairs	The Committee Chairperson will be invited at all the Board of Directors meeting to give their view and be informed of the Board of Directors' decisions.
Improve member associations involvement	As there are more available positions (i.e. a Board Member cannot at the same time be a Committee Chairpersons), Member Associations will have to be more involved.
Ensure that Committees Chairperson and Board Officers have the right skills for their respective mandate	Under Scenario B, a Committee Chairperson cannot be a Board Member. This allows people which don't necessarily have the skills to be Board Member to be Committee Chairperson and vice-versa and increase the probability to find suitable candidates.
Ensure AAE's organizational flexibility	The Board of Directors and Committees can create Task Forces, Working Groups in an efficient manner which allows for high flexibility. In addition, new Committees can be created on an annual basis with after approval from the General Assembly.
Fitness of the Board to deliver the SOs of the AAE effectively.	Currently, the Board Members which also are Committee Chairpersons have to work on the strategy, the monitoring of its execution while managing the Committee and its many tasks. With scenario B, as the Board Members cannot be

	Committee Chairperson and vice-versa, they will be able to focus on the strategy and the monitoring of its execution which will improve the fitness of the Board to deliver the SOs of the AAE effectively.
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Furthermore, the size of the Board in scenario B is the same as the current one. The difference is that the current seats of the five Committee Chairpersons and the Honorary Treasurer would be reallocated to the Member Associations in order to increase Member Association representation in a balanced manner, i.e. each voting category is represented with at least one seat.

In addition, the Nominations Panel will consider the whole Board (i.e. including Chairperson, Vice-Chairperson and Immediate Past Chairperson) when assessing the diversity (voting rights, size of association, geography, gender and otherwise).

2.4 Composition and duties of the Nominations Panel

In order to ensure that Full Member Associations are adequately involved in the important discussions of the Nominations Panel and its recommendations to the General Assembly, the Task Force strongly recommends to enlarge the membership of the Nominations Panel in order to reflect a similar diversity in its membership as required for the Board. The Nominations Panel shall comprise eleven persons and include the current Chairperson, the Vice-Chairperson and Immediate Past Chairperson of AAE as well as two members from each voting category. Moreover, a regular rotation of membership appears to be desirable, which is why two or three members of the Nominations Panel should retire each year.

In order to also ensure independence of the Nominations Panel the Task Force recommends that members of the Nominations Panel are neither eligible for the Board of Directors nor as Committee chairpersons.

The duties of the Nominations Panel will comprise submitting recommendations for the following positions to the General Assembly:

- a. The Chairperson and Vice-Chairperson;
- b. Members of the Board of Directors (except Chairperson, Vice-Chairperson and Immediate Past Chairperson of the AAE);
- c. Chairpersons of the Committees;
- d. Members from each voting category for the Nominations Panel.

In all its recommendations, the Nominations Panel shall have, as far as possible, regard to the distribution of appointments by geography, size of the association, gender and otherwise, as well as an appropriate range of skills and practice areas.

Details are summarized in the Nominations Panel's Terms of Reference.

2.5 Modifications following the governance survey

- With regards to the Board's term of office there was a general feeling that we should not be too prescriptive and rather express the three years as a principle ("normally") so that they could be extended if necessary. The SFPC has asked for more flexibility.
- With regards to the "at least one member per voting category" requirement for the Board, the SFPC finally agreed that if it is not possible to find a candidate from a voting category, one position will remain vacant until a suitable candidate from this voting category can be found.

- The SFPC agreed on deleting the list of committees from the statutes. Only the Standards, Freedoms and Professionalism Committee is mentioned explicitly in the Statutes. A maximum number of committees will not be introduced in the Statutes but rather trust that the General Assembly would not approve of too many committees.
- The SFPC agreed that the document describing the relationship between Board and committees should be approved by the General Assembly.
- With regards to Article 2. of the Nominations Panel's ToR, the SFPC asked to include "issues such as" before the list of diversity criteria, and also to add reasons why diversity is important and the objectives why we need diversity.

2.6 List of proposed changes for the Statutes

- Article 1 : Simplification for the reference for the Swiss law (article 60 instead of article 60 ff)
- Article 2 : Aims become equal to mission. See the new strategy.
- Article 3 : Associations will always be referred in the new statutes as "Full Member Associations" or "Observer Member Associations" or "Member Associations" to avoid any confusion with the members of the Associations. (Referred later as "Associations wording")
- Article 4 : Associations wording + New article numeration
- Article 5 : Spelling (capitalise)
- Article 6 : Associations wording
- Article 7 : Associations wording
- Article 8 : Associations wording
- Article 9 :
 - The list of committees is removed from the Statutes except for the Standards, Freedoms and Professionalism committee, which plays a specific role and is quoted in the Statutes
 - Associations wording
 - Chairs, Chairman will now be referred as Chairpersons, Chairperson
 - Article 9.4 comes from previous Article 10.
- Article 10 : New role and composition of the Board
- Article 11 : New role and composition of the Nominations Panel
- Article 12 : No change
- Article 13 :
 - Associations wording
 - Article 13.4 refined to define more precisely the rule (cut off) for a category change
- Article 14 : Associations wording
- Article 15 : No change
- Article 16 : No change
- Article 17 : No change
- Article 18 : Associations wording
- Article 19 : Associations wording
- Article 20 : New effective date

Article 8.6 : The proposed statutes include a proposal to have only one membre titulaire per delegation instead of per association. The board has decided to remove this proposal. As an example, before the merger between the Institute and the Faculty, each association was represented by one membre titulaire per association at the General Assembly. This situation will be maintained for the future.

3. Feedback from sessions

3.1 Feedback from General Assembly Meeting



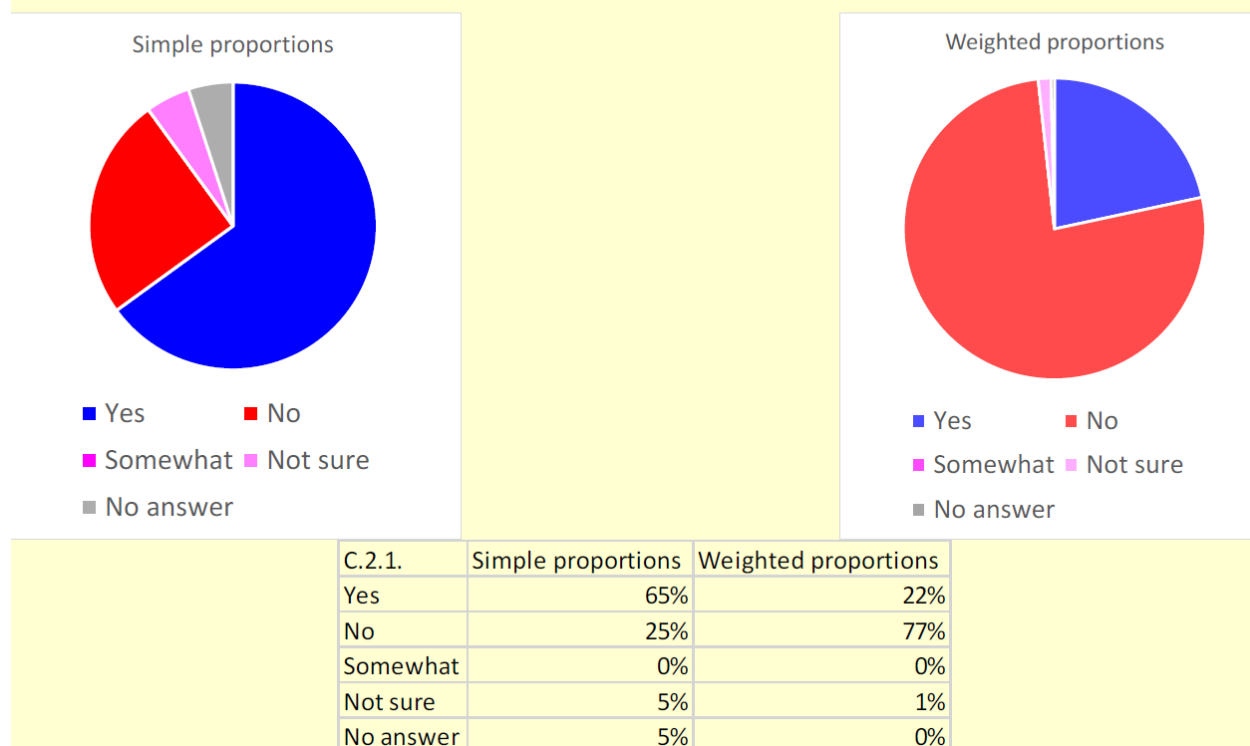
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3.2 Feedback from the Strategy Task Force

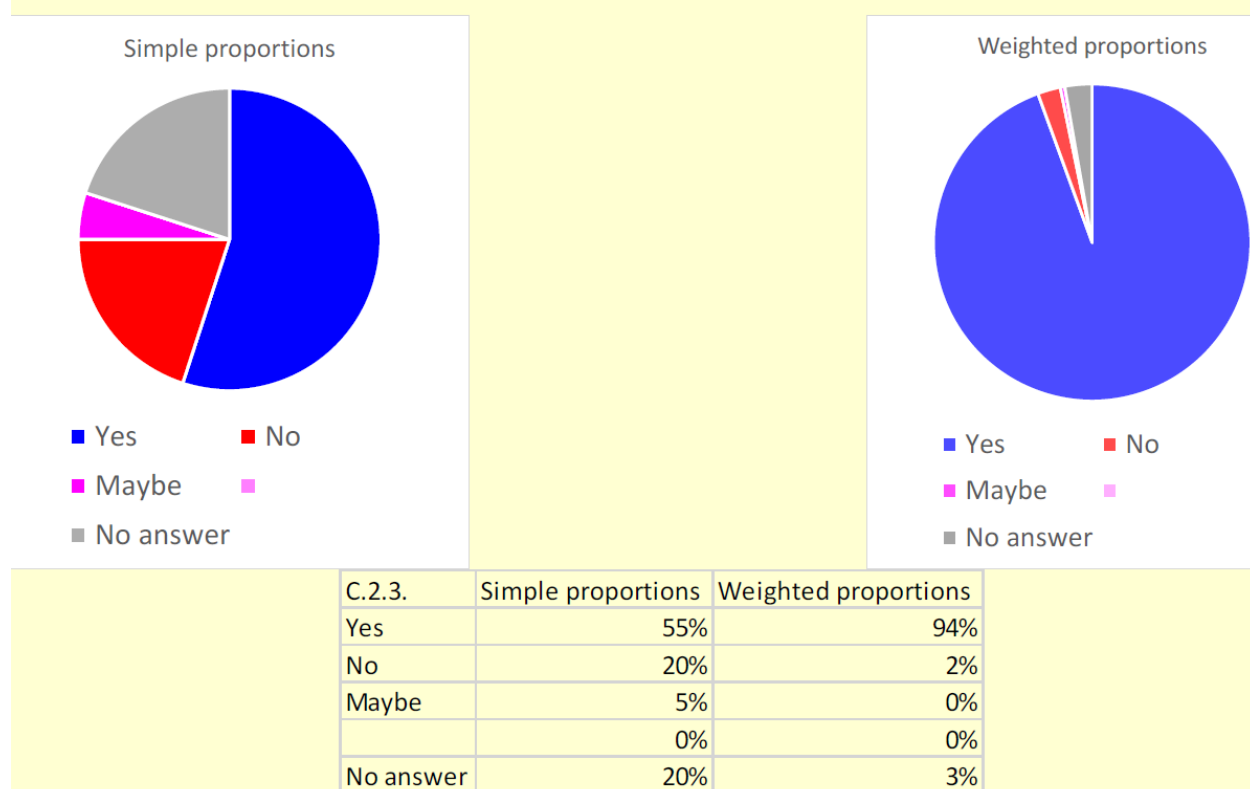
- The Task Force proposes that, to improve the efficiency of the AAE, the General Assembly should formally delegate some of its powers to the Board.
- Structure of operation should be proposed by the Board but should continue to be approved by the General Assembly. The objective is to gain in flexibility.
- The Task Force proposes that, every year, the Board proposes and the General Assembly decides on strategic initiatives and corresponding annual KPIs for the Board itself as well as for each committee.
 - The strategic initiatives should facilitate annual operational goals for the AAE in order to support the Strategic Objectives
- The Board should also report quarterly to the member associations on the implementation of the strategy by giving an account of the Board's and the committees' actions
 - Organizing and improving the information driven to the member associations was a repeated need of the member associations.

3.3 Feedback from MAs - Overall

C.2.1 Does your association believe that the current leadership structure is still appropriate?

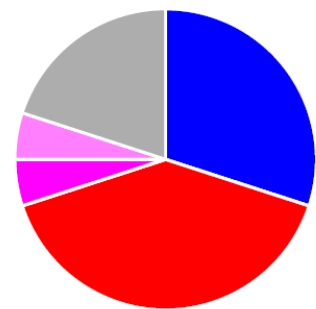


C.2.3 Should there be a stronger link between the governance of the AAE and the leadership of member associations than currently?



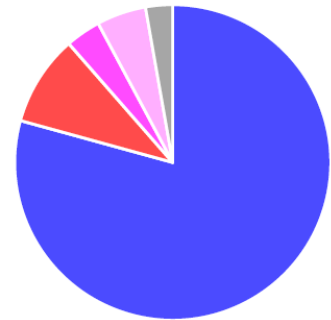
C.2.4 Should the composition of the Board be different from what it is currently?

Simple proportions



■ Yes ■ No
■ Maybe ■ Not sure
■ No answer

Weighted proportions

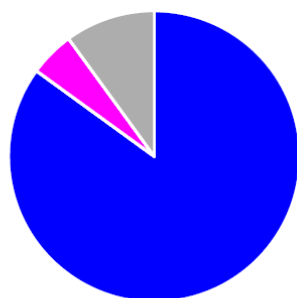


■ Yes ■ No
■ Maybe ■ Not sure
■ No answer

C.2.4.	Simple proportions	Weighted proportions
Yes	30%	79%
No	40%	9%
Maybe	5%	4%
Not sure	5%	5%
No answer	20%	3%

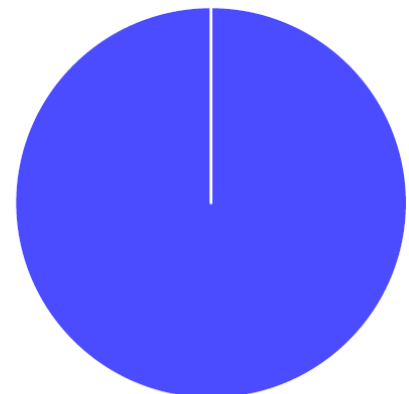
C.2.5 Should the Statutes describe explicitly what the mandate of the Board/Officers should be?

Simple proportions



■ Yes ■ No
■ Maybe ■ Not sure
■ No answer

Weighted proportions

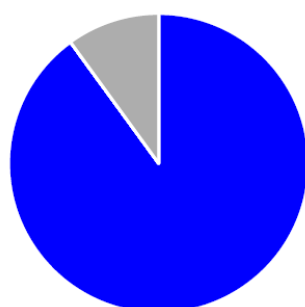


■ Yes

C.2.5.	Simple proportions	Weighted proportions
Yes	85%	94%
No	0%	0%
Maybe	5%	4%
Not sure	0%	0%
No answer	10%	2%

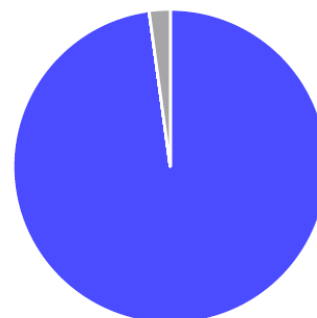
C.2.5.1 Report to GA

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

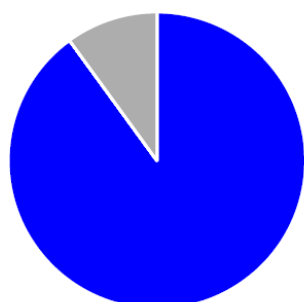


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.1.	Simple proportions	Weighted proportions
Yes	90%	98%
No	0%	0%
Not sure	0%	0%
	0%	0%
No answer	10%	2%

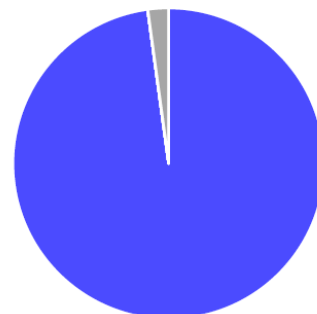
C.2.5.2 Preparing strategic plan

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

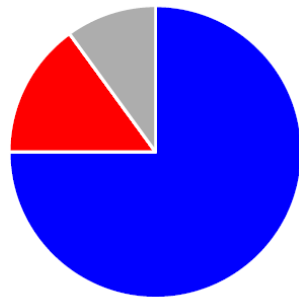


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.2.	Simple proportions	Weighted proportions
Yes	90%	98%
No	0%	0%
Not sure	0%	0%
	0%	0%
No answer	10%	2%

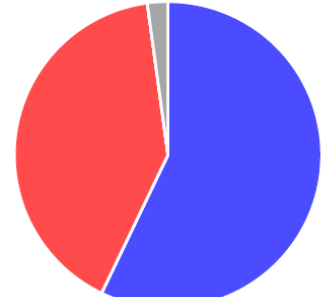
C.2.5.3 Oversight over committees

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

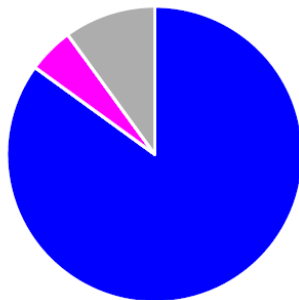


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.3.	Simple proportions	Weighted proportions
Yes	75%	57%
No	15%	41%
Not sure	0%	0%
	0%	0%
No answer	10%	2%

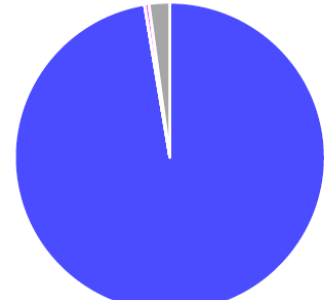
C.2.5.4 Preparing external relationship policy

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

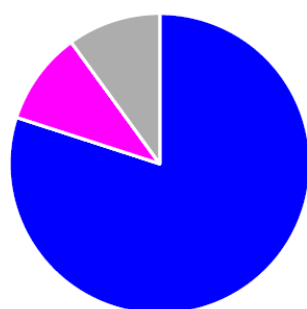


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.4.	Simple proportions	Weighted proportions
Yes	85%	97%
No	0%	0%
Not sure	5%	0%
	0%	0%
No answer	10%	2%

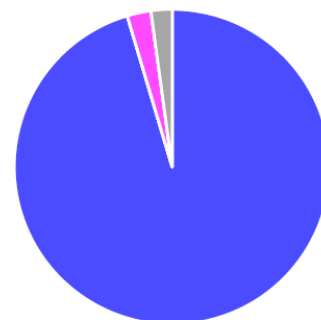
C.2.5.5 Recommending annual budget

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

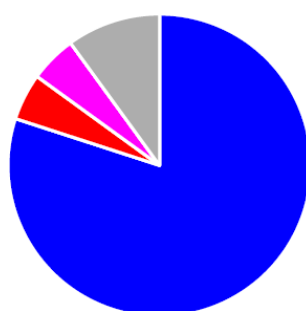


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.5.	Simple proportions	Weighted proportions
Yes	80%	95%
No	0%	0%
Not sure	10%	2%
	0%	0%
No answer	10%	2%

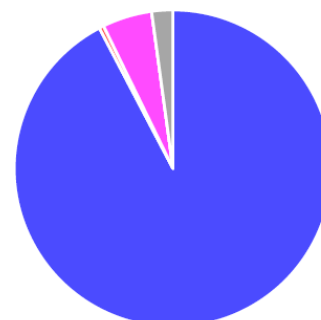
C.2.5.6 Establish organizational structures

Simple proportions



■ Yes ■ No
■ Not sure ■
■ No answer

Weighted proportions

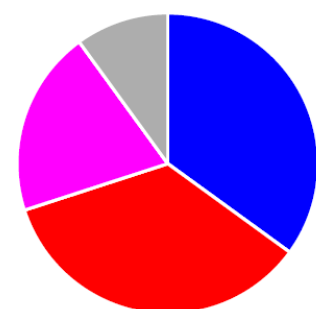


■ Yes ■ No
■ Not sure ■
■ No answer

C.2.5.6.	Simple proportions	Weighted proportions
Yes	80%	92%
No	5%	0%
Not sure	5%	5%
	0%	0%
No answer	10%	2%

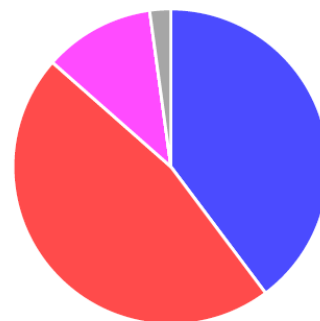
C.2.5.7 Appoint committee chairpersons

Simple proportions



■ Yes ■ No
■ Not sure ■ No answer

Weighted proportions



■ Yes ■ No
■ Not sure ■ No answer

C.2.5.7.	Simple proportions	Weighted proportions
Yes	35%	40%
No	35%	47%
Not sure	20%	11%
	0%	0%
No answer	10%	2%