Philip Shier
Chairman
Actuarial Association of Europe

20 September 2016

Dear Philip

Following the establishment of the Strategy Review 2016 task force and the meeting of the Presidents in Brussels, our three associations have combined their views to contribute to the discussion on the future strategy and governance of the AAE. Our associations, which are the three largest associations in Europe, are highly committed to the development of the AAE through the participation of actuaries from our associations and through our membership fees.

We would like to stress that we appreciate the fact that our associations have been able to play a full part in the review process through participation in the task force and the Presidents' meeting, and by responding to the questionnaire.

On strategy, we agree with the task force's recommendation to focus on core priorities for the AAE. The present SO1 (positions towards European Institutions) and SO3 (mutual recognition) are the key objectives around which the activities of AAE should be structured. Overlap with IAA should be eliminated as far as possible.

On governance, we are happy with the current role of the General Assembly, the committee structure and the voting rights. However, we agree with the task force that the Board needs clear delegated authority from the General Assembly to implement strategy, and clear terms of reference. In addition, we believe that the composition of the Board needs to change to make it more representative of the membership of the AAE, while maintaining the Board at a manageable size.

Our concerns with the current Board composition are:

1. The Committee Chairs have been chosen because of their ability to lead the Committees, most of which are technical in nature, and they may not always be the best group to manage implementation of the strategy
2. One of the roles of the Board is to oversee the functioning of the Committees; there is a lack of independence in this oversight if the Committee Chairs comprise a majority of the Board
3. The fact that all Board members are ex officio may lead to over-representation of some MAs on the Board, and under-representation of others.

Our proposed alternative is a variation of Scenario B in the task force's report to the Standards, Freedoms and Professionalism Committee. The Board would consist of nine members, as at present:

- The Chair, immediate past Chair and Chair elect
- Six additional members to be nominated by the Nominations Panel and elected by the General Assembly.

Committee Chairs would be eligible for appointment as additional Board members (as would the Honorary Treasurer), but it is unlikely that a majority of Committee Chairs would be on the Board at

any one time. Committee Chairs who are not Board members would be invited to attend all Board meetings and to speak at those meetings on matters relevant to their Committees, but not to vote. Additional Board members would serve for a three year term, with two retiring each year. Members may exceptionally be nominated to serve a second three year term, but no more.

The General Assembly would provide guidance to the Nominations Panel on the factors to be taken into account when nominating additional Board members. Such factors would include:

- The need to achieve an appropriate balance of representation of MAs on the Board, taking into account the size of each association;
- The need to choose Board members who will participate actively in monthly conference calls and any face-to-face meetings;
- The desirability of having the Chair of the Standards, Freedoms and Professionalism Committee on the Board, given the broad involvement of that Committee in the affairs of the AAE;
- An objective to achieve diversity on the Board, in particular by practice area and gender.

All Board members would have collective responsibility to act in the best interests of the AAE. In this respect, when views diverged, guidance provided in Article 13 of the AAE statutes would prevail.

While there would be no guaranteed places on the Board for individual MAs, we would expect that, provided we are able to nominate good and active candidates, it will normally be possible for each of our three associations to be represented on the Board, so that the involvement of our associations remains at the highest level.

Best regards,

Fiona Morrison

Wilhelm Schneemeier

David Dubois

Copy: Kristoffer Bork, David Martin