

## **REPORT ON THE REVIEW OF THE AAE CPD STRATEGY (DRAFT)**

### **AAE CPD REVIEW TASK FORCE**

## **INTRODUCTION**

According to its Terms of Reference (ToR), the goal of the AAE Continuing Professional Development (CPD) Review Task Force is to review the current AAE CPD Strategy and formulate proposals for further development of that strategy.

The ToR also states that “The Task Force will seek input from European Member Associations on how a AAE continental CPD strategy could help Member Associations to further develop their national members and what could potential show-stoppers/challenges be”.

This report sets out the aim and the principles of CPD, as well as a number of possible approaches to it. The Task Force would now like to receive feedback from the Member Associations (MA) at the AAE Spring meetings that will be held in Bratislava in April 2020. After this, the Task force will be in a position to formulate firm proposals for further development of the AAE CPD strategy and fulfill the goal stated in the ToR.

The CPD Task Force was created in December 2018 and has been working during 2019 and the beginning of 2020. Over this time it has held 8 conference calls, a face to face meeting in Sofia during the AAE Spring meetings, another informal meeting in Tokyo during the IAA annual meetings and it has finalized this report through the email.

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This report consists of four sections and two annexes.

## 1. AIMS OF CPD

Education and Professional Standards (Code of Professional Conduct and Standards of Practice) are the pillars for recognition of actuaries as competent professionals in the areas in which they practice.

Education can be divided into two parts: the first one corresponds to the basic education as laid out in the core syllabus to become qualified; the second one corresponds to the subsequent further development to maintain and further develop skills and knowledge at an appropriate level.

After achieving full qualification, the actuary has gone through the Core Syllabus and is typically at the start of his/her career; but further maintenance and development of that qualification requires continuing learning because the skills and knowledge required by actuaries are likely to change over time, as well as being impacted by changes to a specific actuary's job/role. In the current rapidly changing environment it is the personal responsibility of actuaries to ensure that they remain competent in their area of work through CPD, which is a clear requirement of the Code of Professional Conduct.

Furthermore, the expansion of the profession into new areas of practice means that actuaries need to develop further their (technical) knowledge, personal and professional skills, and competencies in wider fields.

Additionally, CPD should ensure that the reputation and recognition of the profession is well supported and protected, as actuaries play important roles in the insurance sector, in pensions, in social security and in risk management. To fulfil these roles in the public interest it is key that actuaries should be seen as competent in the areas in which they practice. CPD is one important way to prevent professional conduct failures which could be a risk for the recognition of the profession.

In summary, the aims of CPD are:

- to contribute towards demonstrating actuaries are “fit & proper” over time in the areas in which they practice to provide relevant and high quality actuarial services and advice.
- to support actuaries to take on new roles and to move to different areas of practice, including new ones arising from expansion of the profession.
- to ensure that actuaries' competences are up to date and relevant for their roles.

Therefore, CPD is also a key element to support actuaries' lifelong employability.

## 2. PRINCIPLES OF THE CPD

As a consequence of the aims identified in the previous section, the following principles are derived. CPD scheme should help demonstrate that actuaries stay fit & proper and should support actuaries' lifelong employability; compliance with it should be assessed in an appropriate way; the evidence should be available; and it is important that the CPD scheme is proportional in terms of the Member Association's (MA's) resources.

1. The CPD scheme should help demonstrate that actuaries stay fit & proper and, therefore, help them have lifelong employability: Fully Qualified Actuaries need to professionally develop themselves to stay fit & proper at all times, especially in their practice area.
  - 1.1. It is important that an actuary keeps abreast of developments in actuarial techniques so that the actuary's work is up-to-date and relevant for their job.
  - 1.2. An actuary needs to be aware of current methodologies and factors which may affect the suitability of methodologies, models and assumptions.
  - 1.3. An actuary needs to maintain familiarity with the complex working environment.
  - 1.4. An actuary needs to keep up with new actuarial standards of practice and modifications to existing standards.
  - 1.5. An actuary needs to be aware of developments in national and international legislation and accounting standards.
  - 1.6. In some European countries' jurisdictions, actuaries are recognized as fit & proper for certain functions by the legislation, which normally means a reservation of activity for the profession. Especially in those cases with a high responsibility in the public interest, CPD is a key element to maintain that legal recognition.
  - 1.7. Actuaries who move between countries or work in an international environment need to understand the different regulatory and legislative frameworks in each country, the applicable accounting standards and actuarial standards and practices.
  - 1.8. Actuaries may take on a number of different roles over their careers, including managerial and leadership roles, and personal development will be necessary to equip them for these new roles.
  - 1.9. Actuaries need to address skills and knowledge needs to function in new areas of practice arising from expansion of profession.
  - 1.10. Actuaries need to be regularly challenged to think through ethical and professional questions.
2. Evidence based: CPD must be appropriately documented in order to be able to demonstrate to others the content and extent of CPD carried out. Evidence should seek to ensure that the system in place is credible, and should be efficient with regards to costs and benefits of obtaining the evidence. The documentation should also seek to aid actuaries who may need to demonstrate their CPD to another MA or to the supervisor of a different country.

3. **Assessment:** CPD needs to be assessed in an appropriate way. Two main aspects need to be considered: content and format. Individual actuaries are responsible for the content of their own CPD program or plan, however an MA should encourage actuaries to actively discuss their CPD with peers and other actuaries. MAs will need to be able to check evidence of CPD (documentation) when it is required, and also should make regular checks that the CPD requirements have been followed (at least on random basis) in order to ensure that the system in place is being adhered to. Association's responsibility regarding members' CPD ends with that checking.
4. **Proportionality:** The CPD requirement needs to be proportional in terms of every national market, so the requirement does not introduce disproportionate disruption for the actuaries complying with the CPD requirement and also for MA in implementing the CPD system.

### 3. APPROACHES FOR POSSIBLE RECOMMENDATIONS

Based on the survey of all the European MAs and some non-European ones, the CPD Task Force has decided to consider different approaches that could be taken by the AAE in order to illustrate the consequences of different recommendations in order to facilitate an exchange with the MAs and ultimately facilitate the decision on a final recommendation. The approaches considered are:

1. Implementation of Outcome Based Schemes
2. Consistent CPD schemes in MAs with defined frame of a minimum education hours
3. A combination of 1 and 2 above
4. Acknowledgement of the current situation where differences in CPD schemes across the AAE remain important

#### 1. Implementation of Outcome Based Schemes

Some countries like the UK, Netherlands (both pilot schemes) and South Africa have implemented Outcome Based CPD Schemes. In the Outcome Based Scheme actuaries work through cycles of professional development: they determine themselves their development needs, set up and implement their development plan based on those needs and analyse/assess the results of their CPD activities. Numbers of CPD-hours are not prescribed, but the process (in particular the CPD activities and key skills attained) is documented and can be reviewed. Actuaries can also be required to discuss and reflect upon their development cycle with another actuary.

#### Pros:

- Outcome Based Schemes facilitate that learning is in line with the development needed by each individual and therefore demonstrate that the actuaries stay appropriately fit & proper.
- Actuaries need to sign an annual declaration for their association that they have followed the CPD process. In addition, there is a documented development plan that can be reviewed. There is therefore an element of evidence.

#### Cons:

- A full review of the content of each individual development plan is a time and resource demanding process. In reality, apart from possible "spot checks", the only check a MA

can carry out is that the process has been followed. However, the responsibility of reviewing development plans could be passed to the individual's employer or a peer acting as a CPD supervisor.

- Also, as development plans contain details of personal learnings and maybe even sensitive information about their work environment, it may not be (legally) appropriate for some associations to document and record the individual development plans. Thus there is a weakness in terms of evidence. This weakness of reporting confidential information will also apply to other scheme types if there is a requirement to document learning outcomes, but may be a more common issue in personal development plans. However, instead of recording evidences, associations should advise their members that they will be required to produce documentation of their CPD compliance at the time of a CPD review or any investigation into their professional conduct and that inability to produce such information would be seen as an indication of unprofessional conduct.

## 2. Consistent CPD schemes in MAs with defined frame of a minimum education hours

Most of the MAs have a system in place which is based on the accomplishment of a certain number of hours of education. Actuaries register their CPD activities with the MA, which assesses the fulfilment of the requirements.

### Pros:

- Actuaries need to inform and register their CPD activities with the MA which can monitor if the actuary is fulfilling the time requirements and therefore it is evidence based.
- The evidence measured on an MA level could be simply summarised as the total or average number of CPD hours carried out by members and shared with MAs' main stakeholders such as, for example, the regulator at the country level or European level or the AAE. This information may assist in promoting the Actuarial Profession. In addition, based on this information, it will be possible to compare the CPD requirements across MAs and identify needs from actuaries and MAs across Europe with regards to CPD and find new ways to provide development opportunities (e.g. CPD online platform).
- Its implementation can be maintained at levels which are acceptable by small MAs. Therefore, it easily complies with the proportionality principle.

### Cons:

- One could argue that this system doesn't necessarily demonstrate that the education received maintains the actuary fit & proper because the content (or even the format) is not necessarily in line with the development needs of a specific actuary.
- This approach might be seen to be indicating to actuaries that once the required number of hours has been achieved, then the CPD requirement has also been achieved.

## 3. A combination of outcome based with a requirement for a minimum number of hours

This is a combination of the two approaches explained above. Here the actuary constructs his/her own development plan, which must be documented and made available, and is also subject to a minimum number of hours (or perhaps an interval of hours expected to be utilised for CPD).

### Pros:

- This approach facilitates that learning is in line with the development needed by each individual and therefore demonstrates that actuaries stay appropriately fit & proper.

- In addition to that, the fact that there is a minimum number of hours that can be checked means that there is hard evidence that CPD has been carried out.
- The majority of the MAs already have hours based CPD scheme and therefore there would be no major disruption to implement this approach.

Cons:

- The hard evidence is still only that a certain number of hours CPD has been carried out, without any assessment of the content of that CPD. Nevertheless, the availability of the actuary's development plan allows, at least to some extent, to assess the content of the CPD in the context of that plan.
- In addition to that, this approach might be seen to be indicating to actuaries that once the required number of hours has been achieved, then the CPD requirement has also been fulfilled (although this problem can maybe be alleviated by giving an interval of expected CPD hours instead of a strict minimum).

4. Acknowledgement of the current situation where differences remain important

Thanks to the survey performed by the CPD Task Force it has been identified that some MAs have Outcome Based Schemes, some require the accomplishment of some education hours (varying a lot among countries) and some don't have specific/impartial requirements and rely on individuals' responsibility. In some cases, the actuaries must register their CPD activities with the MA (whereas in others they are not required to), and in some cases the MA assesses the fulfilment of the requirements (whereas in others they don't).

Pros:

- This proposal respects perfectly the proportionality principle as each country has developed its own system, which is in line with its size and resources.

Cons:

- The current situation doesn't demonstrate that CPD is appropriately assessed and monitored in every country and pose the question whether the actuaries in countries where there are no formal requirements remain fit & proper.
- Without having evidence, then it is challenging to prove the profession's credibility to external stakeholders. In fact, it is a matter of credibility to have some common requirements like signing off an annual declaration or setting a minimum of hours of CPD-hours. For the countries where there are no specific requirements and MAs rely on individuals' responsibility, it is difficult to sufficiently demonstrate that actuaries stay fit & proper, although those associations tend to be quite small and social "control" takes place.

#### 4. CONCLUSIONS. AN OUTLINE OF A POSSIBLE RECOMMENDATION

The Task force considers that these are the main conclusions of its work to date:

1. CPD's principles must constitute the basic pillars of any CPD Strategy/Scheme.
2. Documentation of CPD (evidence) is a key element to allow audit and assessment of its completion.
3. Approaches 1, 2 and 3 mapped out above would be acceptable in the context of the new AAE CPD Strategy, as differences in MA's CPD Schemes can be motivated by several reasons and are not necessarily bad.
4. A recommendation based on approach 3 is suggested as the best way to move forward. In fact approach 1 and approach 2 are actually subsets of this approach – "approach 1" requires a minimum of zero hours CPD, and "approach 2" requires no formal documentation of the CPD plan.

The AAE should require all MAs to have a CPD scheme which places the following requirements on individual actuaries (that are accredited by the MA):

- That the actuary has considered his/her own development needs.
- That the actuary has engaged in appropriate activities to bridge identified competence gaps.
- That the actuary has documented plans and activities as specified by the MA.
- That the actuary has spent at least a specified (by the MA) minimum number of hours on CPD activities, alternatively be able to motivate why the minimum number of hours has not been appropriate given the circumstances of the individual.

*AAE CPD Review Task Force  
12th January, 2020*



## ANNEX 1: OVERVIEW OF THE DIFFERENT CPD SCHEMES

### 1. Aims and scope of the study

The Terms of Reference of the Continuing Professional Development (CPD) Review Task Force identifies this task:

- *Perform a study on how CPD and Long Life Learning Schemes are in different associations in Europe as well outside of Europe*

This brief report shows the results from the survey the Task Force has carried out to fulfill this goal.

The non-European associations which were identified by the Task Force to be included in the survey to enrich it were the Actuarial Society of South Africa, the Institute of Actuaries of Australia, the Institute of Actuaries of Japan, the Society of Actuaries (USA) and the Singapore Actuarial Society.

The Task Force considered that what is relevant for the purpose of this survey is to identify the key elements in the different Schemes, and not having a 100% precise idea of what meaning gives every Scheme to every concept or item.

It was also agreed that making a complete questionnaire to the member associations would be too ambitious within the given timeframe and not necessary. In a second phase after releasing the report, it could be shared with the associations, if it is considered appropriate.

The members of the Task Force have used the information available on the AAE website (<https://actuary.eu/about-the-aae/continuous-professional-development/>), and, where needed, have asked to the AAE Secretariat or directly to the local association for some clarification or additional information.

Unfortunately, the CPD Strategy/Regulation from the Greek association was not found in the AAE website nor in the association's one, and we didn't receive any answer from the association.

For the non-European associations considered in the survey, the members have looked for the information in the websites and/or have directly asked the local association where needed.



## 2. Key elements of the survey

The Task Force has identified the following nine key elements to analyse and compare:

Key element	Description
CPD policy	<ul style="list-style-type: none"><li>- Is there or not a CPD policy in place?</li></ul>
Assessment	<ul style="list-style-type: none"><li>- What is the assessment in place within the CPD policy, if any?</li><li>- Is there a minimum of points/hours required or recommended by year?</li><li>- Are points and hours linked to each other?</li><li>- Does the CPD Scheme assess the outcome of the CPD activities instead of the hours/points?</li></ul>
Formal vs Informal activities	<ul style="list-style-type: none"><li>- Is there any requirement or limitation for formal or informal CPD activities?</li><li>- Is there any requirement in terms of the format of the CPD activities?</li></ul>
Self-learning	<ul style="list-style-type: none"><li>- How is "self-learning" defined?</li><li>- Is self-learning an allowed CPD activity?</li><li>- Is there any limitation?</li></ul>
Technical vs soft skills	<ul style="list-style-type: none"><li>- Is there any differentiation between CPD technical or soft skills activities?</li><li>- Is there any limitation of one or the other type of skills area?</li></ul>
Monitoring <sup>(1)</sup>	<ul style="list-style-type: none"><li>- What is the monitoring in place to ensure compliance with the CPD requirements/recommendations?</li></ul>
Coverage period	<ul style="list-style-type: none"><li>- What is the period considered for measuring compliance with the CPD requirements/recommendations ?</li></ul>
Consequences of complying/not complying <sup>(2)</sup>	<ul style="list-style-type: none"><li>- Are there any explicit or implicit consequences of not complying with the CPD requirements/recommendations?</li></ul>

<sup>(1)</sup> The Task Force has discussed on the possibility of monitoring of the CPD run externally, not by the association. It might be happening or could eventually happen in any of the European countries where the profession is protected and regulated, and mainly for the member to be considered fit & proper for certain functions as the Actuarial Function or the review of the Solvency and Financial Condition Report. It is decided to discuss this item with the Roles of the Actuaries Task Force to consider how we could cooperate, as there is a Legal Recognition stream or group working in it.

<sup>(2)</sup> The Task Force considered that this last item is more relevant than considering if the CPD is established as mandatory or not by the CPD Strategy or Regulation, as the CPD is mandatory in terms of the code of conduct of every association.

### 3. Results of the study

The details of the survey can be found in the attached excel file. Next table discloses the main findings.

Key element	Main findings
CPD policy	<ul style="list-style-type: none"> <li>- Almost all the associations considered in the survey have a CPD policy in place (Turkey is currently the only association with no CPD policy in place)</li> </ul>
Assessment	<ul style="list-style-type: none"> <li>- Almost all the associations have any assessment in place (Sweden is currently the only association with no assessment in place)</li> <li>- In most of the associations points are linked to hours spent (1 to 1), but in some associations points are defined differently by type of activity</li> <li>- In most of the associations, the number of points/hours required or recommended is between 15-20</li> <li>- Only a few –big- associations have an outcome based assessment in place (UK, South Africa)</li> </ul>
Formal vs Informal activities	<ul style="list-style-type: none"> <li>- Half of the associations don't have any reference to this differentiation, and the other half set some limitations for informal activities but have very different type of definitions of them</li> </ul>
Self-learning	<ul style="list-style-type: none"> <li>- This area is very different between the associations: <ul style="list-style-type: none"> <li>o Definition of self-learning differs (for example some association include e-learning)</li> <li>o Some associations don't mention anything about self-learning</li> <li>o Some associations limit them in the CPD requirement (between 25% and 50% of the CPD requirement), some don't limit them and some don't limit it</li> </ul> </li> </ul>
Technical vs Soft skills	<ul style="list-style-type: none"> <li>- Some associations differentiate between technical and soft skills and have in place some limitations in terms of CPD requirements coming from one or the other area, the rest of the associations don't mention anything or don't have limitations</li> </ul>
Monitoring	<ul style="list-style-type: none"> <li>- Most of the associations require the members to self-report their CPD activities but forms differ; some associations have online systems, some have required the member to keep evidences with themselves or report to the association in other formats.</li> <li>- Some associations have sampling checks in place.</li> </ul>
Coverage period	<ul style="list-style-type: none"> <li>- The coverage period varies between 1 and 3 years.</li> </ul>
Consequences of complying/not complying	<ul style="list-style-type: none"> <li>- Some associations have a reminder process in place which after some loops can have some consequences like the exclusion of the member from a specific section, or not being anymore a certified actuary.</li> <li>- Some associations have no explicit consequences in the CPD policy.</li> </ul>

	- Some associations deliver a certificate for the member who complies with the CPD recommendation.
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#### 4. Conclusions of the study

In comparison with the last survey run by the AAE (around 10 years ago), there is an improvement in that most of the associations now have a policy in place, but, on the other hand, there are still a lot of differences between different Schemes.

In any case, the Task Force considers that differences in the CPD Schemes are not necessarily bad, as different jurisdictions, characteristics and situations can motivate them.

## **ANNEX 2: EXAMPLE OF DOCUMENTATION IN AN OUTCOME BASED SCHEME. CPD RECORD**

See [CPD Record - Example 1 Academic.xls](#)