

# Faculty and Institute merger proposal

Stewart Ritchie  
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Hilton Manchester, Deansgate  
17 June 2008



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## Agenda

- Background to the merger proposal
- Benefits (and disadvantages) of a merger
- Proposed merger terms
- Alternatives to merger
- Planned implementation steps
- Questions/views



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## Background to the merger

- Faculty formed in 1856 in response to communication difficulties
- Closer working since 1995 under the umbrella of "The Actuarial Profession"
- Most functions are now common:
  - examinations
  - standards
  - subscriptions
  - PC regime
  - membership database
  - discipline arrangements



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## What do you already know?

- Raise your hands if you have:
  - Read the merger proposal?
  - Read the questions and answers?
  - Contributed to the discussion board?
  - Discussed the options with colleagues?



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## Why now?

- Stewart Ritchie initiated debate in Presidential Address
- Reasons for separate bodies are historical
- Profession is changing:
  - Decline of Scottish mutual offices
  - Many Institute members in Scotland
  - Overseas constituencies maturing
- Look to future – get on front foot
- Complements new strategy and structure



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## Benefits of a merger (1 of 2)

- Streamlined (and more representative) governance
- Stable structure (Joint Councils currently works through co-operation only)
- Better defined public image (one body, one voice, one President)
- Provides opportunity to re-launch profession with focus on risk management and financial modelling capabilities
  - helps the profession to market the actuarial skill set and the value actuaries add



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## Benefits of a merger (2 of 2)

- Maximise administrative efficiency
- Living the values of honesty and transparency
  - we present the Professional body as a single entity so we should become one
- What you would design if starting today
- More volunteer time can be spent on activities which support members rather than internal administrative matters



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## Disadvantages of a merger

### For both bodies

- Losing the identity of two historical bodies
- Halving UK representation in IAA and Groupe Consultatif committees



### For Faculty only

- Need to cater for the possibility of a separate Scotland
- Concern over effectiveness of protections for profession in Scotland
  - Loss of checks and balances
  - Dilution of 'learned society' ethos

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## Proposed merger terms

- Single body with new Royal charter
- Governed by "senate" of up to 30 members
- Specified number of "senators" (10 for first 5 years) elected by Scottish constituency...
- ... form Scottish Council, with responsibility for overseeing activities in Scotland; Chairman on Management Board
- £500k endowment to be disbursed by Scottish Council
- Ronnie Bowie to be first President



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## Why did the Councils not present a range of alternatives?

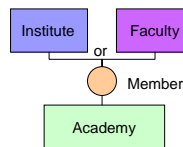
- The view of those who run the profession and have looked at things closely since 2006 is that we either:
  - Continue to progress down the path of closer and closer integration (the "not merge" option)
- or
- Take the positive step to merge now
- The in-principle vote was designed to capture the members' view of that choice.
- Designing speculative alternatives seemed to us a somewhat artificial exercise



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## Alternatives to merger (1) – create a third body

- New body to regulate actuarial practice in the UK – similar to American Academy of Actuaries
- Faculty and Institute remain as learned societies



### Advantages

- Retains existing bodies
- Representation at IAA/GC may increase

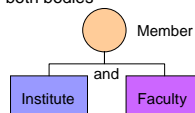
### Disadvantages

- More complex and costly
- Many learned society activities are already joint so would have to split
- Potential boundary issues, e.g. education, CPD
- Active members need two memberships

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## Alternatives to merger (2) – separate functions for the two bodies

- Institute fulfils all professional regulatory activities for actuarial practice in the UK, overseen by POB
- Faculty undertakes learned society functions only
- Active UK actuaries belong to both bodies



### Advantages

- Retains heritage of two bodies

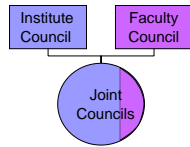
### Disadvantages

- Replaces one source of complexity and inefficiency by another
- Potential boundary issues – e.g. CPD, public affairs
- Students would be educated by Institute so Faculty membership may diminish over time
- Does little to secure the future of actuaries in Scotland

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### Alternatives to merger (3) – formal agreement

- Joint Councils comprises (say) 25 Institute and 5 Faculty Council members
- Individual Councils delegate governance functions to Joint Councils on yearly renewable basis
- Single spokesperson



#### Advantages

- Existing bodies retained
- Cheaper to implement than merger

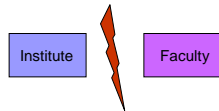
#### Disadvantages

- Leaves many Faculty Council members and some Institute Council members with responsibility but no influence – is it legally sound?
- Does not improve clarity to outside world
- Still potentially unstable

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### Alternatives to merger (4) – divorce

- Complete separation of two bodies, including staff



#### Advantages

- Retains heritage
- Creates choice and competition

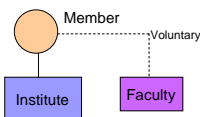
#### Disadvantages

- Extremely messy to implement
- Diseconomies of scale – especially for Faculty

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### Alternative merger structure – keep Faculty as Scottish learned Society

- Institute fulfils all professional regulatory activities for actuarial practice in the UK, overseen by POB
- Faculty undertakes learned society functions in Scotland
- Active actuaries in Scotland belong to both bodies



#### Advantages

- Retains heritage of two bodies
- Achieves streamlined governance and clearer public image
- May enable current representation on international bodies to be maintained

#### Disadvantages

- Separate subscription for Faculty membership
- No special protection for interests of Scottish members within enlarged Institute, except at outset

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## Planned implementation steps

- Consultation with all members
  - as wide as possible, talk about anything
  - discussion board now available on website
  - workplace meetings to be arranged
- In principle vote of Institute members/survey of Faculty members
- Will include students; electronic as well as postal
- Detailed work starts if members support proposal
- Use consultants to help develop new name and brand image
- Develop new modern Charter (from one)
- Eligible members vote on formal change
- Launch of NewProf 1 July 2009 at earliest



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## What happens if we don't merge?

- Individual Councils will reconsider
- Short term options may include:
  - By agreement have an operational "Joint Council" of only 30 members of whom, say, only 5 are Faculty Council members (but individual Councils could still veto)
  - Chairman of Management Board to become spokesperson for Profession
  - Change rules to allow members to opt for either Faculty or Institute membership
- Merger will be on table again at some time in the future and terms will depend on the circumstances at that time.



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**Questions?**

**Views?**

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## Show of hands

- Do you think we should
  - continue with a simple in principle vote - merger or not?
- or
- Introduce other options on a STV basis?

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