

August 1, 2001

Board of Governors  
Society of Actuaries  
475 North Martingdale Road  
Schaumburg, IL 60173

**Subject: Future Direction of the Society of Actuaries Examination Syllabus**

William M. Mercer, Incorporated is the U.S. operating company of William M. Mercer Companies LLC, one of the world's leading employee benefits and human resource consulting firms. In the U.S., Mercer employs more than 500 actuaries (most of them members of the Society of Actuaries) in 40 U.S. cities. Mercer currently employs a significant number of students currently sitting for the Society of Actuaries examinations in anticipation of becoming either Associates (ASA's) and/or Fellows (FSA's) of the Society.

**Overview of Our Concerns**

- For some time now Mercer has had significant concerns with the Society's examinations and membership requirements. We feel the current structure is not consistent with our business needs. Over the past number of years the Society has eliminated from the examination syllabus much material relevant to our business and replaced it with a significant amount of material that does not pertain to our business or is of an extremely theoretical nature with inadequate coverage of the nation-specific material that is critical to the functionality of most newly minted actuaries in the consulting area.
- The current exam structure has evolved into a system which requires Associates to develop a familiarity with a number of actuarial areas. Our students who attain Associateship under the current syllabus and pass all the enrollment examinations have completed almost all the Fellowship requirements. Historically mastery of basic technical material resulted in Associateship. We support a return to that model. Our business needs would be better served by having our students become Associates by mastering (1) a syllabus of basic technical material administered by the Society and (2) a single specialty area (e.g., pension, health, life, etc.) which could be met through the Joint Board enrollment process. The generalist topics would be offered at the Fellowship level.
- Uniform testing has been the cornerstone of membership in the Society. We feel that university-based examination waivers will dilute that process. We believe that these

Board of Governors  
Society of Actuaries  
August 1, 2001  
Page 2

types of waivers will make it impossible to maintain the consistency of standards that has made Society membership so desirable.

We would sincerely hope that the Board of Governors will not adopt the recommendation of the task force but will modify it appropriately to meet the needs of the retirement members of the Society of Actuaries.

If the current proposal is adopted, there is a distinct possibility that it could lead to fracturing of the actuarial community by forcing the retirement members of the Society to look elsewhere (e.g., to a set of examinations sponsored by the Conference of Consulting Actuaries and/or the American Society of Pension Actuaries) to meet their educational, examination, and credentialing needs. We note that many of the same concerns that we have today resulted in the Casualty Actuarial Society being formed in 1914 with the current joint sponsorship of only a portion of the exams that exists today.

### **Concerns with the Current Examination Structure**

For some time now we have been concerned with the direction the Society has taken in restructuring and administering its exams. Specifically;

- 1 Moving the attainment of Associateship to later in the examination sequence delays the time an individual attains professional designation in the Society. Since we require membership in the Society in order to function as an actuary within Mercer, this has increased the time it takes for an individual to function as an actuary within Mercer.
2. We are concerned with the relevance of some of the material on the exams as well as with the content of some of the exams, which we do not consider particularly useful for our purposes. We do not see the need (nor do our students) for a detailed knowledge of areas outside the employee benefit universe as a requirement for membership and professional recognition in the Society. Furthermore, on some of the examinations which do directly test the knowledge needed to work in the employee benefit area we believe the Society has taken a much too theoretical approach. We would suggest a more practical orientation to some of the examination material.

Board of Governors  
Society of Actuaries  
August 1, 2001  
Page 3

- 3 A significant amount of the material that has been removed from the syllabus is in fact very relevant to our business. If the Society will no longer provide this education (and examination), then we will be forced to find other sources for this training for our newly minted actuaries. The examinations no longer cover U.S. accounting (i.e., FAS 87, 88, 106, 109, 112, 123 and 132), U.S. taxation, the legal system, etc.

### **Concerns with the Future Direction of the Examination Structure**

Our overriding belief is that any change in the examination process or structure must maintain consistency of results with the current testing process. We do see value in the objective standard resulting from the current rigorous examination process and would encourage the Society that this result should not be compromised by changes to the educational system.

We understand that the Society is again looking into alternate qualification approaches. We are opposed to university-based examination waivers. We believe any accreditation process within the United States would be much more involved than the European model and would be too difficult to implement.

### **General Support for Quantitative Risk Analyst (QRA) Proposal**

We have reviewed the strategic planning committee proposal dealing with the establishment of a Quantitative Risk Analyst (QRA) designation within the Society. If this designation is achieved through an examination process, then we do feel that this is a positive step toward meeting our needs and we support the general concept – but in our opinion it doesn't go far enough.

We do agree that conferring a professional designation within the Society in a shorter period of time with more relevant, practical examination material is a positive step. Following the designation of the QRA status (by examination) the individual would be free to develop the accreditation necessary from the government (as evidenced by the enrolled actuary status).

*Our preference would be for Associateship to represent completion by examination of (a) the QRA material plus (b) either:*

Board of Governors  
Society of Actuaries  
August 1, 2001  
Page 4

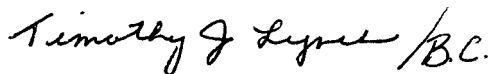
- (i) *specialist examinations from a single area, or*
- (ii) *the generalist examinations.*

*The Fellowship designation would represent completion of both the specialist and generalist examinations. In either case a Professionalism Course would be required for Associateship.*

Accordingly, we would respectfully request that the Board of Governors not adopt the recommendation of this task force but send it back for appropriate modification to meet the needs of the very large segment of the retirement community.

We would be pleased to expand on any of our observations and concerns either in person or in additional correspondence.

Sincerely,



Timothy J. Lynch, F.S.A., M.A.A.A., E.A.  
Vice Chairman  
William M. Mercer Companies, LLC



Daniel L. McCaw, F.C.I.A., F.S.A., M.A.A.A.  
Chairman & Chief Executive Officer  
William M. Mercer, Incorporated



Susan J. Velleman, F.S.A., M.A.A.A., F.C.A., E.A.  
Global Retirement Practice Leader  
William M. Mercer Companies, LLC