

FRAMEWORK OF RELATIONSHIP WITH EMPLOYERS

EXPLANATORY MEMORANDUM

A. INTRODUCTION

1. This note provides an update on the earlier note circulated to members in October. Since that date, consultative sessional meetings were held and number of additional discussions took place with various interested groups. As a result, changes have been made to the overall scheme, so members are advised to read this note carefully, as this now describes the final position as approved by Council.
2. Employers of actuaries and actuarial students play an important role in the ongoing development of the Actuarial Society. This includes the funding of most fees and subscriptions, bursaries for university study, and supporting the involvement of their staff in Actuarial Society affairs and events. Employers also play a key role in setting the “business culture” that guides, to a significant extent, the manner in which many of Actuarial Society members conduct their business relationships. However, this role is not explicitly recognized.
3. In an effort to address this, and in the light of the impending changes in our local education system, Council, via the President and President Elect, has, over the past 36 months, met with a wide range of major employers to explore ways and means of improving, and establishing more structure to, the relationship.
4. Arising from these discussions, employers will be asked to apply for registration as an “Actuarial Training Office” and/or a “Registered Services Provider”. These will involve a further set of undertakings relating to the work based skills development program and the support of the profession’s professional standards and processes respectively. Registration will not be automatic. The applications will incorporate much of what was previously contained in the “Memorandum of Understanding” (that many of the larger employers have already signed) and establishes a framework for an ongoing dialogue with this important stakeholder group.
5. Members should also be aware that this set of requirements is similar, but not identical, to those imposed by the audit profession and their regulator, both at a training and at a professional practice level.
6. It needs to be emphasized that there is NO proposal to change the individual and personal membership of the Actuarial Society or to have any form of institutional membership – the Actuarial Society will continue to have only individual membership and will be run by and for its members. However, employers are important stakeholders as primary users of our professional skills, and an appropriate and explicit ongoing engagement with them would seem to be no more than prudent.

7. This approach will be modified for sole practitioners, but the principle remains the same – see Section D below.
8. After consultation with members, Council has agreed that individual membership fees will remain the primary source of fee income; employers will NOT be asked to contribute directly by way of registration fees, and this will have an impact on the level of member subscriptions.

B. ACTUARIAL TRAINING OFFICE

9. If a firm wishes to offer a recognized “work based skills” program” (“WBSP”) – a mandatory component of the qualification process – to its actuarial student employees, it will have to register as an “Actuarial Training Office” with the Actuarial Society. This will involve agreeing a structure for the firm’s WBSP, including the arrangements to be made for mentorship of the students, and ongoing reporting procedures. These details will be captured in a separate Training Office registration agreement. A record of these agreements will be kept by the Education Office of the Society.
10. The WBSP requirements are not significantly different from those of the UK Profession to which all new students of that body are subject. The only difference is that any employer wishing to employ an actuarial student studying towards qualifying as an actuary will have to register as an “Actuarial Training Office” which entails:
 - a. That they will provide students with appropriate support, including study leave, for their studies.
 - b. That they will actively provide students with opportunities to gather the necessary exposure to the learning objectives of the WBSP.
 - c. That they will provide students with appropriate supervision and mentorship, the latter with a Fellow of the Actuarial Society (who need not necessarily be an employee of the employer)
11. No specific fees will be payable by the employer upon registration as a Training Office. The necessary infrastructure required by the Actuarial Society to support the WBSP will be funded from student membership fees and general revenues.
12. Employer registration will be reviewed every 5 years.
13. ATO information and registration “pack” for employers is available from the Education Office. A copy of the ATO application form is attached to this note as Appendix 1.
14. We believe that this development will have a beneficial impact on the quality of the work based skills development of our students.

Application forms can be found on the Society’s website

C. REGISTERED SERVICES PROVIDER

15. If a firm wishes to perform statutory actuarial services, either for itself (e.g. having an employee perform the role of statutory valuator to a life office) or for third party clients (e.g. as a retirement fund valuator), it will be required to register as a “Registered Services Provider” (“RSP”). Clearly, the Actuarial Society has no jurisdiction over the provision of such services in the normal course of events, nor is it seeking to “regulate” them in any fashion. However, in order to ensure that employers are aware of the professional obligations of members performing such roles, the Actuarial Society, as from 2010, will require that members seeking a Practicing Certificate (either new or renewal) are employed by firms who have registered as a “Registered Services Provider”. This will apply to all Practicing Certificates, whether or not the member involved actually performs a statutory role.
16. As a further consequence, while a Practicing Certificate will continue to be issued to an individual member of the Society, it will remain valid only while the individual is in the employ of a RSP. However, so as not to limit the mobility of members, a Practicing Certificate will lapse only 6 months after the member has left the employ of a registered employer and has not yet joined another registered employer or registered directly as a sole practitioner.
17. The registration application forms a distinct agreement between the employer and the Actuarial Society. Key elements of this agreement will be:
 - a. That the employer:
 - i. Recognizes the existence of the code of conduct, the various professional guidance notes and the CPD requirements to which members are subject.
 - ii. Will support the professionals in its employ in their endeavours to meet the professional standards required of them.
 - iii. Will encourage participation in the activities of the Actuarial Society.
 - iv. In the event of a disciplinary process being undertaken relating to an employee, will co-operate with the Society and, subject to any legal restrictions and on a “best endeavours” basis, make available all relevant information for the purpose of the disciplinary process.
 - b. That the Actuarial Society will:
 - i. Continue to develop & set standards that meet local requirements and are in line with international developments;
 - ii. Make available appropriate programs to meet the ongoing development needs of its members.
 - iii. Honour as far as possible, requests for confidentiality of information provided by the employer for the purposes of disciplinary processes.
18. It is believed that such an arrangement will, by making the employer more aware of the professional obligations of members, provide the member, and thus the profession as a whole, with more employer support in the maintenance of professional standards. However, the responsibility for the actual adherence to such standards remains that of the individual member and not the employer.

19. The registration will be renewed every three years, and there will be no fee payable by the employer in respect of this registration. A copy of the RSP application form for corporate entities (i.e. anyone other than a sole practitioner) is set out on Appendix 2, and further information may be obtained from Director of Operations (Wim Els).

D. SOLE PRACTITIONERS

20. Many members of the Actuarial Society provide specialized actuarial services without being in the employ of a separate entity – acting as “sole practitioners” and in their own name. Most also do not employ other actuarial staff. Some, but not all, provide services for which Practicing Certificates are required.
21. Such members, operating on their own, will have no requirement to register as a “Training Office”, provided they do not employ students – if they do and the employment contract is between the sole practitioner and the student, then they will have to register as an ATO as described above.
22. However, they will be required to register as a “Registered Services Provider” if they undertake any work that requires a Practicing Certificate, as this will be a pre-requisite to the issuance of a Practicing Certificate. As above, there will be no fee payable for this registration.
23. As members of the Actuarial Society, sole practitioners are, in any event, bound by the professional conduct standards and other requirements of the Actuarial Society. The RSP application form for sole practitioners will therefore contain a few different provisions to the corporate application form.

Application forms can be found on the Society's website

E. CONCLUSION

24. The processes and requirements set out above are an important part of the “restructuring” of the profession that has taken place over the past 3 years, and have been under discussion with various stakeholder groups for many months. It is Council's view that they will contribute significantly to the standing of the profession in the eyes of both employers and regulators, and that they will assist materially in upholding standards and providing members with more support from their employers in both the initial training period and the maintenance of standards once qualified.
25. While there has been significant interaction with a number of major employers, members are urged to ensure that they bring these new requirements to the attention of appropriate persons in their firm. It is our intention to maintain a list on the Society's website of all entities who have registered as either an ATO or a RSP.

26. Council will assist in whatever way possible to help members explain the requirements, should this be required, and any such requests should be directed to Wim Els at the Cape Town office of the Society.

A handwritten signature in black ink, appearing to read 'Garth Griffin', written in a cursive style.

Garth Griffin
President

7 December 2009