

SOA BOARD OF GOVERNORS
October 25-26, 2003

TO: SOA Board of Governors

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SUBJECT: Education Redesign Update

Preliminary Education

A joint task force with the CAS has been formed to provide detailed learning objectives for the PE subjects, further define validation by educational experience, set policies for validation, and recommend which subjects should be examined/validated in common by the two Societies.

The task force will have had four conference calls prior to the BOG meeting. The most recent draft syllabi will be distributed at that meeting.

ASA Course

The design of the ASA Course is in progress under the leadership of Steve Eadie. The Steering Team has been recruited (each member also serves as a lead for one of the first four modules). Subject matter experts (SMEs) for the prototype module (Module 3) have been recruited and recruiting for Modules 1, 2, and 4 is underway. Additionally, we have contracted with external consultants for instructional design and technology development in support of the e-Learning approach. For each module, the consultants will work with the module lead, subject matter experts, and SOA staff to design, deliver, and program the educational modules. Work to date has been accomplished via conference calls and face-to-face meetings.

The Module 3 (prototype) team has refined the learning objectives drafted by the ASA working group earlier this year and have identified at a high-level, the on- and off-line content, activities and candidate time associated with the main and enabling objectives.

Key tasks to be completed in October:

- Steering Team: Address issues related to the ASA course such as validation of exercises and requirements for the Learning Management System (the online tool to enable candidates to access the e-Learning modules) and also refine the objectives for Modules 1, 2, and 4.
- Module 3 Team: Make SME assignments for identifying, revising and creating content and activities and also complete SME training in the content development process. The practice area advisory groups will continue to play a role by providing valuable feedback as content for the prototype module (and subsequent modules) is developed.

The prototype module (Module 3) and the Learning Management System will be designed, developed and tested by March 2004.

The Project Definition Report and the Training Design Report for Module 3 will be made available at the BOG meeting for those interested in viewing some additional detailed material.

FSA Component

Al Ford has been recruited to lead the FSA Steering Team. Al has been involved in many SOA and AAA related volunteer efforts including 13 years of E&E experience. Membership will consist of two volunteers from each of the five practice areas (ERM/Finance, Health, Investment, Life and Retirement). This group's charge is to:

- a. Recruit and then chair practice area working groups who will review the objectives drawn up by the individual practice areas during the first phase of this project, in order to construct a more detailed set of instructional objectives and allocate each objective to one of the two proposed examinations or one of the FSA interactive modules.
- b. Review the work of the practice area working groups to have consistency across specialty tracks.
- c. Address commonality of objectives across tracks.
- d. Make recommendations on the objectives for the capstone module or seminar.
- e. Ensure appropriate connections to ASA material as well as the FAC.

An oversight group consisting of Stuart Klugman, Steve Eadie, Al Ford and key SOA staff is responsible for coordinating the overall efforts, providing regular updates to the E&E Committee as well as the BOG and seeking approvals from the BOG for design elements and other issues that fall outside the scope of the approvals issued in June 2003.

Tentative timelines reflecting key tasks for the PE, ASA, and FSA design groups are attached.

Reaction to Summer 2003 Report to Membership

The Summer 2003 Report to the Membership on the Education Redesign project was released in late August. To date, just over 100 emails and letters have been received and reviewed. Copies of the letters received from employers are included in this package. In addition, SOA staff has handled a handful of telephone calls. In all cases, the telephone contacts dealt with specific issues related to the tentative conversion plan. While many email messages were sent by individuals requesting information about the impact of a potential conversion on their specific study plans, several common themes from the other responses did emerge.

Reduction in Travel Time: We received several comments from individuals and companies, which contested the need to reduce travel time. They asked for evidence of the need for this reduction and indicated that the 2000 system had not been given sufficient time to be fully evaluated against this standard. **Response:** This premise runs counter to everything that we have been told via membership surveys and from the charge given to the original task force by the SOA Board of Governors.

Fundamentally, a reduction in travel time is a reduction in standards of the accreditation process. Reducing travel time creates “generational FSAs” and devalues the FSA designation. **Response:** We disagree with the notion that “If I took 10 examinations, everyone should take 10 examinations”. Again, every directive that we have received to date has had major employers arguing for a more focused system that emphasizes education over examination. We do not believe that the number of exams passed defines a Fellow (and setting membership criteria that way smacks of limiting access to our profession). We do believe that the proposal affects a balance between the two concepts.

Validation by Educational Experience will diminish standards: Many of those who have submitted comments have questioned the proposal to validate by educational experience in that we will not be able to “weed” out marginal candidates early in the process. Also, many have expressed that differing standards between colleges and universities will not serve the SOA’s intents with this aspect of the redesign. **Response:** Employers have demanded that we restrict high-level attention to subjects that are central to actuarial knowledge and practice. There will still be four traditional examinations under the heading of Preliminary Education, two within the ASA Course, and two more for Fellowship. This is a reduction of only one exam from the current system. The first exams can still serve as benchmark for potential employers.

Validation by Educational Experience will eliminate some candidates from considering the profession. Late entrants as well as entrants from non-traditional college backgrounds will not have the means, the desire or the time to return to a

university to pick up the requirements slated for validation by educational experience: Economics, Corporate Finance and Applied Statistics. **Response:** The Working Groups and in particular, the PE design group is cognizant of this concern. We remain committed to identifying reasonable alternatives for candidates who did not take these subjects during their initial university studies. We are exploring various options including the development of alternate traditional examinations and identification of suitable Internet college courses or offerings from third party service providers.

Statistics is too important to not be tested. **Response:** Many respondents missed the point that it is applied statistics that is in this category. The theoretical basis needed by actuaries will still be tested.

The profession will no longer be attractive to people who don't know anything relevant to actuarial work. **Response:** For years, employers have been willing to subsidize the basic preliminary education of their entry-level hires. This is no longer true. Now they want employees who can be productive as soon as possible. If that means sending unqualified applicants back to school, that is exactly what all other professions do.

Validity of modules for ASA and FSA level material. Material and testing provided via the Internet-based modules will not provide the desired level of rigor. Cheating will be rampant and the security issues involved make this concept unfeasible. **Response:** The notion still exists that anything that is not examined will not produce good actuaries. Somehow, some members of our profession have the idea that if you don't test it, no one will bother to learn it, even if his or her job might depend on it. Almost every other technical field gets by without repeatedly examining its practitioners. If they don't learn it and do it well, the marketplace will weed these marginal candidates out of the system. In addition, there will be two ASA Course examinations and candidates proceeding to the FSA level will need to have a firm understanding of the concepts introduced via the ASA level modules in order to succeed on the two FSA level traditional examinations. Finally, a team of instructional design and technology consultants has been hired for the development of the modules. They are working in conjunction with the ASA Course steering and module design teams. One of the many items that the steering team will address in the coming year will be administrative issues such as the validation of exercises and security for Internet testing.

Can the modules truly provide practical application? Employers should be responsible for providing day-to-day practical work experience and nothing shown via an Internet-based module will substitute for that. You will be creating "academic" actuaries. **Response:** The Working Groups fully agree that our employers can, should be and are providing practical training. We have also heard loudly from our largest employers that our current system provides little practical education that can be used as a foundation for on-the-job training. We believe that the modules will improve on traditional examinations by providing practical tools and allowing for applications demonstrated with hands-on exercises.

Lowering the requirements for ASA will create Associates who are not worthy of the title. The market will be flooded, lowering salaries for all ASAs. Many who commented on this issue proposed having an experience requirement for granting the designation. **Response:** We believe that the market will adjust accordingly as it has for all changes and that salary is generally tied to what people have accomplished and the value they bring to the workplace rather than the letters they append to their names. However, an experience requirement may have merit and the oversight group would be amenable to further investigating should the BOG wish to consider the idea.

What happened to finance and investments? There were many comments that between the breakup of Course 6 and using college courses for corporate finance, we are going too far in cutting back on these important topics. **Response:** The PE design group would be willing to increase the coverage on the PE exam MF on this subject and eliminate the pre-requisite validation by educational experience. However, we should likely await a response from the FSA design group that would indicate what level of finance and investments, in addition to what's in the ASA modules, will be covered for ALL Fellows.

Conversion Plans, specifically treatment of Professional Development credits and EA examinations. The most common questions received dealt with the potential treatment of professional development credits and where the EA examinations fit into the proposed structure. **Response:** Several aspects were not specifically dealt with in the tentative conversion plan that was shown in the report. Specifically, the E&E committee and the supporting SOA staff are currently working on plans to address how individual units of PD credit will be treated. This issue affects those candidates who received PD credit for unassigned credits during the last conversion. It is expected that a more complete conversion plan will be ready for distribution by the end of the calendar year. The EA examinations and their place in the redesigned structure will also be addressed at this time.

EQ Redesign Significant Steps and Tentative Timeline
As of September 30, 2003

Preliminary Education

Completed	Recruit PE Working Group with representation from both the SOA and CAS
12/03	Develop detailed learning objectives for each exam and each course to be validated by experience
12/03	Establish policies for validation by experience
1/04	Proposal for coordination with the CAS
5/04	Final report on exams on demand
9/04	Course of reading finalized
5/05	Final implementation

ASA Course

Completed	Recruit Steering Team and Module 3 (Prototype) Design Team
Completed	Project Definition Report (anchor for all module teams)
Completed	Module 3 Training Design Report (descriptions of main and enabling objectives, content, activities, on-line and off-line components, candidate time estimates)
10/03	Content development process training for Module 3 SMEs
11/03	Recruiting for Modules 1, 2, 4
3/04	Module 3 development, testing, and revision
1/05	Design and develop Modules 1, 2, 4 and first exam
5/05	Design and develop Modules 5-8 and second exam
1/06	Implement Modules 1-4 and first exam
5/06	Implement Modules 5-8 and second exam

FSA Component

- 10/03 Recruiting for FSA Steering Team (FST) And Practice Specific Design Teams
Steering Team will provide coordination and ensure consistency across practice areas. It will include the two members from each practice area who will lead the practice specific Design Teams.
- 11/03 Steering Committee “kickoff” meeting
- 12/03 Recruiting for Practice Specific Design Teams
The Practice Specific Design Teams will be responsible for drafting the learning objectives for their area. In addition, the valuable practice of soliciting comments from the practice specific advisory groups will be continued.
- 6/04 Exam and modules topics defined. Learning objectives developed.
- 1/05 Proposal drafted for a concluding seminar
- 3/06 Detailed learning objectives finalized
- 9/06 Course of reading finalized for May exam
- 3/07 Course of reading finalized for November exam
- 1/06 Modules designed
- 10/06 Seminar designed
- 1/07 Final implementation