



## Discussion Paper to the 2018 AGM

**From:** NZSA Students Committee  
**Date:** October 2018  
**Subject:** Associate Members – Voting rights and Council membership

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The NZSA Council (“Council”) has requested that the Student Committee prepare a paper discussing the relative merits of whether Associate Members should be:

- Voting Members
- eligible to stand for Council.

The purpose of this paper is to set out and discuss what we believe to be the arguments for and against each point above and come up with a recommendation. This paper has been prepared on behalf of the Student Committee and we acknowledge the inherent bias we may have in our view.

### Associate Members

Associates are a relatively new classification of membership with membership traditionally split into just Students and Fellows. Without insight into the decision making behind the creation of this new membership class we can only speculate on the intentions. Associate Members are permitted to use the post-nominals “ANZSA” in recognition of their qualification. The Actuaries Institute in Australia (AIA) and NZSA indicate that Associate Members are officially allowed to describe themselves as an ‘Actuary’. We note that the Institute and Faculty of Actuaries (UK) (“IFoA”) allows Associates to vote and stand in Council elections, and the Society of Actuaries (US) allows Associates to vote in Council elections.

The following criteria applies to become an Associate of the NZSA (as detailed on the NZSA website):

- You must have completed the necessary qualifications from a specified<sup>1</sup> overseas actuarial body
- You must be ordinarily resident in New Zealand or Australia (or in the view of Council, be familiar with New Zealand conditions)
- You must have your application supported by a Fellow of the NZSA.

The AIA and IFoA (examples of specified overseas of actuarial bodies) require Associate members to have passed Part One and Part Two of the exams, completed a professionalism course, and have at least one year of relevant work experience (note these requirements are in line with the new requirements being implemented post 2019). Members who became Associates under different requirements would have met similar criteria.

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<sup>1</sup> The specified overseas actuarial bodies in the Rules include the Actuarial Society of South Africa, Canadian Institute of Actuaries, Casualty Actuarial Society, Institute and Faculty of Actuaries, Actuaries Institute Australia, Institute of Actuaries of India, Society of Actuaries and Society of Actuaries in Ireland.

## Membership Split and Fees

As further background on the Associate Member class, membership subscription fees for the NZSA, AIA, and IFoA are in Table 1 below.

Table 1 – Subscription fees<sup>1</sup> by category

	NZSA	AIA	IFoA
Student	\$79	\$618	£241
Associate	\$339	\$1,009	£485
Fellow	\$467	\$1,514	\$730

<sup>1</sup> in local currency, for resident members

Table 1 shows that all three professional bodies charge significantly more for Associate Members compared to Student Members. This is an interesting observation as IFoA Associates have the right to vote and stand on council whereas the benefit of being an NZSA & AIA Associate seems to be limited to title only.

Table 2 below shows the split of the NZSA membership by category.

Table 2 – NZSA Membership by category

	New Zealand	Australia	Other	Total
Fellow	129	72	6	207
Student	104	0	1	105
Associate	18	0	0	18
Ordinary	5	1	0	6
Retired Fellow	11	2	1	14
Retired	3	1	0	4

The NZSA only has 18 Associate members, which is small considering the broader membership including Fellows and other Student members. We believe the number of NZSA Student members eligible for Associate status is significantly more (membership statistics provided by the AIA show there are 29 AIA Associates residing in New Zealand). The reasons for this discrepancy is unclear, although we believe it could be a combination of;

- Misunderstanding – an assumption that attainment of Associate of AIA automatically transfers to an Associate with the NZSA
- No value/disengaged – see little point in becoming an Associate of the NZSA. These people may be more focussed on attaining Fellowship and see no pressing need to become an Associate.

The cohort of Associate members can be very mixed in experience, career path, and goals. We expect the group to contain both transient members who are on the path to becoming Fellows; and permanent Associates, who for a variety of reasons have stopped the exam process. As such, it's a difficult group to cater for, with a broad range of needs and expectations.

## Voting Members

The document "RULES OF THE NEW ZEALAND SOCIETY OF ACTUARIES (INCORPORATED)" ("the Rules") sets out all the rules and objectives of the NZSA. It is the document on which we have based our assumption on what it means to be a "Voting Member". The Rules specify that currently only Fellows ordinarily resident in New Zealand are "Voting Members". From the Rules, we believe Voting Members have the ability to:

- Elect the President
- Elect Council members

- Constitute a quorum when considering motions affecting the conduct of the Society at a General Meeting
- Dissolve the Society
- Alter, add to or rescind the Rules
- Adopt a Code of Professional Conduct

Below we outline the arguments for and against whether Associates should be eligible to be voting members of the NZSA.

#### Arguments For:

- Some people may have diverged from traditional areas and actively made the decision to remain an Associate member. By giving them voting rights they are still involved in the profession.
- Voting rights would encourage more people to become Associate members (judging by the small number of associate members in Table 2). For instance, there is more incentive for existing Associate members of the AIA to become Associates of the NZSA.
- Providing value in respect of the higher fees charged for Associate members.
- Voting decisions should be made after consideration of opinions of the representatives of the actuarial industry. Since Associate members have demonstrated a base level of commitment to the profession and industry knowledge (from the qualification and work experience requirements) they can be considered a component of the industry whose opinions should be factored into voting matters.

#### Arguments Against:

- This could discourage some Associates from continuing to become Fellows of the NZSA. We believe this will not have a large impact as voting rights alone are unlikely to influence someone's careers decisions.
- There is a possibility that an Associate has only worked for 1 year (if they obtained several exemptions from Part One of the exams). This may be detrimental when it comes to voting matters where experience within the industry is required to make a qualified decision whether it is issue or personnel related. This is unlikely to represent a significant proportion of NZSA Associates due to the current education path for actuarial students in New Zealand.

On the balance of these, the Student Committee believes that Associates should be eligible, if ordinarily resident in New Zealand, to be Voting Members.

### Eligibility to stand for Council

The Rules, as they are currently worded, are silent on eligibility to stand on Council, other than the requirement to be a member. This means that potentially both Associate and Student members are eligible to stand for Council – this would then be voted on only by “Voting Members”. This appears unintentional as having a President who is ineligible as a Voting Member does not make sense. We understand this has never been tested, with past Councils being made up of Fellows.

From our understanding, Council is the overarching body responsible for the following “Objects of the Society” as found in the Rules:

- (a) To establish, promote and maintain high standards of competence and conduct within the actuarial profession.
- (b) To develop and maintain New Zealand actuarial professional standards and liaise with government, regulators, officials and interested bodies on standards and regulations.
- (c) To make submissions in the public interest and provide a source of reference on actuarial matters for Government and various official and interested bodies.

- (d) To provide a formal link with actuarial bodies elsewhere in the world.
- (e) To assist student actuaries in their studies, assist members with continuing professional development and help familiarise new members with New Zealand conditions.
- (f) To facilitate taking such action as the Society may agree in respect of any matter that is relevant to the actuarial profession.
- (g) To afford members the opportunity of discussing actuarial and other matters of interest to members.
- (h) To promote fellowship amongst the actuarial profession.

Below we outline the arguments for and against whether Associates should be eligible to be stand for the NZSA Council:

#### Arguments For:

- Best practice boards encourage flexibility, adaptability and diversity of thought. On average, the age of Associate members is likely to be lower than of Fellows. Younger Associates could bring different opinions and varied knowledge to Council, particularly if they are involved in a non-traditional industry.
- Council represents the actuarial industry in NZ. Associate members are part of this industry and have demonstrated intention and commitment to the industry (through the work experience and qualification requirement) so should be able to represent it by being able to stand for Council.
- Providing value in respect of the higher fees charged for Associate members.

#### Arguments Against:

On average Associates are likely to have less experience than Fellows which may not be appropriate for a group representing the actuarial industry in NZ.

We believe that eligibility for Council should be amended so that only Associates and Fellows (who we propose should also be “Voting Members”) ordinarily resident in New Zealand can be elected. We also believe a further restriction should apply; limiting the positions of President, Vice-President, and thus Immediate Past President, to Fellows. Additionally, of the remaining four Council positions, we believe there should be a clause that limits the number of Associates on Council to a maximum of 2 (on a 7-person Council).

### Externalities and further considerations

In researching this paper, we have come across a wide range of details, some of which we wanted to note in this section.

- One large NZ employer (that we are aware of) specifically does not fund/discourages employees from becoming Associates. We understand this is with the intention of encouraging student members to pursue the Fellowship qualification.
- The AIA recently held a vote on the same issues. Although a majority voted in favour of allowing Associate members voting rights and the ability to be elected to Council, the majority did not reach the needed 75% threshold, and was defeated (For:21; Against: 12).

We have considered:

- Making each vote from an Associate equal to half the vote of a Fellow, and
- Adding an experience requirement for Associate members to be granted voting rights and eligibility to stand for Council.

We believe these would add unnecessary administrative complexity and do not see a reasonable justification for their implementation.

## Conclusion

We believe Associates should be eligible to be Voting Members and stand for election on Council if they are ordinarily resident in New Zealand. We believe that election to Council is subject to the condition that no more than two (2) Associates are on Council at any point, and that the positions of President and Vice-President can only be held by Fellows. This is because:

- It is consistent with practice of the IFoA (UK) and Society of Actuaries (US).
- It encourages members to become Associates and adds additional value to the qualification/membership category.
- The diverse opinions, knowledge, experiences and skill sets in industry are better represented if Associate members were to be elected on Council.
- Associate members have shown a base level of commitment to the industry by completing the necessary qualifications and obtaining a base level of relevant industry experience.

We conclude with following quote from Barry Rafe (current president of AIA):

*"One of the most important issues on boards is diversity of opinion and diversity of work experience. In fact, some of the most dysfunctional boards are professional associations who just don't plan for the future, and I think having associates on our board is planning for the future."*

NZSA Student Committee

October 2018