

Key Questions and Answers

1. *Why is this merger being proposed?*

A unified profession will have a clear identity and make a bigger impact when dealing with the media or opinion formers. Having a single governing body will facilitate swift decision making.

Since 1995 we have run the profession as though it was one body. All UK actuaries study for the same exams, are supported by the same services, and are subject to the same disciplinary arrangements. Creating a single professional body is the logical next step. The existence of two bodies in one structure, presenting the view of one profession but having two leaderships, is confusing to the outside world. We waste time explaining who we are rather than concentrating on what we have to say.

Further, the actuarial profession worldwide is changing. In future there will be less need for people to be members of the UK bodies in order to study (or practise) because their own country will have an actuarial association with its own education system. This is particularly significant for the Faculty. Currently there are more Faculty students in South Africa than in Scotland, and this may change from 2010 when the Actuarial Society of South Africa starts to run its own examinations.

2. *Why now?*

We have a new strategy and are about to introduce a new structure. The reasons for having two separate bodies are now largely historical. With the Faculty having recently celebrated its 150th anniversary, it is time to look to the future.

3. *What happens to my qualifications?*

As a qualified member, you will be able to keep your current designation (FIA, AIA, FFA or AFA) or choose to move to the designation of the new body (NewProf). In the future all students will get the designation of NewProf when they qualify.

4. *How will a merger affect me?*

The swifter decision making of a single, smaller governing body will help us implement improvements more quickly. All members in the UK will benefit from the enhanced media profile that a single unified body will be able to achieve. We will work hard to provide the level of service and support that you expect from your professional body, regardless of your location.

We intend to make the transition from one body to another as painless as possible for you; for example you will keep your current ARN number. You will have to check that you are in the geographic constituency you want to be in.

5. *Will my subscription reduce after a merger?*

There will be some cost savings following a merger but they will not be large in the context of the profession's overall expenditure. A big part of the profession's costs in recent years has been in addressing the funding deficit in its defined benefit staff pension scheme. We are hopeful that this strain on our finances has largely been addressed, and that (other things being equal) this will be reflected in lower subscription levels, whether or not we merge.

6. *If it is approved, when is the merger likely to take effect?*

Once a merger has been agreed in principle, we estimate that it will take up to a year to work out all the detailed arrangements and put in place the constitutional documents for NewProf. We are therefore aiming for a merger date of 1 July 2009. However, if during the project this proves to be impracticable, the merger will take place on the earliest date after 1 July 2009 that we can achieve.

7. *Why so long?*

Getting approval from the Privy Council to a new Royal Charter is not a swift process. We have the benefit of help from Alex Galloway (recently retired clerk to the Privy Council), who is a lay member of our Professional Regulation Executive Committee. We will also have to sort out a large number of administrative and financial details, and are keen to allow time to take full advantage of the public relations opportunity which a merger will afford.

8. *Why don't we know what the name of NewProf will be?*

The primary decision is whether to merge or not; a decision on the name of the new body is secondary. The Councils of the Faculty and the Institute felt that we needed to take time, and expert advice, to ensure that we choose a name that is strong and appropriate. We will have an opportunity to create an identity for actuaries which will take the profession forward in the 21st century and beyond: it is important that we get it right.

9. *Could there be other constituencies within the new body representing other geographical areas?*

It is intended that the constitution of NewProf will be drafted in a way which facilitates the creation of other constituencies in due course, should this be considered appropriate by the Senate. To warrant a seat on the Senate the group would have to have at least 5% of the electorate. Any new geographic constituencies would not, however, be granted any earmarked funds as the £500,000 endowment for the Scottish Council is a special one-off arrangement to cover the transition from being an independent professional body.

10. *Why does it look like the merger agreement is in the Faculty's favour?*

The Faculty initiated the merger discussions. The Institute is six times the size of the Faculty so ex-Institute members will form a significant majority within a merged profession. Institute Council, which is unanimously in favour of a merged profession, believe it is appropriate to put arrangements in place to recognise the significant contribution that Scottish actuaries have made and will continue to make to the UK Profession, and to address the concerns that Faculty members have expressed about the potential consequences of the merger for the well-being of the profession in Scotland.

11. *What were the concerns expressed by Faculty members in the 2006 consultation?*

Primarily there was a fear that NewProf would become London-centric and we would lose the vibrant actuarial community and actuarial initiatives in Scotland. We have sought to address these concerns in a number of ways. The creation of a Scottish Council will act as a focus for the profession's activities in Scotland and make sure Scottish views are properly represented in the Senate of NewProf. Having the Leader of the Scottish Council on the Profession's Management Board is an important way of ensuring the Scottish voice is heard in the Profession's decision making. The granting of a one-off £500,000 endowment will allow the Scottish Council to put real weight behind its activities, over and above the usual expenditure of NewProf, by, for example, sponsoring research at a Scottish university. The commitment for Scottish-based resources has the potential to increase the profession's activity in Scotland for the benefit of the whole profession. These provide a powerful counterbalance to any perception of London-centricity.

12. *How will the Scottish Council fulfil its duty?*

Ten members of the Scottish Council will be on the Senate, the governing body of NewProf, and this will fall to six over a period of time. They will ensure that NewProf's annual corporate plan includes sufficient activity to meet the needs of the Scottish constituency. At any time the Scottish Council would have the right to raise with the President or the Chief Executive of NewProf any matter of concern to the Scottish Council. The Scottish Council would also have the right to communicate directly with the Scottish constituency at any time. Additional members who are not on the Senate could be elected or co-opted to the Scottish Council.

13. *Why £500,000, and where does it come from?*

The amount chosen is thought to be substantial enough to reassure Faculty members that there is a real commitment to do something significant in Scotland, and it can be invested to generate a worthwhile annual income. Actual expenditure will be on projects that benefit the whole profession. The amount represents approximately two thirds of the Faculty's accumulated reserves. All future income from subscriptions will go to NewProf to support the work and activities of all actuaries in the UK.

14. *What about the Faculty's relationship with Heriot-Watt University?*

The Faculty has had for many years a very close and fruitful relationship with Heriot-Watt University. There is every reason to believe that the Scottish Council would be keen to foster this relationship, for the benefit of the profession in Scotland, the UK and worldwide. We should also not forget the Profession's relationship with other academic institutions in Scotland, such as Edinburgh University, the Maxwell Institute and Scottish schools. All of these could properly be the focus of attention of the Scottish Council.

15. *Will the Scottish Council lose influence over time?*

It would be undemocratic for one portion of the electorate to have a built-in permanent disproportionate representation. But if the Scottish Council was to be successful in promoting a vibrant professional community in Scotland, others may choose to opt in to the Scottish constituency. The Scottish Council would end up with the representation and influence it deserved.

16. *Given the political events in Scotland, wouldn't a merger be perceived as a move in the wrong direction?*

Matters that affect actuaries in their work are matters over which the Scottish Government currently has no jurisdiction. The FRC, FSA and the Pensions Regulator are all UK-wide bodies. Moreover, we believe the concept of a Scottish Council within a unified body is robust to the possibility of future constitutional change. One example of this is the Transport and General Workers Union, which has an Irish Council in it.

17. *What "prevailing economic conditions" might impact on work or resource moving from England to Scotland?*

In recent years the profession has expanded the staff in Scotland because of cost advantages and the availability of quality staff. If, for example, Scottish taxation became much higher than English taxation, or a Scottish economic boom pushed up the relative price of accommodation or salaries, these factors would affect decisions about where the Profession's staff should be located.

18. *What do employers of actuaries think?*

The Chief Executive, Caroline Instance, made enquiries, on behalf of the Faculty task force, to some of the largest employers. None expressed opposition to a merger and most were in favour.

19. *What about the position of Institute members in Scotland?*

They would initially form part of the Scottish constituency, unless they opted out. They would be encouraged to take part in Scottish-based activities, could stand for a seat on the Senate and be on the Scottish Council.

20. *What about the position of Faculty members living outside Scotland?*

They could choose to opt in to the Scottish constituency or be part of the general constituency.

21. *What happens if the principle of a merger is voted down?*

If that were to happen the Councils would try to understand why and address those issues before making a further proposal to the membership. If the membership of one body votes in favour but the other membership votes against then Councils would not be able to implement a merger within the proposed timescale. Issues such as the proportion

of the votes against and the objections articulated during the consultation process would have to be considered before the Councils could decide next steps.

Both Councils believe that the *status quo* is not an option long-term. Running a joint profession through two separate Councils with the resource and inherent instability that this entails is not really acceptable or appropriate for the 21st century. While most decisions are currently taken by Joint Councils, the composition of this body does not reflect the relative sizes of the Faculty and the Institute.

Both Councils believe a planned merger along the lines of this proposal offers the optimum structure to develop and maintain a stable, consensual and successful profession. The Faculty Council recognises that it would not be viable for the Faculty to exist as a completely independent body long-term, as it would lack the resources to run its own education and disciplinary systems.

22. *What majorities are required for the proposal to be adopted?*

We are involving all members of the two bodies, regardless of location and membership status, in the first "in principle" vote. The two Councils would like to see substantial support from all parts of the profession before moving to the detailed implementation phase. We will report the results of this vote to the membership.

The formal vote on the new charter for NewProf would have to be conducted by the Faculty and the Institute under the terms of their respective and different charters, rules and bye laws. The Faculty requires a 2/3 majority of those voting at a meeting and the Institute requires a 3/4 majority of those voting.

23. *What about representation on international bodies?*

Representation on Groupe Consultatif and its committees could be halved but there would be no change to the voting arrangements as they are based on nation states. In the International Actuarial Association, NewProf would have three fewer votes than the Faculty and the Institute currently have between them. However, not many issues require a contested vote. NewProf would also only have one representative on each committee but we would ensure that those representatives are effective and that we always offer a representative on any working party which is set up.

24. *Will combining the roles of the Faculty and the Institute Presidents lead to an excessive workload for the President of NewProf?*

It is intended that the President of NewProf will serve for a one year term and that the President-elect will be selected before the President takes office. The President-elect and the Immediate Past President will have defined responsibilities which are designed to relieve some of the pressure on the President.

25. *Who would be the first President of NewProf?*

The Faculty and Institute Councils have identified Ronnie Bowie, a Faculty Fellow and Council member, as the best candidate to be the first President of NewProf. He will serve for a year from 1 July 2009 until 30 June 2010, or a shorter term if the starting date for NewProf is later than 1 July 2009.

26. *Isn't 30 still too large for a governing body?*

The charter for NewProf will be written to allow Councils to reduce the size of the governing body if appropriate. Currently strategic decisions affecting the whole Profession are taken when the Faculty Council and the Institute Council meet together as the Joint Councils of the Faculty and the Institute. This has a combined membership of 57 volunteers. This seems top heavy, cumbersome and a waste of valuable volunteer time for a profession of our size.

27. *Why are we being asked to vote on the principles of the proposition, without the fine detail?*

Both Councils wish to confirm that this is what the members want before incurring the time and expense involved in drafting a revised charter and rules for NewProf. The “in principle vote” will involve all members as it is not constrained by the requirement to follow constitutional arrangements. It is important to the Councils that they get the views of all members, including students who are the future of the profession, before confirming the future direction. The subsequent vote on the new charter will cover all the detail, including the name of NewProf. Only those eligible under the existing charters will be able to vote at the second stage; that will be Fellows and Associates of the Institute and Fellows of the Faculty.

28. Will you consult on the detail?

Yes, as the project develops we will canvass opinion on certain aspects and especially the name of NewProf.

29. What about the loss of our heritage?

While we are planning to build a professional body designed for the 21st century and beyond we still value aspects of heritage. It is likely that we will use elements of the Faculty’s Royal Charter, shield and motto as the basis to develop the Royal Charter, shield and motto for the new body.

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