

# Institute and Faculty of Actuaries

## Regulatory Board

### Steer report

<b>Subject</b>	Board oversight of, and accountability for, IFoA regulatory functions (including proposed changes to the current regulatory committee structure)	
<b>Regulatory Board Strategy meeting</b>	27 September 2022	
<b>Previous Board Steer</b>	July 2021	The Board discussed new ways of working following the regulatory governance changes and an increase in their remit, including looking at their committee structure. The Board questioned whether the committees currently in place were appropriate. The Board then requested that the Committees be reviewed.
	July 2022	Board updated within Executive update of the beginning of this work.
<b>International issues considered?</b>	Yes – please see para 13	
<b>Author</b>	IFoA Executive	
<b>Purpose</b>	Steer	

#### A: EXECUTIVE SUMMARY

1. This Paper sets out some proposals following a review of the structures that the Board has in place to deliver its accountability for key regulatory functions, including Practising Certificates, Discipline, DPB licensing, QAS and standards setting.
2. Currently there are a range of Committees in place that have varying roles in relation to those functions. Following the reorganisation of the Board's regulatory role in June 2021, it was agreed that there should be a review of those Committees.
3. This reports on that review and provides an overview to the Board on how the current oversight of regulatory functions operates, including how the Board receives assurance on these functions, as well as some proposals for changes to the current committee structure to ensure it is fit for purpose.
4. The terms of reference for this review can be found at **Appendix 1**.

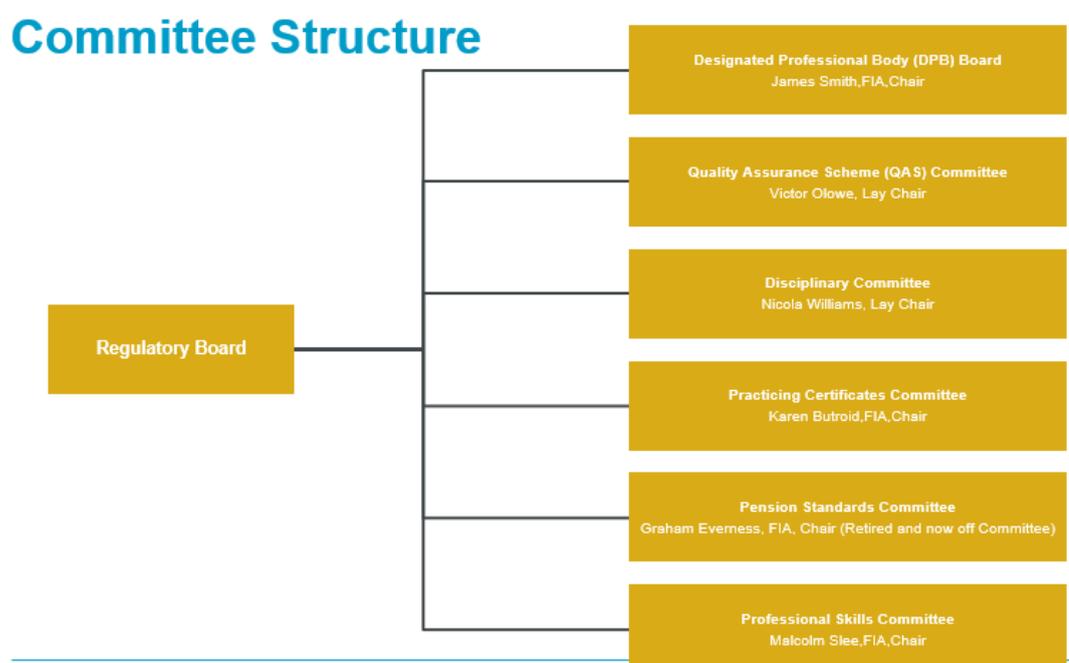
#### B: INTRODUCTION

5. During the Board's discussion in July 2021 on new ways of working following the IFoA's regulatory governance changes, Board members discussed the current regulatory committee structure, including whether the Committees currently in place were the most appropriate and to provide assurance to the Board. The Board requested that the Committee structure be reviewed and created an action for the review to begin in summer 2022.
6. The terms of reference for the review were shared with the Board's Chair and all Committee Chairs during June 2022. The aim is to ensure there is a clear and appropriate regulatory

governance structure in place to support the Board's functions, and consider opportunities to improve efficiency, consistency, and transparency.

7. The review encompasses the following regulatory Committees:

- i. **Designated Professional Body (DPB) Board**
- ii. **Quality Assurance Scheme (QAS) Committee**
- iii. **Disciplinary Committee (DC)**
- iv. **Practising Certificates Committee (PCC)**
- v. **Pension Standards Committee (PSC)**
- vi. **Professional Skills Sub-Committee (PSSC)**
- vii. **Life Standards and Consultations Sub-Committee (LSSC) and the General Insurance Standards and Consultations Sub-Committee (GISCC)**. These are IFoA policy team Committees that also have a responsibility to develop and maintain ethical standards and non-mandatory Life or GI specific material. However they are not a Regulatory Board Committee.



## Overview

8. The use of Committees is common to assist Boards in carrying out their responsibilities, enabling a more in-depth assessment and considerations of issues than Boards have time for. It is vital that Committees be properly structured and have appropriate terms of reference in place which make clear the responsibility and authority delegated to it by the overseeing Board.
9. Currently, the Board primarily receives assurance, and undertakes its oversight, of certain regulatory functions delegated to the above Committees through scrutiny of annual reports of their activities at formal Board meetings.
10. A summary for each regulatory Committee is provided below with further details within **Appendix 2**. The Terms of References (ToRs) for all the listed Committees and the Scheme of Delegation (SoD) for the Board can be found at **Appendix 3**. This sets out what responsibilities are delegated to its Committees and which matters are reserved for the Board's approval.

#### **i. Designated Professional Body (DPB) Board**

Summary:

- Operates the IFoA's DPB licensing system, reviews applications and monitors compliance
- Previously overseen by IFoA Management Board
- Operational/Decision-making Committee (operating/administering a regulatory function and makes decisions/monitoring applications/compliance)
- Strategic and policy related decisions for the DPB regime lies with Regulatory Board and Management Board
- No membership crossover with Board – minimal DPB knowledge on Board

#### **ii. Quality Assurance Scheme (QAS) Committee**

Summary:

- Determines applications for accreditation under the Quality Assurance Scheme and monitors those accreditations. Oversees core QAS documents and requirements
- Operational/Decision-making Committee (operating/administering a regulatory function and makes decisions/monitors QAS accreditations) and oversight
- QAS Scheme itself recently refreshed
- Informal current membership crossover with Board
- Provides an annual report to the Board

#### **iii. Disciplinary Committee (DC)**

Summary:

- Oversees the operation of the Disciplinary Scheme
- Previously separate independent Board which came under Regulatory Board remit in June 2021
- Oversight Committee which oversees, reviews and provides guidance on the disciplinary scheme
- Formal membership crossover with the Board with the DC Chair
- Provides an annual report to the Board

#### **iv. Practising Certificates Committee (PCC)**

Summary:

- Implements and administers the Practising Certificate Scheme
- Main role is to assist in determining whether PC applications satisfy the requirements within the PC Scheme
- Operational Committee (operating/administering a regulatory function)
- Strategic and policy decisions made by the Board in relation to the PC Scheme itself
- Informal membership crossover with the Board

#### **v. Pension Standards Committee (PSC)**

Summary:

- Regulatory policy setting Committee providing expertise on pension specific Actuarial Profession Standards (APSS)
- PSC does not have a regular agenda of work to undertake now the review of APS P1 was recently concluded
- Board has overall responsibility for overseeing the delivery of APSS and has final approval of any pension related standard
- No other policy setting or practice area specific Committees under the Board
- No regular reporting to the Board given no ongoing agenda

#### vi. Professional Skills Sub-Committee (PSSC)

Summary:

- Professionalism CPD content development Committee
- Operational Committee that produces the content for the IFoA's professional skills training under the CPD Scheme
- Previously a content development group
- Regular annual reports provided to the Board of the content developed by the Committee
- Subject to Committee governance rules

#### vii. Life Standards and Consultations Sub-Committee (LSSC) and General Insurance Standards and Consultations Sub-Committee (GISCC)

Summary:

- IFoA policy team/Practice Board Committee
- Regulatory policy setting Committee with responsibility to develop and maintain ethical standards and non-mandatory Life or GI specific material
- No regular agenda of standards related work
- Board has overall responsibility for overseeing the delivery of APSs and has final approval of any standards
- No regular reporting to the Board given no ongoing standards related work.

### C: DISCUSSION

11. A benchmarking exercise was carried out to consider similar regulatory structures of comparable bodies, which can be found at **Appendix 4**.
12. There are some additional areas of the Board's responsibility to oversee the delivery of IFoA regulatory functions where there is currently no Committee structure supporting it:
  - **Codes and standards:** While the Board has a specific Pensions Standards Committee, there is no other Committee specifically tasked with maintaining the Codes or any other standard. This is arguably not necessary given the PSC has no regular agenda of work described above (as well as LSSC/GISCC in relation to standards). In practice, codes and standards are it considered by the Board as matters arise in conjunction with the Executive (with the support of time limited task and finish groups of practitioners where appropriate). The Board previously abolished the Standards Approval Committee following the introduction of the current [standards approval process](#),
  - **CPD:** A further key responsibility for the Board is to oversee the delivery of the CPD Scheme. The SoD reserves approval of any substantive changes to the CPD Scheme to the Board, while delegating responsibility for development, implementation and approval of minor changes to the Executive.

There is no Sub-Committee established to operate the CPD Scheme or its processes and there are examples within the benchmarking of Committees having responsibility over CPD matters, alongside other regulatory matters such as Practising Certificates and admission to the profession. The operation and maintenance of the processes is undertaken by the Executive, reporting to the Board. On a practical basis, there again may not be a sufficient agenda to necessitate establishing a CPD Committee, however it could be combined with another Committee if felt appropriate.

There was previously a Membership Committee that had responsibility for CPD related matters. This was abolished by the Board a number of years ago following a decision that it was no longer necessary.

- **UK-specific Committees and international matters:** The IFoA has wider responsibilities in relation to the regulation of the UK actuarial profession, including specific responsibilities supporting the statutory regulation of those involved in key public interest actuarial roles and activities. There are currently no Sub-Committees specifically tasked with considering the wider responsibilities of the IFoA for its UK-based members and this is considered practically by the Board on an ongoing basis. The Board may wish to consider if further UK-specific Committees are appropriate in recognition of its additional responsibility. Currently, the PCC and DPB Board both have a UK specific remit.

## Proposals

13. Firstly, to enhance the overall understanding and consistency of the regulatory Committees and the Board's oversight of the various functions, it is recommended that the Board make clear in principle the overarching *purpose* of any Committees to ensure the structure is clear and fit for purpose.

14. Questions that have been considered during the review are as follows:

- **Is there a continuing role for committees to support the Board's work? If not, then how would the Board meet their accountability in relation to the various functions undertaken?**
- **Is there is a role for the Committees being involved in delivering regulatory functions (for example, making decisions on applications) or should they be more focused on oversight of functions operated by the Executive? If there is a role for both, does that suggest more than one Committee-type structure should be in place?**
- **Does the Board wish to delegate any further strategic and/or regulatory policy decision-making to any Committees? Is it appropriate for regulatory policy and strategic decisions to be delegated by the Board or out with the Board's committee structure?**
- **Is it good practice to maintain standing Committees that do not have a regular agenda of work to undertake?**
- **Is the current system of annual Committee reporting providing sufficient assurance to the Board and accountability for the regulatory functions?**

15. It is proposed that:

[Redacted]

## D: CONCLUSION AND NEXT STEPS

16. It is recommended that the Board consider the information provided in this paper as part of the review, as well as the recommendations, and provide a steer on the proposals.

17. If the Board is supportive of the proposals, work will be undertaken to prepare the appropriate documents to put the changes into effect.

## E: APPENDICES

**APPENDIX 1:** Terms of Reference for the review

**APPENDIX 2:** Detailed summary of the Committees

**APPENDIX 3:** Scheme of Delegation and Terms of References for the Committees

**APPENDIX 4:** Benchmarking

**APPENDIX 5:** Diagram of proposed new committee structure

**APPENDIX 6:** Further recommendations