

Institute and Faculty of Actuaries

Annual General Meeting

Staple Inn Hall, London

24 June 2013

The retiring President (Mr Philip Scott): May I welcome you to the third Annual General Meeting of the Institute and Faculty of Actuaries. You are all very welcome this afternoon. I particularly would like to welcome three guests here this afternoon. Dr Caroline Hare, wife of David Hare; David Curtis, husband of Jane Curtis; and Nick Salter, while not a guest or visitor, he is the incoming President-elect and for that deserves a special mention. Welcome, Nick.

I should like to introduce the people on the top table. We have Alan Phillips, Chairman of the Management Board; Iraj Amiri, Chairman of our Audit and Risk Committee; Derek Cribb, our Chief Executive; David Hare, the President-elect, and Jane Curtis, the Immediate Past President.

I should like to ask the meeting to take the meeting notice as read. The annual report and accounts have been available on the website since 17 June, and printed copies are available in the Council Chamber. It is an important part of our governance to report fully and openly on our activities, and I would therefore like to ask the Chief Executive, Derek Cribb, to speak to the meeting.

The Chief Executive (Mr Derek Cribb): Good afternoon, ladies and gentlemen. I will take a view minutes running through some of the highlights of the financial performance of the year. The statements for the year ended 28 February 2013 are the first that the Institute and Faculty have prepared in accordance with the new international financial reporting standard.

I will also be highlighting figures disclosed as Institute and Faculty of Actuaries rather than group, the difference being about £7 million income and cost, net zero, relating to the contract with ActED for the provision of education services.

The detail of our financial activity over the last year is available on our website.

In the financial year ending 28 February we saw a surplus of £1.9 million. That is £0.4 million higher than last year. If we actually strip out the impact of pension scheme accounting valuation, that takes it down to an underlying deficit of £400,000. The total operating income for the Institute and Faculty of £22.7 million represents an increase of £4.2 million over the previous year.

The main source of revenue, in line with previous years, has been members' fees and subscriptions, and again makes up 44% as it did last year, of our total revenue figure. The operating expenditure of £21.1 million represents an increase of 2.9% over prior year.

I will just go through some of the key highlights, some of the key changes, over the previous year's figures. Subscriptions and other income is up £0.4 million to £10.6 million. This was largely driven by continued growth in student admissions. As you will be aware, there was no increase in subscription levels last year, subscription fees to our members.

The revenue from qualification, learning and development has increased by half a million to £12.2 million. That is a combination of two large movements: higher demand from exams actually gave about a million pound positive variance there year-on-year. That was offset by a reduction in events income driven by the timing of some of our events around the year-end. So the next half million to £12.2 million. Employment cost expenditure increased by £1 million, as disclosed, to £9.1 million.

That follows the restructure that we had in the previous year. We had a number of staff on service contracts rather than salaried. If you look on a like-for-like basis, rather than going up by a £1 million to £9.1 million, I think it is pretty much flat. It has gone up by about 1% year-on-year on a like-for-like basis.

The Institute and Faculty made contributions of £2.3 million to the pension scheme during the year, including a funding of £1.3 million as part of an agreed plan to eliminate the deficit. As mentioned earlier, we only need a small amount, about £43,000, to fund the current pension payments. The balance was

transferred to increase the net pension fund asset held on the balance sheet.

The general fund stands at £24 million, which is considered sufficient to meet the latest estimate of buyout liability on the DB scheme and to meet the reserves policy of covering between four and six months' worth of annual expenditure.

We have looked at the overall financial position, including levels of reserves, forecast membership, and future business plans as part of our review of subscription fee levels. We aim to have both education as a subset and events as a subset run to a breakeven P&L through the year.

What that means is that membership subscriptions is the area that bears the cost or the benefit of any gap in those calculations in terms of the events and education.

As with the last six years, we are not proposing an increase to our subscriptions this year. I think that makes it about a real term saving of £150 a year from where we started for our standard

Fellowship subscription. The one exception in terms of subscription rates is that we will be moving our overseas student subscription figure from £192 to £222. That just brings the rate closer to the student rate that we charge for UK and EU students. There is a reduced rate subscription available to people who are both students and Fellows or qualified actuaries who fall below a certain earnings threshold. That will be maintained.

Those are the highlights. I am happy to take any questions, if there are any.

The retiring President: Any questions on the financial aspects of the profession?

No. Well, if there are not any questions, I will move on.

We now come to the appointment of the auditors. A full retendering exercise has been undertaken during the past 12 months and Council has supported the recommendation from the Audit and Risk Committee that Haysmacintyre be reappointed for a further three years.

I should like to move the motion that Haysmacintyre be appointed as the auditors of the Institute and Faculty of Actuaries for the forthcoming year. [The motion was seconded]

Could I ask the meeting if you are in favour could you raise your hands? Thank you. Anyone against? Thank you. The motion is carried.

I should like to move the second motion that the remuneration of the auditors be fixed at a sum to be decided by Council for the forthcoming year. [The motion was seconded]

All in favour? Thank you. Any against? The motion is carried.

Thank you.

We now move to the section of the elections to Council.

I should like Owen Waite, from Electoral Reform Services, to pass me the votes.

Thank you very much. This is the vote for the general constituency. I will mention the Scottish constituency in a minute. Those elected to the Council through the general constituency are: Fiona Morrison, Kathryn Morgan, Colin Wilson, Nick Silver, Wendy Hawes and Edwin Sheaf. The full details with the votes will be on the website at the end of this meeting.

We now come to the Scottish constituency. There were three vacancies to be filled for the Scottish constituency. However, as only two candidates submitted nomination forms to stand for election to Council, those two candidates, Benny Higgins and Carole Ryden, were automatically elected.

Subject to endorsement at the next Council meeting, Andrew Rear will be co-opted to Council for one year to fill this one vacancy in the Scottish constituency.

It now comes to the point of the President's farewell speech.

I thought of the short version: "I'm off sailing!" but I thought I needed to say a little bit more than that.

It really has been a great honour to serve as President. When you are asked to take up a role like this, the main reason for responding is to give something back, and quite simply that is what I have tried to do this year, and I hope I have achieved a certain amount in doing that. I think a lot has been done but I am delighted to say that there is plenty more for my successor to do.

When I set out my aims as President, I said that my overarching ambition was to maintain a strategy which had been established by my predecessors, Ronnie Bowie and Jane Curtis, and to continue the momentum of strategy implementation. I am pleased that I think at least we have done that between us all, and I will come back to some of the items that I think have been achievements in strategy implementation this year.

But I also outlined three personal themes which I wanted to pursue during my year: the subject of brand; the subject of Practice Executive Committees; and the subject of leadership skills.

Firstly to take the theme, brand. I wanted to carry through and ensure that we launched our new brand for our profession. We had some challenges agreeing the name. There were some people who felt that "Institute and Faculty of Actuaries" was too long. Perhaps it was a bit backward-looking. But I felt passionately that actually it did say very, very clearly who we are.

I think in choosing that name we really have established a brand identity which not only works in the UK but is a really powerful one on the international actuarial stage. I make no excuses for actually having a slightly longer name. I think it is a really powerful name for us around the world.

We also developed a promise, a promise really trying to state what does the Institute and Faculty do? I should like to just read out the promise statement. It is well-published.

It reads: the Institute and Faculty of Actuaries is a leading membership organisation which educates, develops and regulates actuaries as experts in risk. As a professional body, we aim to put the public interest first.

The reason why I like those words is for me they are the first descriptor of what the Institute and Faculty does. It is not a descriptor of what actuaries do. There are plenty of words around for that. But it is a descriptor of what the Institute and Faculty does. I hope that, after this year, those words do not get lost, because I do think they very clearly set out what the organisation, the Institute and Faculty, does.

We have also worked hard on developing the values for our profession: integrity, community, progress. I think that over the years as we go forward if we work on those whether as members, whether as volunteers, whether as members of staff, then I think they will provide some good guiding to what we do and how we do it.

The presentation that you see on the screens for how we present ourselves, the brand image, was developed in-house. It was developed very consciously of members' fees. So it has been an extremely frugal piece of work. I think it is really an outstanding piece of work. Again, when you compare it with organisations in

the UK or compare it globally, it really does stand out in 2013 as presenting who we are and what we do.

I was delighted at a recent meeting of Council and a few friends that I was able to announce the President's Award for this year which went to Barbara Beebee, who, within the members of staff here, actually led what I think is an outstanding piece of work. It is really clear in its expression of who we are. We have a shortened version for those who need it – IFoA - which I think now works clearly, and one of the ambitions I have for how we develop this branding is that one day you could actually use the letters FIFoA. That is something for the future. We are still FIA and FFA, but I think that "Institute and Faculty of Actuaries", and the shortened version, "IFoA", is a legacy certainly I am proud to leave behind.

My second theme was the Practice Executive Committees, because I do believe that it is within these Committees within our organisation that much of the hard work goes on. I wanted to highlight their work during my year as President. I visited each one of the Practice Boards during the year and ensured that their

work was published in The Actuary magazine, as I reported during the year.

The other thing that I wanted to do with the Practice Executive Committees was to emphasise the fact that much of the work they do ultimately is leading to influencing consumers of financial products into the future.

I have been asking the question: how fit is your work for financial consumers in 2020? We live in a world where there is considerable social change; we live in a world where there is considerable regulatory change. I think we need to be very, very mindful that much of what we do is about financial outcomes for consumers in some way or another, and we need to be very careful thinking about what their needs are, and what the needs are of the regulators who are tasked with actually looking after them.

I personally believe that there is a lot that this profession can do to help the FCA, the conduct authority in this country, to do its job. I hope that we can rise to that challenge.

The third theme that I had was the subject of leadership skills. I believe that some actuaries make great leaders. I also think that some actuaries do not quite make it in that. So what I have been trying to do is to at least communicate my beliefs as far as leadership skills are concerned.

I do not think that as a profession based in mathematics and logic some of the aspects of leadership skills naturally come to us. Leadership skills to me very much come from the right brain rather than the left brain. Colour, music, inspiration, comes from that side of our brain.

What I think I have done is slightly raised the awareness of leadership skills. I have been pleased to see that actually within our conferences we have had what I would call some soft-skills-type components to our technical conferences, and I would encourage people to do that. I do not think that we as a profession can teach leadership skills. It is not part of our CPD programme, nor do I think it should be. I think we can encourage people to think about leadership skills.

To me it has always been rather ironic that actuaries by nature are very risk-averse. That is a shame because our thinking style actually does enable us to analyse risk and to make really sound judgements based on the analysis of risk.

My thought, as far as leadership is concerned, to actuaries is be not just risk-averse but be sometimes risk takers because I think the fundamental ingredient of leaders is that they are risk takers. We have it within us to be risk takers; sometimes we do not do enough of it, I believe.

The other thing about leadership I do think is something to look for inspiration outside of the actuarial world. Whether that is in your communities, your business place, in politics, or whatever, be inspired by other leaders and try to learn from them.

I should now like to come on to the subject of strategy implementation. As I said, my overriding objective for the year was to maintain the momentum on strategy implementation.

I think that the organisation – not me – has done a lot in the last year. We have launched the Actuarial Research Centre. We have launched the International Actuarial Careers Network. We have launched the member vote on the proposed certified actuarial analyst qualification, and I eagerly and confidently await the outcome of that vote.

We have produced a new database for our membership. We have produced new guidance on conflicts of interest. There is a new directory of volunteering opportunities. We have together produced some excellent research and thought pieces which have been received well by stakeholders and the media for their timeliness and their relevance.

We have also developed a property strategy to ensure that our accommodation is fit for 21st-century business.

We have responded to more than 30 public consultations where we considered we could add value. I think we have a real capability now to respond to public consultations in a timely way where it is within our sphere of expertise.

Finally, and very importantly, we continue to work closely with our oversight body, the Financial Reporting Council, to reinforce the confidence in and accountability of the organisation to our members and the public. Substantial progress has been made towards a new regulatory strategy, and I am sure you will hear much more of that in the coming year.

I should now like to thank the people who have really done the work. Firstly, the staff of the Institute and Faculty. We would not have been able to do all the things that we have without the support of staff.

I have been incredibly struck by the dedication of all our staff. There is a real "can-do" attitude. There is a real buzz around the place, and I think that is a great foundation for continuing momentum.

But perhaps most important is the work of our volunteers. It always has been the lifeblood of our profession, and I am delighted that it is continuing to be so. There is a real new

enthusiasm within volunteering. We have a bit of a process to encourage that to be systematic in communicating the opportunities for volunteers. But I am confident that that process will not get in the way. It is still going to be just as important to tap people on the shoulder, whisper in their ears, "Look, we need to do something here. Can you help?"

But the combination of a bit of process and some good professional discipline does lead to a huge amount of volunteering, and that is really the strength of our profession. At this meeting I should like to thank all our volunteers, whether in this room or around the world, for all the work that they do for the profession.

The Presidential team – and it does work as a team now – is made up of the President-elect, the President and the Immediate Past President.

I would now like formally to welcome Nick Salter to that team as President-elect. It is with sadness to say farewell to Jane from that team. But the team needs to evolve and so it will.

We have a clear vision and aims for the future. David Hare's address, which will be given later this evening, will set out his aspirations for his Presidential year. I am sorry that I will not be able to attend that – there is a board meeting of a bank called RBS up in Scotland this evening. We have to try to find a new chief executive, so I have got to get on a plane to go to that meeting. I am sorry, David, that I will not be here.

I think what is clear is a lot has been achieved this year but there really is much to do for the ahead. The Institute and Faculty is in good shape for David's leadership, and I know he is brimming with enthusiasm and lots of ideas.

With that, I would like to take off my badge of office and pass it on to my successor. Many congratulations, David, and good luck for the future. [Applause]

Dr David Hare (President): Thank you very much, Philip. I was hoping that my first task as President was to declare the meeting closed so that we could go and have a cup of tea and a biscuit – those of you will know me well will know that is true to my heart.

But also very important to me is recognising achievement. So the first thing that I do as President is to thank Philip again warmly for what he has done.

We were very thrilled when we heard that Philip's name was being mentioned in connection with the President of the Institute and Faculty. To get somebody of such stature within our own industry, but also within other industries, was felt to be a real coup. While we have had to accept the need to work round his busy schedule with RBS and Diageo, it has certainly been a worthwhile investment because we have benefited a lot from Philip's wisdom and his experience and leadership that he practises himself. What he has wanted for the profession, he has delivered for us and we are very grateful for that. I am glad that he still remains part of our three-person Presidential team.

But what he gets today is a memento of his time wearing this medal. He does not quite get one that size [indicating] but he gets a smaller version of it to remind him of a job well done.

Philip, on behalf us all, many thanks indeed. [Applause]

My second task as President is to declare the AGM closed, to join Philip in thanking Derek and the staff for all that they do, and it is also worth just touching upon the work that Iraj does as Chairman of the Audit and Risk Committee, and of course the work that Alan does as Chairman of our Management Board. Some of you will know that Alan steps down from that role at the end of this month and will be succeeded by Alan Whalley. I should just like you to give a round of applause to both Iraj and also Alan for what they do for us in running these two very important committees

[Applause]

We have finally made it to the tea and biscuits! We have slightly longer than we thought but we will gather back here about six o'clock and review our strategy together. Thanks very much.
