



The Actuarial Profession

making financial sense of the future

Delivering excellence globally

Annual Report of the Institute and Faculty of Actuaries 2011/2012



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Over the last year we have worked hard to deliver the promises in our strategy, which was launched in June 2011.

We believe that this strong foundation will enable the Profession to deliver the excellence that our members and their clients need and deserve in a demanding global market.



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President's statement



Since I began my term as President and we launched our new strategy in June 2011, I have noticed a renewed vigour and energy about the Institute and Faculty. This is vital if we are to deliver excellence in the global market that we operate in.

We have a great team of staff and volunteers and this year's challenge has been to build on the strong foundations we have laid and harness the huge diversity of talent we have among our global membership.

This has enabled us to take forward our broad, external-facing and confident role, which has included a new qualification structure and a greater presence in public affairs.

Delivering our strategy

The new strategy sets out our long-term ambitions and since last year we have taken great steps to deliver the promises it contains.

There has been a marked improvement in how we communicate with our UK and international members, including how we listen to their views and deliver what they need.

Our excellent research programme keeps us at the cutting edge of market demands for actuarial expertise and we are delivering more engaging thought leadership events – and associated communications – for audiences from inside and outside the Profession.

The launch of the Actuarial Research Centre in Scotland will build on this work and, as momentum increases further over the coming year, our current and future work will prove an invaluable resource for our members and our stakeholders.

Building greater awareness

We have seen a real step change in our approach to public affairs. We have built valuable relationships with those we work with and seek to influence, including the UK Government, European Commission (EC), the media and our international partners.

Awareness of the Profession and the value of actuaries have increased, by us listening to, and acting on, the views of our members and volunteers, through our thought leadership activity and through our policy of proactive engagement in the international arena.

We currently have around 11,000 student members aiming to qualify with us and we have accredited five new university programmes over the last year.

We have also been busy consulting members on our new qualification structure which, integrated with coherent and effective regulation, is designed to meet the evolving needs of the global market and the needs of our membership.

The Profession has adopted a robust but proportionate, principled and transparent approach to regulation in order to maintain its exceptional standards and to assure public confidence in the work of our members. This is an approach that works with both UK and international stakeholders.

As I approach the end of my year as President, I am proud of what has been achieved. I am confident that with the talent, help and support of our Council, volunteers and staff we can continue to make real strides towards making our aspirations a reality.

Jane Curtis, President



Chief Executive's statement



Our Executive team and volunteers have been busy working on delivery of the new strategy.

We have been through a period of rapid change and development and our focus over the coming year will be on continuing to develop the Profession and cementing our position as the actuarial qualification and professional body of choice.

I believe that we are in a good position to deliver on the promises in our strategy. We have a strong Executive team, with significant capabilities in our strategic themes of education, regulation, member support, public affairs and thought leadership. Our Corporate Support team has the infrastructure to deliver improvements, and our volunteers continue to make an essential and much-valued contribution to their Profession.

Making our voice heard

Working closely with the Financial Reporting Council (FRC) continues to be a high priority. We were involved in the recent consultation on the proposed restructure of the FRC and engaged actively with EC and UK Government departments and regulators on a range of policy matters particularly on pensions.

We will continue to build on this platform over the coming years, to ensure that the Profession's analysis and views are heard and considered.

Increasing international activity

With more than a third of our Fellows and over half of our students based outside the UK, accessibility and equivalence will be a vital part of our international work, with all members receiving services such as educational support

and continuous professional development (CPD) opportunities, regardless of where they are based. We hope that in time all our international members will notice increased contact and improved services.

A top priority will be monitoring the international market, to make sure that we continue to deliver excellence, while responding to the rapid changes and demands of the global economy.

Developing our brand

Our major brand review will come to fruition in 2012 following extensive brand research, including an audit against similar organisations and workshops with members, stakeholders and staff. The end result will ensure that we have a set of values that will resonate with our staff and members for years to come.

We will also be undertaking further work in enterprise risk management as a key cross-cutting priority. Following extensive research, we will develop a strategy to deliver career opportunities for actuaries in new segments of the market.

There is much to do but our volunteers and staff will ensure that we are successful.

As ever we at the Profession are grateful for the valuable contributions made by our volunteer members over the course of the year. Without you our work would not be possible, and we are indebted to you for your efforts.

Derek Cribb, Chief Executive



Licensing and regulation

Licensing and regulating members of the Profession in such a way as to assure public confidence



The Profession has recently published an important Regulatory Strategy paper, calling for an integrated, principled approach to regulation.

The public interest lies at the heart of this vision and by assuring the quality of actuarial work, we will at the same time maintain the reputation of the Profession, in the interests of the membership and public alike. We are committed to earning the confidence of our stakeholders, including the public and practitioners, through regulation which is appropriately robust, but also proportionate, targeted, consistent and, very importantly, transparent. Our vision is to be a forward-thinking regulator; at the forefront of regulatory thinking and practice.

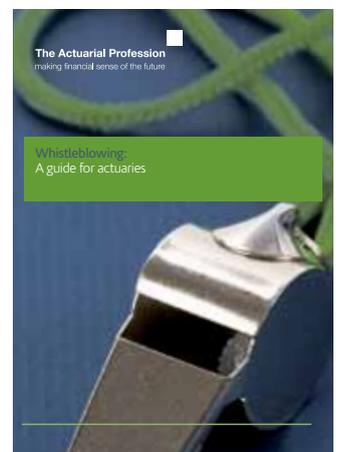
Regulation in practice

The Profession's paper – *Regulatory Strategy – A Position Paper and Framework for Implementation* – identifies five key areas of regulatory activity:-

- Standard-setting
- Qualification
- CPD
- Compliance monitoring
- Enforcement.

Standard setting

The Profession is about to publish significant new regulation and guidance in relation to the treatment of conflicts of interest. Focusing particularly on the role of pensions actuaries, the changes are intended to be a balanced and proportionate response to a complex issue which has recently been the subject of a substantial consultation exercise conducted by the Profession. We were pleased to receive a very significant response from members,



Whistleblowing: A guide for actuaries

as well as users of actuarial services and look forward to finalising and publishing our proposals in summer 2012.

We have recently published four new Actuarial Profession Standards (APSs). Ethical (as opposed to technical) in nature, these comprise:-

- APS P1 Duties and responsibilities of pensions actuaries
- APS P2 Compliance review: Pensions
- APS L1 Duties and responsibilities of life assurance actuaries
- APS L2 The Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations 2003 in the Life area.

We have also published whistle-blowing guidance for actuaries and for employers, to increase awareness and assist in understanding members' whistle-blowing obligations under the Actuaries' Code and in wider legislation. Feedback has been very positive and we therefore intend to publish an updated edition of both guides in due course.

Over the next few months we will be reviewing the Profession's existing Standards, including the Actuaries' Code, and we will deliver appropriate new regulatory provision where required. Proposals are being developed for new actuarial regulation designed to protect the public interest in relation to the operation of trust-based funeral plans. Other current initiatives include developing cross-practice provision in relation to peer review and the application of international standards.

Qualification

We are developing proposals for a more modern qualification structure designed to facilitate a more coherent and better targeted regulatory approach. This will at the same time provide new opportunities for our members to specialise in, and move between, new market segments.

We have modernised our Practising Certificates regime for reserved roles. More robust and transparent, the new model and process focus on a 'fitness to practise' approach.

Continuing professional development

Implementation of a new three-stage Professional Skills training regime has commenced, which will in due course include interactive online courses for all members at all stages of their careers. In this way, we aim to make Professional Skills training accessible to all members worldwide.

Compliance monitoring

It is critical that, as a regulator, we are aware of, and respond to, the environment in which our members work, and the public interest and regulatory issues which they face.

One key initiative in 2012 will see us working more closely in partnership with employers of actuaries. With details to be announced shortly, we see this initiative as a key component in our ability to engage with our members, in their workplace, in relation to our shared goal of actuarial quality. The ultimate aim will be to achieve a working partnership which will be to the mutual advantage of the firms involved, the profession as a whole, and the public.

Enforcement and discipline

A key component of any regulatory regime, we will in 2012 be reviewing our approach to enforcement, with a view to ensuring that it is sufficiently transparent, flexible and targeted to respond to issues of public interest risk and importance. We will additionally be undertaking a review of the Disciplinary Scheme itself, with a view to ensuring and, if appropriate, enhancing its regulatory effectiveness.

Looking ahead

We will continue to work closely with key stakeholders, including other regulators and, in particular, our own oversight body, the FRC, as we look forward to the further implementation of our regulatory strategy.



Whistleblowing: A guide for employers of actuaries



Public affairs and promotion

Speaking up on relevant matters of public interest and raising awareness of the work of actuaries and the value they add to society

We have made good progress in establishing foundations for a more active and effective public affairs and promotion programme.

A new UK public affairs strategy and integrated communications plan has been agreed, which includes a customised Scottish programme. We have also established a new Public Affairs and Consultations Committee to provide improved governance.

Working with external stakeholders

Members of the Presidential team attended more than 80 events and meetings with external stakeholders, including MPs, MSPs, government ministers and officials, regulatory bodies, a range of policy organisations and other actuarial associations.

We have focused our policy efforts on helping to inform debate on a number of specific issues, including pension fund liability management and long-term care funding.

During the year, we submitted more than 30 responses to consultations issued by a variety of EC and UK Government departments and policy bodies, focusing on those where the actuarial viewpoint can add real value.

Highlights of our media coverage included broadcast coverage on the ECJ Gender Directive ruling; the research of the Motor Third Party Working Party on bodily injury claims; and national online media reporting of some of the latest Continuous Mortality Investigation (CMI) analysis.

Delivering greater impact

In the coming year we aim to build on the progress made in 2011/2012 to create a programme with more energy, traction and impact. We will deliver an integrated communications strategy designed to raise the profile of the Profession further and improve our influence on public policy matters.

Our focus will be around three themed communications campaigns, covering pensions; long-term care; and financial literacy and capability. We aim to increase the momentum of our stakeholder engagement and policy activities so that they have even more focus and impact.

We will also set more ambitious public affairs targets for the media coverage generated by our research projects, promoting our work to broader audiences.



Jane Curtis, President, Institute and Faculty of Actuaries presenting at the launch of the Porekess Report on *The Future of Statistics in our Schools and Colleges*.



Learned society and thought leadership

Advancing all matters relevant to actuarial science

We have put a more structured and active research programme in place.

Four external research projects were completed over the year. As part of our initiative to help sustain research communities, grants have been awarded for four PhD studentships. We have also provided funding for four member-led research projects.

The Discount Rate project has published its final framework and the Profession is now working to incorporate this into educational and CPD material.

The Porkess Report on *The Future of Statistics in our Schools and Colleges*, jointly funded by the Profession and the Royal Statistical Society, was published in January 2012 and the launch event attracted representatives from the Department for Education, the Office for National Statistics and various universities and educational and exam bodies.

We have made progress in delivering more engaging thought leadership events that have attracted record audiences from inside and outside the Profession. These included the spring and autumn lectures, featuring Dr Martin Weale, member of the Monetary Policy Committee and Scotland's Chief Medical Officer, Sir Harry Burns.

Sharing ideas and opportunities

We held a number of successful workshops with representatives from government departments, policy bodies and interest groups to share ideas and encourage future partnerships. These included a Long-Term Care Forum, a Capital Markets Climate Initiative workshop (attended by Greg Barker, Minister

for Energy and Climate Change), and the Transforming Consumer Information Forum.

Improvements in our thought leadership communications included two well-received editions of the new Longevity Bulletin. There has also been interest in the British Actuarial Journal and the Annals of Actuarial Science, with more than 1,000 new subscribers.

The sessional research programme for the year included 12 events held at Staple Inn, four in Edinburgh and one in Norwich.

Launching a new research centre

An important initiative for the year ahead is the creation of the Actuarial Research Centre, which aims to advance research in risk and related actuarial areas in Scotland. This is a joint initiative between the Profession (with funding from the Faculty Endowment Fund, created at the time of the merger) and the Scottish Financial Risk Academy. This will complement the range of other research activities in the UK and elsewhere.

During 2012/2013 we will build on the research programme structure to advance actuarial science, to enhance the thought leadership reputation of the Profession and provide useful resources for members. We will also look to improve cross-practice working and knowledge sharing and improve communication to make research more accessible.



Top picture: A dinner to celebrate the 60th anniversary of the Sir Joseph Burn prize and our learned society.

Bottom picture: Sir Harry Burns, Scotland's Chief Medical Officer, speaking at the Institute and Faculty of Actuaries' autumn lecture.



Member support

Offering excellent support that meets members' varied and evolving needs



We have had a very busy year delivering member support initiatives in the strategy.

We have worked on improving communications through new e-newsletters, expanding our presence in social media, providing films and mp3 files of key events through the website and conducting a complete review of all membership and education documents.

Our dedicated membership team has worked tirelessly to field questions by phone, fax and email, on subjects ranging from CPD requirements, Practising Certificates and student membership.

400 volunteers were recruited last year to join the 400 Club, to help track our progress in implementing the Profession's strategy. Feedback from the 400 Club shows that 70% of volunteers feel that our communications with members have improved and that they are more engaging, clear and relevant.

Organising overseas events

As part of our commitment to our international members, we are organising key events worldwide to provide CPD opportunities and celebrate new qualifiers' success.

Last year we met communities in Trinidad, Mumbai, Chicago, Kuala Lumpur, Beijing and Shanghai. We are working closely with our member communities abroad, including newly launched communities in Beijing, Singapore, Shanghai, Hong Kong, Kuala Lumpur, India, the Netherlands, Luxembourg and Northern Ireland, to facilitate local meetings and information exchange through the Communities section on the website.

The Chinese Actuarial Network UK (CANUK) was launched in December 2011 and we hope that this will enable us to help our members in East Asia benefit from the expertise that exists in the UK, as well as feel a greater affinity with their profession.

All conferences have seen record-breaking attendance, including our younger members' conference, *Momentum*. These stimulating programmes, which combine workshops on the latest thought-provoking techniques, business awareness topics and high-profile keynote

speakers, take months of planning. The partnership between volunteer committees, community managers and an expert events team makes all this possible.

In order to ensure that our actuaries are exposed to alternative ways of thinking about familiar issues, we have supported partnerships with organisations such as the International Longevity Centre UK. We had an excellent programme of speakers, including Andrew Dilnot, Chairman of the Commission on Funding of Care and Support.

We also introduced a Masterclass series that offers members CPD opportunities to enhance their capabilities and knowledge in areas as diverse as communication, law, personal style and presentation. Core to each of the practice areas is the development of a CPD matrix, which will enable us to design, develop and deliver CPD relevant to the needs of that global constituency. The Solvency II Cross Practice Group has been established and will help develop a CPD programme that enhances the member experience, regardless of their specialism.

Enterprise risk management

Council approved a strategy for enterprise risk management (ERM) and a plan is being developed to promote actuaries in non-traditional employment areas. This will include dedicated research, targeted promotional campaigns and CPD specifically designed to expose actuaries to the wider area of risk management. Risk research has been driven by a dedicated team of six working parties leading on: risk appetite; emerging risks; complex systems; approaches to risk; communicating task dependencies; and risk classification.

Finance and investment

We have focused on providing a range of CPD events and research on cutting edge topics, centered around our flagship Risk and Investment Conference. Current working parties include research into the implications on markets of key regulatory developments such as Solvency II, Basel III and OTC derivatives reform, in addition to joint initiatives with the Life and Longevity Markets Association and the Investment Property Forum.

A key research and public affairs priority is retirement savings, including the implications of the Retail Distribution Review for product design and distribution.

General insurance

The general insurance community has enabled the Profession to get to the heart of decision making, which has included representation on the Transport Select Committee and the Office of Fair Trading, and there has been good media coverage of the ongoing research of the Motor Third Party Working Party on bodily injury claims.

At the General Insurance Conference in October 2011, former CBI Director General, Lord Digby Jones shared his views on the future of the UK in a globalised world.

Health and care

The publication of the Dilnot Report, *Fairer Care Funding for All*, was a major focal point for the health and care practice area. The challenges and opportunities set out in the report led to research comparing different approaches around the world.

Life

The annual Life Conference in November 2011 was a great success, with over 1,000 delegates attending the two-day event, which featured more than 80 sessions and workshops. The impact of Solvency II has been a major area of focus; we have worked closely with the regulator over actuarial standards, and roles, under that regime as well as revisions to rules for with-profits funds. The research programme has included recommendations that would improve financial information for consumers, to help them plan for the future.

Pensions

A major achievement included a response to the European Insurance and Occupational Pensions Authority (EIOPA) consultation on the IORP Directive. This culminated in a delegation meeting EC officials to discuss the Profession's response.

The 2011 Pensions Conference attracted over 270 members, the highest number of delegates ever, together with particularly positive feedback about the political session on pensions reform, featuring Pensions Minister Steve Webb and Lord Hutton. The 2012 Conference Organising Committee built on the success of last year's conference for the 2012 event in Brighton.



Top picture: Jane Curtis, President, Institute and Faculty of Actuaries; Arlene Foster, Minister for Enterprise Trade and Investment in Northern Ireland and Colin O'Hare, Senior Teaching Fellow, Queens University Belfast with students.

Bottom picture: Open forum on longevity risk: the Chinese Actuarial Network UK (CANUK)



Education

Providing high quality qualifications for our students and life-long education for our members



We currently have around 11,000 student members aiming to qualify as actuaries.

The new qualification strategy proposal has been developed and initial consultations have begun. The proposed new analyst level qualification is an exciting new development for the Profession.

Our qualification process ran smoothly with around 22,000 scripts in the two main exam sessions and 132 practical exams (CT9, CA2, CA3) delivered successfully. The appeals system and exam counselling also proved effective. Two online pilots ran for Communications (CA3) and will be rolled out in 2012.

Accrediting new university programmes

We have reaccredited four university programmes and accredited five new university programmes, including one at the University of Hong Kong, our first accredited programme in Asia. We now have 15 accredited universities in total.

With the help of our volunteers, we work to ensure that these accredited programmes offer equivalent routes to our own examination process. We granted 4,230 exemption applications between March 2011 and February 2012. More than 600 certificates were awarded to newly qualified Fellows.

Having consulted with employers, we are about to launch a scheme to accredit employers' work-based skills processes. We have continued our benchmarking project with the Society of Actuaries in the USA, learning from

each other's experiences, to ensure that our qualification process continues to be accepted globally as the gold standard.

Together with our network of volunteers, we continue to support the education and continuing professional development of actuaries internationally, providing input to training and development sessions.

The Chartered Enterprise Risk Actuary (CERA) award continues to expand under the Profession's administration. Our ERM Specialist Technical exam (ST9) has been adopted as the exam of choice for the CERA award by South Africa, Australia, Japan and the Casualty Actuarial Society in the USA. Taiwan, India, Ireland and Israel have expressed interest in entering candidates for ST9 in 2012. There are now over 1,000 CERA award holders worldwide and we expect that number to grow rapidly in future.

The Profession recently received approval from the CERA Board to launch an Experienced Practitioner Pathway to the award. For a limited time, this will enable qualified actuaries with substantial experience in senior risk management roles to qualify for the CERA award on the basis of experience equivalent to passing the ST9 examination.

Delivering careers advice

During the year, the careers team attended 14 university careers fairs and 50 school events.

Alongside the university-run careers fairs, the careers team ran two internal promotional careers events, one in London and one in Edinburgh, which attracted more than 220 students.



New qualifiers ceremony October 2011.



International

Engaging with overseas members and playing a prominent role in international organisations

In 2011/2012 we continued to build our involvement in both the International Actuarial Association (IAA) and the Groupe Consultatif Actuariel Européen (GC) and joint meetings with other national actuarial associations.

We have also enjoyed much greater engagement than ever before with our members internationally and continue to play a leading role in their education.

The UK Profession is represented on the Council and main committees of the IAA and on the GC and our members have played a prominent role in the development of International Standards of Actuarial Practice. This is an important initiative, particularly for members of associations that do not have their own national standards. We have also continued preparing for the implementation of Solvency II and instigated discussions with the EC. In October 2011 Philip Scott addressed the 16th East Asia Conference, Kuala Lumpur on *Solvency II: the challenges and opportunities beyond Europe*.

We have engaged with other associations and have held productive meetings with colleagues from associations in France, Germany, the Netherlands, China, Australia, South Africa and the United States. Council member, Martin Potter, addressed the Caribbean Actuarial Association 21st Annual Conference on *Longevity for pensions schemes: measurement, management and migration*.

We have continued to work with the Dutch and German associations to produce the quarterly journal *The European Actuary*.

Holding member ceremonies abroad

More than one-third of our Fellows and more than half of our students are now based outside the UK and we have held numerous events for members based overseas, including new member ceremonies in Australia, China (including Hong Kong), Canada, India and Trinidad.

We signed an accreditation agreement with the University of Hong Kong during a two-week visit to East Asia in September 2011 by the Profession's Director of Education, Dr Trevor Watkins. He addressed some 70 students on the actuarial science course to explain the benefits of the Institute and Faculty exams and how to qualify as an actuary. Chief Executive, Derek Cribb addressed the Society of Insurance, Financial and Actuarial Analysis of the Chinese University of Hong Kong at its 2011 annual dinner.



Top picture: Signing of the accreditation agreement with the University of Hong Kong with Professor Wai Keung Li, Chair of Statistics and Head of Department (left), Dr Trevor Watkins, Director of Education, Institute and Faculty of Actuaries (centre) and Professor Kam Chuen Yuen Professor, Co-ordinator of Actuarial Science Programme (right).

Bottom picture: Dr Trevor Watkins, Director of Education, Institute and Faculty of Actuaries presenting at the University of Hong Kong.



Our volunteers

Enhancing the volunteering experience for members



The 400 volunteers in our 400 Club, which was launched in December 2011, have already provided valuable feedback via the online surveys. Topics have included communication and engagement, the Actuaries' Code and a proposed new qualification. Members also helped us understand how we can restructure the website to make it easier for members to use.

We have selected members with care to ensure that the Club is an accurate representation of the entire membership body, including student and international members. There is also a reserve list of members keen to join the group when there is a vacancy. This move has been welcomed by members.

Views from our volunteers

Duncan Anderson (pictured above) became Chair of the General Insurance Practice Executive Committee (GI PEC) in July 2011. As a Managing Director at Towers Watson, Duncan's role includes looking after the company's global activities in general insurance

pricing matters. He devotes two to three days per month to the Profession, with the support of his employer.

Duncan says: "I believe the GI PEC does important work in keeping the Institute and Faculty relevant to the general insurance community. This includes ensuring that we are appropriately active externally, for example with the press, public consultations, and private discussions, and nurturing a collaborative and collegiate culture amongst general insurance actuaries."

"My role as Chair involves liaising with the Chairs of all the GI sub-committees and working parties. There's a lot of good work which goes on in these sub-committees, and the PEC ensures that all this GI volunteer activity is coordinated so that wheels are not reinvented and there is a good cross-fertilisation of ideas. I'm always impressed by the camaraderie and commonality of views among the GI volunteers.

"It's very fulfilling when we can use our research and expertise to engage more widely with the press, regulators and the



"I feel that the 400 Club is a great tool that allows me and fellow students to actively support and shape the future of the Profession" says Susan Macfarlane, Scottish Widows plc.

UK Government. When we speak on behalf of our Profession we are bestowed with an impartiality and authority that is not as easily attained in our day jobs. For example, we have contributed to public debates on a number of matters, including issues arising from the European Court of Justice's ruling on the use of gender in insurance and the rise in the cost of bodily injury claims. As well as securing press, radio and television coverage, we have also provided input to HM Treasury, the Office of Fair Trading and the Government Transport Committee investigations.

"We were also able to brief the BBC Radio Four journalist working on a "You and Yours" programme on the cost of motor insurance. As a result the reporting was accurate, the Profession's key messages were communicated and the resulting broadcast benefited both the insurance industry and the wider public.

"Over the last 15 years I've volunteered in a number of different ways, starting with a modest participation in a GIRO working party, with (perhaps through accident rather than design!), my involvement growing as each year has passed. Within the Profession the general insurance community has evolved from a few dozen actuaries to almost 3,000, yet it has somehow managed to retain the culture and camaraderie of those early days. I think a lot of this is down to the efforts and collaboration of its volunteers."

In November 2011, Chris Reynolds joined the Life Conference Programme Committee to help shape the 2012 conference into a relevant information resource and networking platform. He works for Partner-Re in Zurich, where he is team leader for Life Solutions Actuarial - a central pricing team responsible for research and developing pricing bases for all of the company's life markets.

Chris says: "As a committee member, I spend about a day per month on the committee meeting and a few hours working before and after the meeting. With communication tools such as e-mail, video conferences and teleconferences, being based in Switzerland is not an issue. I still choose to attend most meetings in person as it's easy to do a day trip from Zurich to London and I find that there's no real substitute for being there in person. It also gives me the opportunity to arrange other business meetings after the committee so that I can maximise the use of the day.

"My employer is very supportive and recognises the benefits that active involvement in the Profession brings. It helps raise the employer's profile and develop the employee at the same time. Being based in Switzerland, my employer is keen for actuaries like me to maintain active links with the Profession. Volunteering is a perfect way to achieve this and they actively encourage me and my colleagues to get involved.

"In the past, I have also undertaken a number of different volunteer tasks, including assistant examiner, moderator, guinea pig, working party member and life specialism lecturer on the Professionalism Course.

"If you are reading this and thinking of volunteering, I'd say do it. There are so many different ways in which you can help the Profession that there's certain to be an area that interests you. It is a fantastic way to expand your network of contacts and you never know what doors it may open for you."

Current volunteer vacancies are featured on the website: www.actuaries.org.uk/members/pages/volunteer-vacancies



"If you are reading this and thinking of volunteering, I'd say do it" says Chris Reynolds, Partner-Re, Zurich.



Corporate governance

Constitutional framework

Authority for the governance, control and strategic direction of the Institute and Faculty of Actuaries sits with the Council which in turn delegates to various boards, committees and Executive staff.

The Council is elected by voting members (Fellows, Associates and Honorary Fellows), in accordance with the governing documents (Charter, Bye-laws, Rules and Regulations). Each member of Council will normally serve for a term of three years before being required to stand for re-election and must stand down for a year after two terms. One-third of the Council members for each constituency retire annually (six representing the General constituency and three representing the Scottish constituency) and the first elections to elect members to the Council of the Institute and Faculty of Actuaries took place in May/June 2011. Any Fellow or Associate may stand as a candidate for the constituency of which they are a member.

Council has adopted the provisions of Section 1 of the Combined Code prepared by the Committee on Corporate Governance, to the extent appropriate.

In accordance with Bye-law 54, the Institute and Faculty of Actuaries will give its members at least 60 days' notice for the Annual General Meeting which must be held within 15 months of the previous AGM.

Office Holders

Council members choose the President and President-elect. The outgoing President is invited to become the Immediate Past President. The President, President-elect and Immediate Past President will normally serve

for a term of one year. In April 2012, Council elected David Hare as the President-elect from 25 June 2012.

Council

The Council of the Institute and Faculty of Actuaries is formed from 20 members elected by members of the General Constituency and 10 members elected by members of the Scottish Constituency.

Council considers strategy and policy, and develops key areas of thought leadership. In the last financial year, Council met six times – 15 March, 24 May, 11 July, 12 September, 14 November and 9 January. The main topics covered were:

- Development and introduction of Strategy for the Profession in June 2011, with separate discussions on specific strategies for education, regulation, public affairs, international and ERM, and related strategic risks facing the Profession
- Governance related issues, including elections and awards, and consideration of the recommendations from a Governance Review carried out by external consultants
- Introduction of a review into a strategy for the Profession in mortality and longevity and the role of the CMI
- Presentation from the Chair of the Board for Actuarial Standards and discussion on the FRC's consultation into its future structure and role
- Presentations from representatives of the IAA and GC to aid understanding of international issues and to help to develop the Profession's international strategy.



Top row, left to right: Gordon Wood, Trevor Llanwarne, Fiona Morrison.
 Second row, left to right: Malcolm Kemp, Nick Salter, David Martin.
 Third row, left to right: Paul Sweeting, David Gulland, Paul King, Derek Cribb.
 Fourth row, left to right: Elaine Stevenson, Keith Miller, Mike Dick, Simon Sheaf, Andrew Chamberlain, Philip Scott.
 Fifth row, left to right: Helen Crofts, Marjorie Ngwenya, Jane Curtis, Katie Low, Alan Watson.
 Those not present: Adrian Baskir, Ronnie Bowie, Mike Codron, Charles Cowling, Ralph Frankland, Justyn Harding, Mike Kipling, Martin Potter, Stuart Shepley, Mark Stocker and Peter Tompkins.

Those Council members who represent the Scottish Constituency are marked with * and those who were elected to Council in 2011 are marked with +.

Jane Curtis: President	Adrian Baskir	Malcolm Kemp	Martin Potter*+
Ronnie Bowie*: Immediate Past President	Andrew Chamberlain	Paul King	Nick Salter+
Philip Scott: President-elect	Mike Codron*	Mike Kipling	Simon Sheaf+
Stuart Shepley: Honorary Treasurer	Charles Cowling+	Trevor Llanwarne	Elaine Stevenson*
	Helen Crofts	Katie Low*	Mark Stocker+
	Mike Dick*	David Martin*	Paul Sweeting
	Ralph Frankland	Keith Miller*	Peter Tompkins
	David Gulland+	Fiona Morrison	Alan Watson*+
	Justyn Harding	Marjorie Ngwenya+	Gordon Wood*+

The following members retired from Council in 2011 and did not seek re-election:

Gordon Bagot*	Peter Gatenby	Martin Lowes
Seamus Creedon	Robert Hails	Nigel Masters

Management Board

The Management Board runs the Profession, under delegated authority from Council, on an operational basis in accordance with the Profession's scheme of delegations, powers and principles and with the strategy set by Council.

The Management Board has oversight responsibility for all matters related to the

development and implementation of the Profession's strategy, corporate plan, policy and operational plans, and all matters related to the Profession's resources. The Management Board submits reports to each meeting of Council and the Chairman of the Management Board attends Council meetings at the invitation of the President. Management Board delegates some tasks to the Executive staff.

	Position	Attendance: actual/possible
Sally Bridgeland	Chairman until August 2011	6/6
Alan Phillips	Chairman since September 2011	6/6
Gordon Bagot	Scottish Board Leader until June 2011	0/4
Ronnie Bowie	President to June 2011 then Past President	10/12
Derek Cribb	Chief Executive	11/11
Jane Curtis	President from July 2011	7/8
Ralph Frankland	Council member	3/12
Robert Hails	Honorary Treasurer until June 2011	4/4
Katie Low	Council member	11/12
David Martin	Scottish Board Leader from July 2011	6/8
Nigel Masters	Past President until June 2011	4/4
Stuart Shepley	Honorary Treasurer from July 2011	5/8
Paul Sweeting	Council member	11/12

The Management Board reviewed, on behalf of Council, the remuneration packages provided for the Executive, including the Chief Executive. The Executive are remunerated with reference to their annual performance rating and to market benchmark salaries. None of the members of Council receives remuneration for services to the Profession, other than reimbursement of out-of-pocket expenses and, very rarely, payments on a normal commercial basis.

Management Board met 12 times in the last financial year. The members of the Management Board since 1 March 2011 are given above along with their attendance from this date to the end of February 2012. Board members are appointed by Council.

Chief Executive

The Chief Executive is responsible to Council through the Management Board for the development, promotion and management of the Institute and Faculty to achieve the strategy set by Council. The Chief Executive is responsible for the management of the Executive and for ensuring the Institute and Faculty operates effectively and efficiently, supported by Directors reporting directly to the Chief Executive. Derek Cribb was appointed Acting Chief Executive from 1 March 2011 and took over as Chief Executive from 9 April 2012.

Audit and Governance Committee

Responsibility for overseeing governance and financial management lies with the Audit and Governance Committee, which is chaired by a qualified accountant, and reports to Council.

The main role of the Committee is to ensure that the Profession practises good governance

and sound financial management. The Committee has an oversight role rather than direct responsibility for financial and governance matters. The Committee gives its views to management on the financial statements, external and internal audits, risk management and internal controls, governance matters and other ad hoc issues. Our internal auditors have conducted audits in the following areas: Business Continuity Management, Data Protection and Data Security, Financial Reporting and Decision Support, and Membership Administration. Actions from internal audits are reported on at each Committee meeting.

In December 2011, members of the Committee met the external auditor, reviewed and discussed his planned basis and scope of audit work. This included his quality control processes and independence requirements. The Committee was content that these were satisfactory and approved the audit plan for the year. The external auditor's performance of his duties was considered by the Committee at the year end and it had no specific concerns or recommendations.

The Audit and Governance Committee formally reports to Council on an annual basis and a report was submitted to, and the Chairman attended the meeting of, Council on 24 May 2011.

During the year a focus has been on strengthening the organisation's risk management processes.

The Audit and Governance Committee met four times in the last year and its members and attendance levels in this period are given below.

	Position	Attendance: actual/possible
Ian Cherry FCA	Lay Chairman	4/4
Mike Kipling	Council member	1/2
Keith Miller	Council member	4/4
Marjorie Ngwenya	Council member	2/2
Irene Robinson	Lay member	4/4
Peter Tompkins	Council member	4/4
Peter Wright	Past Institute Council member	2/2

Employees

The restructuring of the staff Executive functions was completed during the year through working with the staff representative body (Staff Forum) to consult and agree on the standardisation of terms and conditions of employment and benefits.

Recruitment has now been completed at Director level with the confirmation of Memoria Lewis as Membership Director, Ben Kemp as General Counsel, Anne Moore as Director of Finance and Operations, and Paul Reynolds as Director of Public Affairs taking over from Interim Director Paul Atkinson, with Trevor Watkins continuing as Director of Education.

The Profession is committed to equal opportunities for all its staff and it is policy not to discriminate on the grounds of age, race, religion, sex, sexual orientation or disability. Should an employee suffer a disability, the Profession will do all it can to accommodate that disability and to assist the employee to continue his or her career, either in an existing role where possible, or in an alternative position. The Profession will provide flexible working arrangements for its Executive staff wherever practicable.

The Profession is committed to developing each member of its Executive. This is achieved through regular discussions about performance and learning and development needs with opportunities to realise potential. The organisation is accredited with the Investor in People award.

Employees are updated regularly on developments through the Profession's intranet. A Staff Forum meets regularly to give Executive representatives a further opportunity to be consulted and involved, and feeds back Executive views directly to the Chief Executive and Head of Human Resources.

Creditor payment policy

The Profession's policy is to agree and communicate clearly the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms upon the timely receipt of an accurate invoice. At year end this was on average 25 days.

Going concern

The financial statements of the Institute and Faculty of Actuaries have been prepared on a going concern basis. Council has made relevant enquiries and has a reasonable expectation that the Institute and Faculty has adequate resources to continue in operational existence for the foreseeable future.

Internal control

Council is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Wider aspects of internal control

Council, through the Management Board, has established an ongoing process to identify, evaluate and manage the significant risks faced by the Profession. The Management Board sets the operational risk appetite for the Profession – that is the acceptable limit of risk that the Executive may take in its day-to-day activities. The risk policy statement specifies the detailed approach to risk management endorsed by the Management Board and adopted by the Executive.

The risk register captures risks at two levels; strategic risks and operational risks.

There are currently 10 strategic risks that have been identified. These represent the main risks facing the organisation in delivering against

the strategic objectives. The strategic risks, together with any operational risks with a net rating of “high” or above, are shown in the Key Risk Register, along with the controls and actions in place. Progress against managing these key risks is monitored through the Director Group and Management Board meetings on a monthly basis, and at Audit and Governance Committee on a quarterly basis.

All Executive staff are responsible for risk management in their day-to-day roles. Each business unit is responsible for identifying and managing their own bottom up operational risks on an ongoing basis. These business unit risks form part of Directorate Risk registers. Each Director holds monthly risk meetings with their teams to review all operational risks within their Directorate.

The ongoing assessment of the risks is linked with the Corporate Plan.

Other key elements in the system of internal control during the last financial year were:

- **Delegation**

The overall objectives are agreed by Council, which assigned operational management responsibility to the Management Board and the Executive. There is a clear organisational structure, detailing lines of authority and control responsibilities. There are defined revenue and capital spend authorisation limits in place. There is a published scheme of delegations in place.

- **Budgets**

Detailed annual budgets were prepared by the Executive for approval by the Management Board and Council. Actual results are compared to approved budgets on a monthly basis and reported to the Management Board. Revised annual forecasts are also prepared and reported quarterly.

- **Competence**

Executive skills are maintained and reviewed by both a formal recruitment process and a performance management system. Together, they provide regular opportunities for feedback on performance and identify training and development needs.

- **Internal Audit**

Crowe Clark Whitehill provided an internal audit function for the Profession.

- **Review**

Council, through reports from the Management Board and the Audit and Governance Committee, review the effectiveness of the Institute and Faculty’s system of internal control in operation during the financial year.

Responsibilities of Council

Bye-law 62 requires Council to prepare annual accounts for each financial year. These give a true and fair view of the state of affairs of the Institute and Faculty and of the surplus or deficit for that period.

In addition to the statutory accounts, summary financial information is provided in the annual review for the Profession (see page 21).

Council delegated the responsibilities to the Management Board to select suitable accounting policies and applied them consistently taking into account the views and advice of the Audit and Governance Committee.

In preparing the financial statements on behalf of Council, the Management Board:

- Made judgements and estimates that are reasonable and prudent
- Followed applicable accounting standards
- Prepared the financial statements on the going concern basis in the case of the merged body.

The Council, through the Management Board and Executive staff, was responsible for ensuring proper accounting records were kept, which disclose the financial position of the Institute and Faculty of Actuaries. It was also responsible for safeguarding the assets of the Institute and Faculty and, therefore, for taking reasonable steps to prevent and detect fraud and other irregularities.

Attendance of Council members at Council meetings for the financial year 1 March 2011 to 29 February 2012

BAGOT, Gordon	1/2	LOW, Katie	5/6
BASKIR, Adrian	5/5	LOWES, Martin	2/2
BOWIE, Ronnie	6/6	MARTIN, David	6/6
CHAMBERLAIN, Andrew	5/6	MASTERS, Nigel	2/2
CODRON, Mike	4/5	MILLER, Keith	4/6
COWLING, Charles	4/4	MORRISON, Fiona	5/6
CREEDON, Seamus	2/2	NGWENYA, Marjorie	4/4
CROFTS, Helen	4/6	POTTER, Martin	4/4
CURTIS, Jane	6/6	SALTER, Nick	3/4
DICK, Mike	4/6	SCOTT, Philip	1/4
FRANKLAND, Ralph	2/6	SHEAF, Simon	4/4
GATENBY, Peter	2/2	SHEPLEY, Stuart	5/6
GULLAND, David	3/4	STEVENSON, Elaine	4/6
HAILS, Robert	2/2	STOCKER, Mark	6/6
HARDING, Justyn	3/6	SWEETING, Paul	5/6
KEMP, Malcolm	5/6	TOMPKINS, Peter	6/6
KING, Paul	5/6	WATSON, Alan	6/6
KIPLING, Mike	6/6	WOOD, Gordon	4/6
LLANWARNE, Trevor	5/6		

Accounts

Annual financial review for the financial year 1 March 2011 to 29 February 2012

Total income for 2012 of £21.8m represents an increase of 9.5% over the 2011 figure of £19.8m. The main source of revenue is from members' fees and subscriptions, which made up 44% (2011: 45%) of total revenue. Subscription rates for members were not increased from the previous year. Of the other income streams pre-qualification learning accounted for 37% of turnover, post qualification learning accounted for 16% of turnover and other income 3% of turnover.

The retained surplus after taxation for the year was £1.5m, £0.7m higher than 2011 (retained surplus of £0.8m). This result is after recognising a credit of £1.7m relating to the FRS17 accounting treatment for the defined benefit pension fund. Excluding this adjustment the Profession made a small operating loss in the year in line with a planned reduction in reserves.

Net assets at 29 February 2012 were £23.7m (2011: £19.3m), including cash and cash equivalents of £23.3m (2011: £23.3m).

The most significant change is a favourable movement in the pension fund asset of £4.7m in the year.

The General Fund balance of £23.7m is considered sufficient to meet the latest estimate of the buy-out liability on the defined benefit pension scheme and to meet our reserves policy of covering between four to six months of annual expenditure.

	2012			2011		
	Income £000	Expenditure £000	Net £000	Income £000	Expenditure £000	Net £000
Subscriptions and other income						
Subscriptions, admissions and certificate fees	9,614	-	9,614	9,030	-	9,030
Actuary magazine fees	131	-	131	58	-	58
List of actuarial advisors	17	-	17	19	-	19
FTSE fees and other royalties	55	-	55	55	-	55
Management services fees	20	-	20	148	-	148
	9,837		9,837	9,310		9,310
Membership body activities						
Professional/ethical standards	15	(1,223)	(1,208)	18	(1,247)	(1,229)
Member services	17	(916)	(899)	10	(448)	(438)
Technical and other strategy	-	(592)	(592)	11	(462)	(451)
Central activities	11	(9,463)	(9,452)	24	(9,378)	(9,354)
	43	(12,194)	(12,151)	63	(11,535)	(11,472)
Activities supported by contributions						
Designated Professional Body regulation	284	(60)	224	273	(102)	171
Pre-qualification learning and development	8,095	(5,102)	2,993	7,087	(4,306)	2,781
Post-qualification learning and development	3,535	(2,092)	1,443	3,148	(2,249)	899
Practice areas and member interest groups	14	(548)	(534)	13	(639)	(626)
	11,928	(7,800)	4,126	10,520	(7,295)	3,225
Participation in other bodies			(516)			(531)
Gifts/donations			0			(5)
Operating result			1,296			527
Investment income and other income			271			299
Result before taxation			1,567			826
Taxation			(55)			(60)
Net result transferred to general fund			1,512			766
General and other reserves at beginning of year i.e. accumulation of past surpluses and deficits			15,530			14,764
General reserves at the end of the year			17,042			15,530

	2012	2011
Assets	£000	£000
Non-current assets		
Property, plant and equipment	248	449
Investments available for sale	717	761
Other investments	999	994
	1,964	2,204
Current assets		
Inventories	30	35
Trade and other receivables	937	872
Cash and cash equivalents	23,285	22,994
	24,252	23,901
Total assets	26,216	26,105
Liabilities		
Current liabilities		
Trade and other payables	1,712	2,044
Members' credit balances	41	32
Corporation tax	53	54
Deferred income	8,556	7,885
	10,362	10,015
Net current assets	13,890	13,886
Total net assets excluding pension asset / (liability)	15,854	16,090
Pension asset / (liability)	7,865	3,237
Total Net Assets including Pension Asset / (Liability)	23,719	19,327
Represented by:		
General fund	22,788	18,350
Investment revaluation reserve	931	977
	23,719	19,327

To view the full financial review of the Institute and Faculty of Actuaries for the year ended 29 February 2012 go to <http://www.actuaries.org.uk/about-us/pages/corporate-publications>



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