COUNCIL MEETING, INSTITUTE AND FACULTY OF ACTUARIES
MINUTES

Date	**7 May 2015**
Start Time	**16.00**
Finish Time	**17.00 approximately**
Place	**By conference call only**

Council Members present:

Nick Salter President

Deborah Cooper
Charles Cowling
Helen Davies
Patrick Lee
Mark O'Reilly
Kathryn Morgan
Fiona Morrison
Marjorie Ngwenya
Alan Rubenstein
Carole Ryden
Simon Sheaf
Malcolm Slee
Mike Smedley
Peter Tompkins
Suzanne Vaughan
Elliot Varnell
Alan Watson
Colin Wilson

In attendance:

Derek Cribb	Chief Executive
Emma Gilpin	Regulatory Solicitor
Des Hudson	Chair, Regulation Board
Suzie Lyons	Head of Adjudication and Acting General Counsel
Kimberley Russell	Corporate Secretary
Alan Whalley	Chair, Management Board

1. WELCOME AND INTRODUCTION

The President welcomed attendees to the fifth Council meeting of the 2014/15 session, which had been called to discuss one agenda item only – the launch of the Quality Assurance Scheme (**QAS Scheme**).

1.1 Apologies and Proxy Votes

There were nine apologies from Council Members, Marian Elliot, Huw Evans, David Hare, Donald Macleod, Andrew Rear, Edwin Sheaf, Nick Silver, Cynthia Xi Yuan and Feifei Zhang. The President had been given three proxy votes from David Hare, Donald Macleod and Andrew Rear.

In addition, it was noted that Edwin Sheaf and Feifei Zhang had written to Kimberley Russell in advance of the meeting to record their views.

1.2 Declaration and Registration of Interests

No declarations of interest were made.

2. THE QAS PROPOSAL

2.1 The President welcomed Emma Gilpin, Des Hudson and Suzie Lyons to the meeting.

The President noted the proposal submitted to Council for the meeting (**QAS Proposal**) and clarified that Council had been asked to approve the proposed QAS Scheme for launch (including the pricing structure) and to note the Terms of Reference for the QAS Sub Committee.

Des Hudson highlighted key issues and points arising from the Proposal.

In addition, a number of key issues were raised by Council members in questioning. The issues discussed, and the responses provided by Des Hudson and others, are set out below.

2.1.1 Rationale for the QAS Scheme

The QAS Scheme had been one of the commitments made by the IFoA in terms of the Capri settlement agreed between the IFoA and the Financial Reporting Council (**FRC**) in 2013.

However, the settlement agreed was only one of the drivers behind the QAS Scheme. Amongst others, three key factors were also to:

- assist IFoA members and their employers facilitate a working environment in which high standards of actuarial work are able to thrive;

- provide a supportive and collaborative forum for actuaries, firms and the IFoA to share and disseminate best practice (i.e. a means of sharing the collective wisdom of the profession), thereby helping to the IFoA deliver its own regulatory objectives; and

- provide practical help and support for employers.

Genuine “added value” had been felt by the firms which had participated in the QAS Scheme pilot.

2.1.2 Risks

<u>The Voluntary Nature of the QAS Scheme</u>

Council queried the voluntary nature of the QAS Scheme, and in particular whether it would satisfy the regulatory objectives set by the FRC.

Council noted that the diverse spread of actuaries across industry gives rise to a number of practical complexities. There were risks from a regulatory, reputational and financial perspective. These had been set out in the Proposal but in particular Council noted the risk that the QAS Scheme may lack sufficient take up after launch. Des Hudson clarified that those risks could not be discounted but was content that they were manageable and palatable.

Des Hudson believed that the QAS Scheme was:

- sensible;
- proportionate;
- in line with other similar schemes (such as that used by ICAEW); and
- in accordance with best practice regulatory principles.

The IFoA had been in regular contact with the FRC throughout the design of the Proposals and the FRC was content, at this time, that the QAS Scheme be voluntary and not mandated.

<u>Accessibility of the QAS Scheme</u>

Further, Council also queried the accessibility of the QAS Scheme.

While it had to be acknowledged that some firms may choose not to apply (the onus being on firms to consider individually whether or not to do so) the QAS Scheme had been designed to be as accessible as possible. The size or scale of a firm should not be a barrier to participation.

In addition, the QAS Scheme would not only be open to actuarial firms but any organisation that employs an actuary or actuaries.

Considerable work had been carried out to gauge the level of likely interest in, and support for, the QAS Scheme. The level of interest was high. A steady level of applications in Year 1 of between 50 and 100 applications, with 35 as a cautious minimum, was anticipated.

The number of likely firms and cost projections set out in the Proposal were conservative. More reliable data analysis would be completed a few years after launch to help quantify the QAS Scheme’s success. The FRC was aware of the projections and would be kept up to speed on any future analysis carried out by the IFoA.

As at the date of the Council meeting no large consultancy firms had expressed a view that they would not be interested in joining.

In the event the QAS Scheme suffered early failure, the losses would be relatively small (in the absence of detailed calculation, losses estimated between £75k and £100k). The chances of early failure were thought to be highly unlikely.

In general terms, there was consensus amongst Council members that the IFoA should consider alternative ways of addressing the regulatory objectives if the QAS Scheme lacked sufficient take up or fails to deliver after its launch.

2.1.3 Pricing Structure

A Council member queried the appropriateness of the three bandings used to determine the pricing of the QAS Scheme in particular whether Band 1 was too wide.

It was clarified that the biggest outlay for the QAS Scheme was the accreditation process itself. The accreditation process would, at the time of launch, be carried out by a third party external assessor. The pricing structure had been based on cost neutrality and the costs associated with Band 1 firms would be higher than the others. The Bands had not solely been driven by the number of actuaries employed by a firm.

An organisation could choose to apply in whole or in part and the banding would be calculated by reference to the scale of activity. It was anticipated that most firms would fall within Band 2.

3. VOTE ON THE LAUNCH OF QAS SCHEME

The Council members present, and those voting by proxy, voted unanimously in favour of the launch of the QAS Scheme. There were no votes against.

The President thanked Des Hudson, Regulation Board, the members of the Executive, and all others involved in the QAS Scheme for their efforts thus far.

QAS Proposal approved.
Terms of Reference for the QAS Sub Committee noted.

4. NEXT MEETING

The next meeting of the Council would be held on 20 May 2015 in Staple Inn Hall, London, or at such other venue in London to be notified to Council members.