

# INSTITUTE AND FACULTY OF ACTUARIES

## MINUTES

of a

## MEETING of the COUNCIL

held on 22 July 2014

at Staple Inn, London

### Present:

Nick Salter, President (in the chair)

Deborah Cooper	Donald Macleod	Alan Rubenstein	Elliot Varnell
Charles Cowling	Kathryn Morgan	Edwin Sheaf	Suzanne Vaughan
Helen Davies	Fiona Morrison	Nick Silver	Alan Watson*
Marian Elliott	Marjorie Ngwenya*	Malcolm Slee	Colin Wilson
Huw Evans	Mark O'Reilly	Mike Smedley	Cynthia Yuan
Patrick Lee	Martin Potter	Peter Tompkins	Feifei Zhang

\* by telephone

**Apologies for absence:** Karen Grant, David Hare, Benny Higgins, Andy Rear, Carole Ryden and Simon Sheaf

### Other attendees:

- David Martin, member of Regulation Board, for item 3
- Alan Whalley, Chairman of Management Board, for the whole meeting

**Executive attendance:** Derek Cribb, Ben Kemp, Memoria Lewis, Anne Moore, Paul Reynolds, Trevor Watkins\* and Marion Young (Secretary)

## 1. WELCOME

- 1.1 The President welcomed attendees to the first Council meeting of the 2014/2015 session, in particular Marian Elliott, Malcolm Slee, Mark O'Reilly, Cynthia Yuan and Feifei Zhang who were attending their first Council meeting. He also welcomed Mike Smedley who had been co-opted to Council in 2013/2014 and Charles Cowling who had been re-elected onto Council.
- 1.2 It was noted that the President had the proxy votes of David Hare, Benny Higgins and Andy Rear. No other proxy votes had been given to other Council members.
- 1.3 The President reminded Council members to register any conflicts of interest with the Secretary in advance of the meeting wherever possible.
- 1.4 The President reminded Council members that electronic devices should only be used in Council meetings for reading Council papers.
- 1.5 The President announced that, at the start of each Council meeting, Council would approve the agenda and running order. The President outlined the changes he proposed to the running order of that day's meeting and how Council members should indicate that they wished to talk on a particular topic.

1.6 Each Council member and member of the Executive introduced themselves individually. Council members then took part in a session that highlighted:

- Areas of work (Pensions 11; Other 7 [international, investment, public sector, risk management, software development, regulation]; Life 3; General Insurance 2);
- Whether they worked in a consultancy (13) or did not (10);
- Their main area of IFoA volunteering (Formal boards and committees 12; Working Parties and MIGs 4; Other including none 4; Member Support 2;
- Council's priority for coming year (Diversity 12; International 8; Other [Member Support, Regulation, Raising Profile, Research, Communication, Website] 7; Analyst 0 (with Council suggesting that its role was mainly complete in this area).

## **2. PRESIDENT'S PAPER ON 'COUNCIL MEETINGS'**

2.1 The President introduced his paper which focussed on how he would like Council meetings to be run. In particular, he highlighted:

- the need to read all papers in advance;
- contributions to the debates are encouraged by all;
- attendance in person if at all possible as that makes both discussion and management of the meeting easier.

### **Circulation of Council agenda packs**

2.2 In respect of when papers for Council meetings should be issued, there was mixed feedback with some Council members preferring to receive papers separately as soon as they were ready and others preferring to receive them so that they could be read over the weekend before a Council meeting. After discussion Council agreed:

- a) To issue a draft agenda around three weeks before the Council meeting for feedback on planned agenda items and timings;
- b) To issue the final agenda pack so that papers were available to read over two weekends. Council members were asked to take up any points of clarification with the author directly before the Council meeting;
- c) To use Council webpages more, in particular to allow Council members to download a final, consolidated agenda pack when all papers have been received.

### **Council taskforces**

2.3 The President outlined his proposal to set up a number of small taskforces, comprising three or four members of Council, to look into specific issues and then to report back their thoughts to Council to stimulate debate and to be advocates of any recommendations in papers. The taskforces would not have the power to make decisions. The taskforces highlighted were:

- Nominations Committee and the issue around the process to elect the next President-elect (role specification, consultation with other Council members, succession planning etc).
- Council elections – how to encourage members to stand for election to Council and how to increase the number of members who vote and ensure engagement from members both in the UK and overseas.
- Governance Manual – working with the Chairman of Management Board on updated drafts of the Governance Manual and Scheme of Delegations for consideration by Council at its meeting in October 2014. It was subsequently agreed that Kathryn Morgan, Malcolm Slee, Elliot Varnell and Alan Watson would be members of this taskforce.
- Communication – to improve communication from Council and/or President with members so they feel better engaged with Council and its relevance to them eg email to members after each Council meeting to summarise what Council discussed and invite feedback.
- Actuarial skillset – to develop a definition of the actuarial skillset to show employers what an actuary can bring to the table. This builds on the President's theme of "diversity".

2.4 In discussion on the proposed taskforces, points made included:

- Need to take care that Council is not perceived by our members to be too internally focussed on governance and issues not directly relevant to them.
- Taskforces must build on existing working groups looking into similar topics eg Member Support directorate needs to be involved in any taskforce looking at engagement with members.
- Engagement with the Practice Boards (PBs) could extend to Council members (in addition to Management Board which has direct oversight) in particular where the PBs were looking at strategically important matters.

2.5 In summary, the President said that there was general support for the proposal, subject to care being taken not to duplicate effort elsewhere. He believed that it was not necessary to have formal terms of reference for these taskforces at this stage. He would issue an email seeking volunteers from Council to sit on these taskforces.

### **3. ASSOCIATE QUALIFICATION**

3.1 The President advised that two papers had been prepared on proposed changes to the Associate qualification – the main one had been written from an education perspective and the addendum paper written following a meeting of the Regulation Board. Clarification was given that any changes to the Associate qualification was a Council decision as the proposed changes were, in effect, primarily to the syllabus and not the Charter or Bye-laws. It was also noted that FRC agreement was not needed to any change to the Associate qualification but it was acknowledged that the FRC did have an interest and should be given an opportunity to comment.

3.2 The President stated that, in his view, the Fellowship and Associateship qualifications were so close that the Associate qualification could be perceived to be irrelevant. There was general agreement that Associateship was not a 'destination qualification' as such and was mainly held by those who had not successfully passed the necessary examinations to become a Fellow. The President said that the main driver for change should be what the IFoA wanted as the benchmark for an actuary in the current working environment and then to develop the necessary skillset for that person to be called an Associate. The President stated that it would be essential to get buy-in from members on any changes to the Associate qualification so it was essential for Council to agree the communications pieces to members to explain any agreed changes.

3.3 Trevor Watkins, Director of Education, pointed out that there was more than one kind of Associate within the IFoA. Over time, with previous syllabus changes, the examinations required to be passed had changed so that the current 400 Associates had achieved their status passing different examinations under various education regimes. It was noted that, outside Europe, the definition of an Associate was driven by the qualification awarded by the Society of Actuaries (SoA) which was set at a lower level than the IFoA Associateship. There was anecdotal evidence that a number of IFoA members were switching to the SoA after unsuccessfully attempting to complete all the IFoA Associate examinations but having enough passes to become an Associate of the SoA.

3.4 In discussion, points made included:

- The working environment for Associates has changed and the IFoA's Associate level is out of line with the demands of the market and prevailing global practices; it is not in the public interest for the IFoA to set a different standard to that used by other associations.
- Mutual Recognition Agreements (MRAs) with other actuarial associations vary, with some recognising Associates as qualified actuaries, so these may have to be amended in light of any changes to the Associate qualification.
- The two examinations that are proposed to be dropped from the Associateship qualification (modelling and communication) were viewed as key for an actuary so the intention was for elements of these to be covered off in the remaining examinations required of an Associate and by work based skills. This point needed to be adequately demonstrated to the Regulation Board and FRC.
- In China, it is time to rethink the definition of Associate and align it with other professional bodies. The different levels of Associate between the IFoA and the SoA is causing members difficulties.
- Clarification was needed on the status of other qualifications offered by the IFoA eg Diploma in Actuarial Techniques and Analyst. This would be part of the communication plan requested by the President. It would also be helpful to draft text in a more positive way by explaining what differentiates a Fellow from an Associate rather than the other way round.
- The point was made that the IFoA cannot be consistent with a recognised international norm, and preserve the current criteria for UK-based "actuaries", without having to make a distinction between two types of Associate. If such a distinction was impractical, the IFoA would be forced to choose the lesser evil.
- The Associate qualification needs to reflect the diverse and international aspects of being an actuary. It should be viewed as a more general qualification ie no specialist elements.

- Focus should be on 'what is an actuary' and this is what we should deliver as the Associate qualification – what is the core syllabus to be an actuary? This was the basic qualification analogous to that of a newly qualified doctor who had not yet taken any specialist examinations.
- There were people working in the banking sector who studied the actuarial exams but gave up due to time and financial commitments – banks may be less inclined to give time off to their employees to study or support them financially eg pay for examinations. It would be in the public interest for banks to employ people offering a wide and diverse range of skills and with a strong ethical background..
- The Executive would confirm progress in relation to a cross-directorate project to produce a skillset framework, in collaboration with the FRC.
- It will be important to emphasise that Associates are not fully qualified to carry out specialist actuarial work as they do not have the experience or specialist expertise.
- It would be helpful to find out from current Associates whether they were paid any premium for being an Associate of the IFoA compared to colleagues who were Associates of another professional body.
- What is the members' interest in this proposed change – what are the benefits to them if they are based in the UK or overseas?

3.5 In summary, the President thanked Council members for their helpful input. It was agreed that Council had been generally supportive of the direction of travel outlined in the papers, but with more focus on the level at which the IFoA would be comfortable for one of its members to call themselves an actuary. Council noted that the examination syllabus would need to be changed in any event, with input on work looking at the actuarial skillset. It was essential that the key messages to be used in communications with members were agreed by Council in advance.

#### **4. GOVERNANCE ITEMS**

##### **Minutes of Council meeting held on 19 May 2014**

4.1 Subject to clarification on the statement in minute 3.3 b), Council unanimously approved the minutes of the meeting held on 19 May 2014.

##### **Council Minutes**

4.2 There was general agreement to the principle that Council minutes should not generally refer to particular Council members except where they were authors or introducing papers.

4.3 The use of the phrase 'cabinet responsibility' would no longer be used in terms of Council behaviour. However, the President encouraged Council members to be supportive of decisions reached by Council and where this was not possible, to outline Council's reasons for taking a decision, whilst putting forward their own reasons against. The President said that generally it was not appropriate for a Council member to actively campaign against a decision made by Council, particularly one carried by a significant majority.

4.4 Where necessary, the President would ask Council to support the process taken to reach a decision (as well as the decision itself).

4.5 A column would be added to the minutes to use to indicate the person responsible for progressing an identified action.

- 4.6 There was mixed feedback on the appropriate length of minutes of Council meetings, with more in favour of the need to have fuller minutes to act as a 'corporate history' than just recording decisions. It was pointed out that it was good governance to record main issues and to demonstrate to IFoA members that Council had full discussion on a variety of topics (as the Council minutes were made available on the IFoA's website). The relevance and quality of the minutes were more important than their length. The Governance Secretary asked Council members to give feedback on the draft minutes when they were circulated in light of this discussion and to avoid taking up unnecessary time at future Council meetings.

#### **Action sheet**

- 4.7 Council noted the action sheet. The following issues were mentioned in discussion:
- In relation to the revised FAQ on the disciplinary scheme (Minute 13.6 from 19 May 2014), Council was advised that the revisions had been produced by the stated deadline in the minutes but that work was still ongoing with input from the two Council members awaited before this was discussed by the Disciplinary Board.
  - In relation to the request to sub-categorise international activities and the response not to take further action on this, this highlighted the need for clarity on whether suggestions made in discussion should be actioned with the necessary resource implications. It was hoped that using initials in the draft minutes for expected actions would address this.

#### **Future Council agenda items**

- 4.8 The President apologised that he had not yet fully focussed on this and a more detailed list would be prepared for the October meeting. In discussion, points made included:
- It was expected that the FAQ on international strategy would be circulated to Council well before the 9 October Council meeting.
  - Bilateral meetings were due to be held with many overseas organisations during the IAA meetings in September and these would include discussions on diversity. Feedback from those would come to the 9 October meeting.
  - There was a lack of strategic items on the agenda.
  - Communication and interaction with members would come back to Council (either October 2014 or February 2015) as it was a theme for one of the new Council taskforces. This would also address The Actuary magazine.
  - External speakers were planned for both October and February (with feedback from previous speakers being reviewed by the Executive and due to be presented to Council in October).

- 4.9 Council was asked to forward any suggestions for agenda items to the Governance Secretary in the first instance.

### **5. MUTUAL RECOGNITION AGREEMENT WITH THE INSTITUTE OF ACTUARIES OF AUSTRALIA**

- 5.1 Council was advised that a Mutual Recognition Agreement (MRA) with the Institute of Actuaries of Australia (AIAust) had been in existence for five years until its expiry in November 2011. Since then both the IFoA and AIAust have treated the MRA as if it were still in force. Going forward, there would be no expiry date written into MRAs but all would be subject to a formal review every three years.

- 5.2 In response to a query, General Counsel said he would confirm the CPD requirements for IFoA Fellows practising in Australia.
- 5.3 Council unanimously approved:
- a) The terms of the revised MRA with the Institute of Actuaries of Australia;
  - b) The recommendation that the President should sign the MRA at a meeting to be arranged in September 2014 as part of the IAA series of meetings.
- 5.4 There was a brief discussion on the value of MRAs as so few members took advantage of them. There was general support for the view that these had political and reputational value.
- 5.5 Council was advised that further work was being undertaken to try to establish how many IFoA members used MRA arrangements to join other actuarial associations. Council noted the data on members joining the IFoA under MRA arrangements from July 2011 to June 2014. It was proposed to investigate whether it would be feasible to draft rules that would allow individuals to join the IFoA under certain conditions akin to MRAs.

## **6. AWARDS COMMITTEE**

- 6.1 Council unanimously approved the recommendation to award a Peter Clark prize for Best Paper to the Extreme Events Working Party (Ralph Frankland, Seth Eshun, L. Hewitt, Parit Jakhria, Stuart Jarvis, Andrew Rowe, Andrew D. Smith, Alexander C. Sharp, James Sharpe and Timothy Wilkins) for their paper *Difficult Risks and Capital Models*.
- 6.2 Council noted the conflict of interest of Colin Wilson who was a co-author of one paper. Council unanimously approved the recommendation to award a Commended award to two papers:
- i. "On the effectiveness of Hedging Strategies for Variable Annuities" by Brian Woods FIA;
  - ii. "Pensions for Public Service Employees in the UK: Long-term financial management and reform of benefits" by William Rayner, Paul Butcher, Sophie Dennett, John Dignan, Alan Dorn, Stephen Humphrey, George Russell, Michael Scanlon, Susan Vivian and Colin Wilson.
- 6.3 After discussion, Council unanimously agreed that it did not wish to review the process for electing Honorary Fellows which had been agreed fairly recently. It was noted that, although a significant number of the current Honorary Fellows were no longer active, the new policy of putting forward candidates as Honorary Fellows focussed on those who were still active and were likely to continue to work with the IFoA. In this regard, Council members were encouraged to respond to requests from the Awards Committee to suggest suitable candidates as Honorary Fellows, particular any from diverse backgrounds. The Public Affairs team would also be involved in this process.

## **7. RESEARCH AND THOUGHT LEADERSHIP COMMITTEE (RTL)**

- 7.1 Alan Whalley, Chairman of Management Board, advised that Management Board had considered the draft terms of reference of the RTL and recommended their approval by Council. Council noted that the terms of reference were subject to amendment once the new lay chair of RTL had been appointed and to make them consistent with other groups' terms of reference as part of the ongoing Governance Manual review.
- 7.2 In response to a query, Council was advised that the Actuarial Research Centre (ARC) was overseen by the Scottish Board as it was funded partly from an endowment fund created as part of the merger.
- 7.3 Council unanimously approved the terms of reference of the RTL.

## **8. VACANCIES ON NOMINATIONS COMMITTEE AND AUDIT AND RISK COMMITTEE**

- 8.1 Subject to the inclusion of a reference to risk committee work and an explanation of the term 'Council Office Holder' in the Role Specification for a member of the Audit and Risk Committee, Council unanimously approved the following:
- a) Role Specification, application form and process of appointment for the two vacancies on the Nominations Committee;
  - b) Role Specification, application form and process of appointment for the one vacancy on the Audit and Risk Committee.
- 8.2 In terms of the existence of an observer member on the Audit and Risk Committee, Council was advised by a member of that Committee that this had provided useful input in meetings. Council was happy in principle to continue with this practice.

## **9. RISK MANAGEMENT FRAMEWORK**

### **Risk Appetite Statement**

- 9.1 Alan Whalley, Chairman of Management Board, explained that boards of many organisations struggled to find the appropriate wording for their risk appetite statements. The Audit and Risk Committee had expressed concern that the IFoA's current risk appetite statement was too operationally focussed and that its focus should be at a more strategic level. The proposed new risk appetite statement had been developed by Management Board with input from Iraj Amiri (Chair of Audit and Risk Committee) and Colin Wilson (representing the Risk Management Board).
- 9.2 Points raised in discussion included:
- The wording of the new statement was unclear to some Council members; however this was written using standard risk management terminology.
  - It would be helpful to have examples of each of the levels of risk tolerance (zero, limited and greater).
  - CMI is not mentioned despite the fact that its activities could potentially give rise to reputational risk; as a subsidiary undertaking of the IFoA, it is included within the scope of the IFoA risk framework.



- 9.3 Council was reminded that the risk appetite statement did not exist in isolation but was part of the risk management framework, with all the appropriate checks and balances.
- 9.4 Council unanimously approved the revised risk appetite statement on the basis that it would be reviewed as part of the annual review of risk management and in light of experience over the coming twelve months. Management Board was asked to evidence how the risk appetite statement had been taken into account when key decisions were taken over the coming twelve months.

### **Risk Management Framework**

- 9.5 Alan Whalley explained that the main driver for the new simplified quarterly reporting template was to facilitate a better discussion of the strategic risks (which was stifled by the current report layout). The revised format was still being worked on and Council was asked to support the direction of travel as well as provide feedback on the risks included in the new draft format. The new quarterly report would be discussed by Management Board and provided to the Audit and Risk Committee and to Council.
- 9.6 Audit and Risk Committee would be reminded that it could come to Council directly on any matter if it deemed such action appropriate.

### **Chief Risk Officer (CRO)**

- 9.7 The issue of there being a potential conflict of interest with the Chief Executive also acting as the Chief Risk Officer (CRO) of the IFoA was discussed. This was the status quo and there was no recommendation from Management Board to change this. Management Board had considered this sensitive issue in detail and concluded that, as the IFoA had effective checks and balances in place within its risk framework and the main risks were strategic rather than operational, there was no need for a separate full-time CRO. Council noted that the role of the CRO would also form part of the annual review of the risk management framework that Management Board would undertake.

## **10. CERTIFIED ACTUARIAL ANALYST**

- 10.1 Council noted the update report on the CAA project and was advised that discussions were ongoing on this subject with other actuarial associations.

## **11. DEATHS OF MEMBERS**

- 11.1 The President paid tribute to Geoffrey Heywood, a former President of the Institute of Actuaries. Council also noted with regret the deaths of Brian Wilfred Tanser Dawson, Pyarally Ahmedally Dossal, William Graham Christie Sharp and Deryl Patrick Tandy.

## **12. GEOPOLITICAL MATTERS**

- 12.1 The Director of Public Affairs offered to arrange a meeting for interested parties to discuss geopolitical matters.

**13. NEXT COUNCIL MEETINGS**

- 13.1 Council noted that the next meeting of Council would be held on 9 October 2014 at Staple Inn, London. The subsequent meetings would be held on 5 February 2015 in Edinburgh and on 20 May 2015 in London.

The meeting ended at 4.15 pm.