



Actuarial Monitoring Scheme Consultation Meeting

Royal College of Physicians, Edinburgh

17:30-19:00, 26 July 2018

The Chair, (Desmond Hudson, Chair of the IFoA Regulation Board): Well, good afternoon everybody. I think we've gone 5:30, so we ought to make a prompt start. There's John, right. My name is Des Hudson. I have the privilege of being Chair of the [IFoA] Regulation Board, and I'm going to Chair tonight's event. I'm joined on the panel here by my colleague, Jane Curtis, who I suspect will need no introduction, a former past president of the Institute [IFoA]. My colleagues, Ben Kemp and Emma Gilpin, are both from the Directorate serving the Regulation Board, and Ben, of course, is our General Counsel. What we're going to do is provide two relatively sharp presentations: a summary overview to explain the rationale behind the proposition; and, we'll then try and take a practitioner viewpoint to give some indications of the consideration we've made around issues of practicality and proportionality. And then we're going to try and reserve the majority of the time for comments/questions and what I hope will be a free-flowing discussion.

Before we get into that, there are some house-keeping details that I need to mention to you. First of all, can I ask that you turn your telephones to silent, because we are going to be recording the event tonight for the purposes of transcribing. We're not planning to post the recording on our website or anything like that, and we'll be destroying the recording in our course, once the transcript has been prepared. But if you have some concerns or hesitation about that, then you need to speak to one of us afterwards, but as I say, our, our intention is to record simply for the purpose of making our transcription and our notes. The second point I want to mention is that if you're going to be claiming CPD [Continuing Professional Development] for tonight's event then it's your responsibility to make sure that you make the necessary entry into your own online record. If you've registered and collected a badge then we will have captured you in our audit tracking system. If you've not got a badge then you need to make sure that you have, as it were, manually, registered, and you can do that afterwards if you haven't done so already.

The final, two points are, are these, that: because we're making this recording it would be useful if before you make your points you wait for the microphone to arrive and when you have the microphone speak into it. Now, you may well think that's a statement of the obvious, but believe me, last night having got a guffaw for making that comment to Staple Inn attendees we had a very large number of people who didn't then speak into the microphone. So, it will help everybody, but particularly people on the panel to hear your question, if you make sure that you do speak into the microphone. The final, final point then is this: there is no fire alarm practice planned for the remainder of our session, and therefore if we hear the fire alarm we'll need to use the exits to make a speedy exit. Obviously, IFoA staff, as well as staff from the [Royal College of] Physicians, will be on hand to help in that regard. So, on that basis, let's get down to the substantive matters, and I think I'm right in saying, Emma, that you're going to start with a presentation which is the overview of the proposition, the structure/the ideas behind it. So, over to you.

Emma Gilpin (IFoA Head of Regulatory Policy): Welcome everyone. I am Emma Gilpin. I'm Head of Regulatory Policy at the IFoA, and I am going to just, quite briefly, introduce the proposals, to give a bit of context and background to what we're proposing. Then I'm going to hand over to Jane who's going to give a bit more of a practitioner perspective, and a perspective from one of our Project Board members. I suppose, in terms of context and background, we are, I think, as you'll know, a Royal Charter body, which means that we have this Royal Charter objective to regulate the actuarial profession in the public interest.

So, we're a self-regulating professional body that regulates our Members and we do that by requiring our Members to uphold and demonstrate high standards of technical competence and ethical behaviour. It's really with that Royal Charter objective in mind that we need to think about these proposals and what we are proposing is, essentially, an enhanced system to gather information about the work that's been carried out by IFoA Members. So, it's a monitoring system, but it's really about trying to enhance the quality and amount of information that we have about the work that our Members are doing and that's really to try and provide evidence of the quality of actuarial work. We currently set lots of standards. We have guidance to support them. We have a disciplinary scheme if it all goes wrong, and there's an issue, a misconduct issue, but we don't really have anything in between that, so at the moment, we don't really have any activity around getting information about the work that our Members are doing. We rely upon waiting for an issue to pop up through our disciplinary scheme, so it's really trying to find a way to get more information about what our Members are doing and to have evidence that they are producing high-quality work. We believe that they are, but we just need to have some evidence to support that. It's also really about promoting best practice as well, so what we're hoping is that the outputs of the proposed monitoring system will produce information that we can share across the profession so that we can promote good practice more widely. And we're hoping that this monitoring will also allow us to develop and adapt our training, our education, our standards and our guidance: essentially, just make overall regulatory framework a lot more effective. So, we can take lots of learning from that monitoring to make sure we're providing the best, most effective, service to you all. Currently, we don't have any monitoring activity of Members outside the disciplinary scheme, and that is this gap that we're trying to address.

I think it's worth saying that these proposals are not in response to any identified issues with the quality of actuarial work. This is not arising out of particular concerns. It's this gap in our regulatory framework, so at the moment, we don't know/we can't see that there's not a problem, because we don't do any activity of that sort. I think it's also fair to say that, there is growing public scrutiny of the industries in which our Members operate, and I think that it's a reflection of that growing public scrutiny that we feel that it's important to be seen to be doing what we can. If there's something we can be doing to improve the information we have about the quality of work and find issues before they become problematic, then we should explore those avenues.

So, the proposed approach: for those of you that have had a chance to look through the consultation document, you'll see that there's essentially three types of monitoring that we propose, and they're risk-based. So, starting at the one named 'Category A' monitoring, which is (arguably the most intrusive) Direct Review of actuarial work on a regular basis. So, this regular programme every few years, that would be a 'monitoring visit' type of monitoring, and that type of review, we propose, would relate to the work of Practising Certificate [PC] holders. It would be targeted at Practising Certificate holders and looking at the work relating to that PC role, and I'll come on and to talk about that a bit more in a moment. The next Category down is 'Thematic Reviews' of actuarial work. We propose a regular programme of Thematic Reviews that would apply to any work, potentially including the work of PC holders, but a much broader scope is potentially covered by it. And, then we have Category C, which is more just, really, enhanced general information gathering activity, so the use of things like surveys/questionnaires, things like that, to try and get more information. Again, any work or activity could potentially be covered by that.

In terms of Category A, we have focussed on Practising Certificate holders and the rationale behind that is that is recognising that these are particular roles which have been identified by legislation or regulation, in some ways, as having some sort of public interest significance. They've been recognised in some ways as being particularly important roles where there's a requirement to have some more scrutiny around them, and that's the reason why we propose that the Direct Review relates to those particular roles. And, what we've said in relation to this Category A monitoring is that we want it to be proportionate. What we want to do is to make sure that we take into account other monitoring activities, or other relevant information that we have, when we're deciding how we target this type of monitoring, so, for example, what we've said is that in relation to the frequency or the type, potentially, of review that's applied, is that that'll take into account things like whether the particular PC holder is employed by a QAS accredited organisation, as recognising that we have more information about those organisations is relevant to the whole risk picture around that particular PC holder. We also propose that we could take into account things like internal audit processes that apply within a particular organisation, or any other type of regulatory monitoring that goes on. So, it's this risk approach to how we allocate the, or prioritise, the monitoring that goes on.

In terms of Category B, 'Thematic Reviews type' monitoring, again, the idea behind this is that we would identify particular themes that we would go out and do a particular review about, and that could be informed by all kinds of sources. It could be informed from information from other regulators. It may be just particular topics that we're aware of, where we think it would be useful to do a bit of monitoring. They'll be by agreement with individuals and their employers, and there's a lot more flexibility about the way in which we could carry out those types of review, but the idea is that we'll do these kind of programmes of Thematic Reviews each year, as well. And then, there's this third Category, which is really a much broader type of information gathering, which would be things like questionnaires and surveys, as I mentioned. We may have some scheduled, we may introduce some sort of scheduled, improved information gathering of this nature, but also, we might have *ad hoc* ones too and they're likely to be thematic.

So, I know that you're sitting there going "okay, right, this sounds like there's a lot of work involved here," but there are benefits. There are real benefits we see to this that you will be able to take away from this monitoring system. We think that it should allow us to improve the effectiveness of actuarial regulation, so it should allow us to enhance the relevance of the standards and guidance that we impose. It should be able to let us reflect that in the educational material we put out there. It should allow us to tailor things like CPD events too, so that you're getting the right sort of events that you need. It should just, generally, make us a little bit more effective as a regulator, because we will have that insight into how our standards and guidance are applying in practice. So, that's, that's one of the benefits, one of the big benefits we hope come, will come out of this enhanced monitoring. We hope also that this will reinforce the public reputation of actuaries, of the actuarial profession, that, this will reinforce what you're getting if you have an IFoA Member, so for users, and the public in general, this should enhance, generally, the perception of IFoA Members, knowing that they are subject to this sort of monitoring. And, we also hope that it will enhance the credibility of the Practising Certificate Scheme, so, if you've got a Practising Certificate, again, it's got this robust monitoring framework behind it.

We really do want this to be something which is designed for the profession by the profession, so we're putting something out there, answering the challenge of this gap in information, this need to do a bit more to find information about the work that our Members are doing, but we want it to work, as far as it can, in a way that is as practical and as effective as possible, and that's really the reason why we're very keen to get thoughts and views and suggestions about what we propose. So, we really want this to be shaped by the profession, if this is something that we're doing. I think as well, there will be individual benefits, I think, particularly for Practising Certificate holders. For Category A monitoring, for example, the idea is that there'll be individual feedback, so you will get Best Practice Recommendations if you're subject to a review, which should help you do your job, as well. And also, more widely that, we should be able to share some of that information with the wider profession. That should, again, hopefully, be a way for continuous improvement for everyone.

There will be an impact. I think that's fair to say. I think probably, the most significant impact will be time. Obviously, if we are going to do on-site monitoring visits then people are going to have to give up time to help us with that. We will try and minimise that as far as possible, by taking this risk-based approach to frequency that I described, and taking into account other types of monitoring that are going on: things like trying to build it into QAS visits. If an organisation has got a QAS accreditation, things like that.

In terms of cost, the proposal is that it will be funded from existing revenue streams and the Financial Reporting Council [FRC] have also publicly committed to supporting a monitoring system partly as well, so they will provide some of that funding, and with that, I'm going to hand over to Jane.

The Chair: What I'm going to do colleagues is take questions when both of the presentations have been completed, so Jane, I think, over to you.

Jane Curtis (Member of the Actuarial Monitoring Scheme Project Board): Thanks very much Des. Hi. Good evening, everyone. Well this is very much a personal view based on my involvement as a frontline practitioner in the pensions field, and, for the avoidance of doubt, I do fall into Category A. So, some of us, and that would actually be all of us on the panel tonight, have been working on this project for three years, and sometimes it's felt like a lot longer than that, and at times it has been very challenging.

We've endeavoured to gather ideas/opinions/feedback from a broad range of stakeholders, not all of whom, it has to be said, have been supportive or wanted to engage with us on this issue, which is not very helpful when we're trying to come up with some practical proposals that are effective and proportionate. Now, some of the stakeholders that we have engaged with include, well, there's been the Project Board, which is comprised all of us on the panel tonight [as well as others], but we've been working on it for two years, to get to the proposals to something that we can work with, and then we added practitioners to the Project Board to start to probe and challenge us. A number of us have also met with a number of the IFoA Boards as well, some of whom have been quite challenging and pretty feisty in their comments and feedback, and [the IFoA] Council has obviously also been consulted. There have been some focus group discussions as well, with Members across practices, to, particularly, get frontline practitioners to see what they felt about it, and we've had countless discussions with regulators, so the FRC, the FCA [Financial Conduct Authority], the PRA [Prudential Regulation Authority], The Pensions Regulator [TPR], and Lloyd's [Lloyd's of London].

Now, actually, the interactions with the regulators have actually been quite interesting, because I'm sure some of you, and some of the challenges that we've had, are thinking "well, aren't we already super regulated" and, particularly, some of our insurance colleagues "aren't the PRA all over us, and couldn't they just do a bit more and pick up some of this," you know, and just do a little bit more to complement the supervisory work they're already doing. So, for example, The Pensions Regulator: it's got information on thousands of pension schemes. Surely, it could look at the quality of the actuarial valuation report, and the advice that went around it for just a little bit more effort – similarly the PRA has thousands of interactions with the major (Category one) insurers. Again, couldn't they be looking at the quality of the actuarial work? And then, again, those who are providing actuarial support to the auditive insurers, again, could they not step up to the mark and do a little bit more? It's interesting, because most of those regulators say they do not assess the quality of actuarial work, and, in fact, are reluctant, or don't want, to operate outside their regulatory remit, so we weren't really getting much help from them to, to help us with this.

Now, just a bit of interesting evidence that we gathered in terms of our interactions with the regulators, was some evidence in relation to Lloyd's, which really supported the direction of travel. In 2005 they started doing a very full review of the statements of actuarial opinion. I think there's about 100 of those for the Lloyd's Syndicates and they were subject to quite a detailed review, and they scored each of the reports that they were seeing against the Technical Actuarial Standards [TAS] and gave them each a score. As you'll see from the first part of the chart there, over the period under which they were doing a full review the scores all increased. When they stopped doing the full review and moved to a light touch review, it was interesting where the scores flattened off, and now they've got a hybrid approach and it's kept the scores up. Now, when they first started that work the authors of the reports were extremely sceptical about the benefits of what was going on here, but in fact, actually, over time they came to really appreciate the feedback they got on those reports. And, as you can see, their whole approach was all around raising standards, and they felt that that process did that, so we felt that was a good bit of evidence to support the direction of travel we were taking.

Now, as a practitioner, you're probably asking yourself "should I feel concerned about these proposals," you know, "should I be worried," you know, "have I got anything to hide," "have I got the time to spend doing this," "is it just going to increase the regulatory burden," "is it going to create confidentiality problems for my clients," "how am I going to explain this to the firm," you know, "do you think it actually makes sense". I would hope that none of us has got anything to hide. We're in a profession with high integrity, so I would hope that we all want to do the right thing. Have you got the time? I think many of us undergo really quite extensive peer review of a lot of the work that we do. That's internally both at the time we're doing the work and potentially with (inaudible) reviews subsequently as well. So, in fact, actually, I would welcome an external perspective rather than just having internal colleagues looking at my work. I think that could be quite useful and beneficial. I think we do appreciate, and you will see from the consultation document that we do appreciate, that there might be some confidentiality problems, but the other regulator is getting reams and reams and reams of information, and they've overcome those confidentiality problems. So, yes, it's an issue, but I'm sure we can address it, and that it shouldn't be a problem. I would hope that our employers and people we work for would actually embrace something like this, and again, (provided that we can get over the confidentiality issue) embrace it as well.

What we have come up with, in my view, does look proportionate, does look practical, and does make sense, in what we're trying to achieve. So, some stats for you in terms of "is it proportionate". Category A, in fact, will directly impact UK Practising Certificate holders only, and in fact, only 7% of UK Members are Practising Certificate holders, so it's not going to impact a huge number of our Members. 70% of the IFoA Practising Certificates are Scheme Actuary Practising Certificate holders, and the interesting thing to note there is that nearly 80% of Scheme Actuary holders are actually employed by QAS accredited organisations, and we're hoping that, of course, the QAS accredited organisations have a more streamlined approach for those people, so it shouldn't be quite so onerous. So, you'll see it does actually capture most of them, and then the remaining 30% are the insurance Practising Certificates. And of course, most of them will already be subject to a high degree of scrutiny from the PRA, the FCA, and/or Lloyd's as well. So, they should be well used to this and shouldn't want to fear what's going on.

Now, I think it does make sense for Category A to have the Direct Review. We're going to make it mandatory for all Practising Certificate holders because the majority of the public interest issues are covered by Practising Certificate roles. The review, would comprise the Review Visit, from the team, hopefully on-site, and will comprise an interview between the Practising Certificate holder and the Review Team, and they would be looking at key pieces of actuarial work. Now, this evening, we're focussing a bit more on pensions, so you know, that work is likely to comprise looking at the actuarial evaluation, maybe advice around, the actuarial factors and so forth. It will be the big ticket items, and the review will be focussed on the requirements of the Technical Actuarial Standards and the other professional standards as well. It's not going to be a second opinion on the results, you know, it's not trying to second guess the judgement, or why you arrived at it. It's all about the process that you've used.

Now, I'm sure a lot of people are thinking, well, "have we gone too far in suggesting a Direct Review of all the Practising Certificate holders, could we not narrow it down". Equally, I think we should be asking ourselves "have we gone far enough" you know "are there other pieces of work which would merit a Direct Review". And, we certainly got some comments on that last night at Staple Inn, so we do need to ask ourselves, have we got the balance right? So, how often will the reviews be for Category A Members? We don't think it has to be every year. We think the duration and the frequency will depend on a number of criteria. It could be the type of the Practising Certificate holder/the number of appointments they hold. It could relate to the profile of the particular appointment, and some of our Members might find that hugely beneficial and supportive if it's for a particularly high-profile one. It might depend on whether the firm is QAS accredited, the extent to which there's internal/external audit already, and perhaps if there have been previous findings, that might increase the frequency with which that review is carried out.

Now, we've put some illustrations in the consultation document for the frequency of reviews, but we're going to be very interested in feedback and suggestions in relation to that particular issue. We didn't think it was appropriate, at this stage, to dot every 'I' and cross every 'T,' pending that feedback. Just turning briefly to the wider Thematic Reviews: I think these also make sense for us. Well, we'd be very interested in your questions and feedback when we get to that part of the this evening, you know, just to see, what you would select as Thematic Reviews today. I think there's a number for which I would be quite interested to know what's going on out there, such as, for example, the terms on which pensions exchange for cash, tax-free cash, at retirement. The processes for determining the advice on setting, perhaps, longevity assumptions, a particular hot topic at the moment, particularly in the pension's field, but obviously, Life actuaries, as well, will be very interested in that. GI [General Insurance] pricing and reserving, another hot issue, and, as I said last night when we were meeting in Staple Inn, actuarial advice, perhaps, on the impact of climate change - you know - very interesting to get views and things on that, and we'll be using a wide variety of sources for themes, but you know, we'd be interested in what the Membership thought we should be looking at too. And, we hope that could lead to more education, some guidance perhaps, new opportunities for us all and hopefully better outcomes for our Members, pensions schemes, and indeed the users of our services.

Now, what are we going to get from this as practitioners? Well, a summary of the findings, any Best Practice Recommendations as well. The Regulation Board will look at the emerging themes or issues and there will be some high level anonymised reports as well. The key point about all of this is we need to get some value for all this effort and work that we're putting in.

Now, a plea, really, to all of you sitting here tonight, and we do thank you for turning up tonight, we do

recognise, although we've been working on this for quite a long time now, we do recognise that there will be/may be alternative approaches. We really, really do want to hear your ideas and suggestions. This is not a done deal by any means, and we tried to make that clear in the consultation. It's your chance to make a real difference and to shape, really shape, what this looks like, but please, if you can be constructive. Don't just say "I don't like that," you know, "don't do it" please. "I don't like that, but have you thought about this? Here's an alternative," is what we really want to hear from you. The consultation itself is open until 28th September. There are various ways in which you can respond, either online at the address up there, or you can try ordinary email or post as well. We just want to hear from you. We would really quite like it electronically, because that will make it a lot easier to collate and analyse if we could, but really, if you want to just put in pen a few remarks and pop it in the post, that, equally, will be well received. Now, the anticipated timeline that we're trying to work to is that it will - we're hoping - that it will actually take us quite a long time to collect and analyse the feedback, because we'll get lots of it, and that will take place over quarter four this year. Hopefully, we'll be in a position to finalise proposals in the early part of 2019 with implementation following towards the end of quarter two and the rest of the year. And, at this stage, I think, we are proposing a phased implementation as probably the most practical way in which to proceed, but again, we're open to ideas and suggestions as to how we might do that. Thank you very much for listening and I'm happy for questions now.

The Chair: Jane, thank you for that. Right, I hope you've all got your various questions and points ready. Let me just reiterate, if I may, the points that Jane was making at the end there. This is a substantial proposition. It has significant implications and in the challenges of implementation, of ensuring proportionality, and some of the practical aspects of this are significant, and not something that we want to underestimate. And again, as Jane was saying, that you may have alternatives. You may have, serious challenges to this, and we are very anxious indeed to inform our thinking in the next phase, in terms of what we do and what we don't do, with the benefit of your thoughts and views. So, who'd like to start off the proceedings with the first point? Just wait for one second, the microphone is on its way to you, and if you'd like to give us your name and if you choose to, the organisation from which you're from.

Mike Dick: Sure, thanks very much, Des my name is Mike Dick. I work for Royal London Consulting Actuaries. First of all, I'm very surprised and disappointed by the low turnout tonight. This is important stuff and I wouldn't like to think it's because people think it is a done deal, and it's just going to happen anyway, but it is disappointing. So, one or two comments - I speak as a Scheme Actuary, which probably covers a lot of people in this room, belonging to what, I believe, is currently the most heavily regulated sub-section of the profession.

My first reaction to the proposal was to ask, to what question is this the answer? It's argued that because the current actuary regulatory framework does not include a formal system of direct independent review of actuarial work, then there is a gap which needs to be filled. I'm not aware of significant evidence that, for example, Scheme Actuaries are not doing their job adequately or properly. Indeed, in paragraph 1.13 of the consultation stated that the proposals are not being made in response to any identified issues with the quality of actuary work. So, the existing standards, all present here will be aware of the TASs endorsed by the FRC, which have been through a review process to improve them, and I believe they have been improved. The TASs require us to cover all aspects of relevant advice, including the sensitivity and risk, in a style suited to the client, whilst majoring on the important issues, and not over-emphasising matters of less materiality: exactly the way that advice should be presented and good common sense. There is also the quality review process to ensure these principles are adhered to, and I don't know about others, but where I work, that's quite a competitive environment, and we like to get, therefore, get it right, and we make sure that if we've missed something, it's picked. So, I'm not clear of why this sensible framework is now deemed to be somehow inadequate.

So, I can turn to risks. So, if I were advising a client on the adoption of a particular strategy, I'd wish to highlight the risks. I'm having difficulty in identifying risks for not adopting the proposal to monitor actuarial work. However, I foresee the potential for significant risks for the profession, from going ahead with this proposal. So, the independent monitor, also an actuary, will form a view on the piece of actuarial work being monitored. It would be reasonable that he/she will have suggestions about how matters might have been expressed alternatively in the advice. Usually, matters like this are highlighted in the quality review process. However, it's not beyond the bounds of possibility that the monitor may disagree with some of the advice provided by the actuary whose work is under scrutiny. Both stances could validly be held by

two competent actuaries. I understand that the monitor will be peer-reviewed, but it's worth considering where this might leave the profession. I believe there's a serious risk that this valid difference of opinion may find its way into the public arena, where a journalist may make hay and point out that the actuarial profession is in disarray, because Members cannot agree amongst themselves. In a comment made by the FRC Chief Executive, Stephen Haddrill, he states that evidence of good quality will engender public trust of the actuarial profession. I'm concerned that the risks this proposal presents to the profession, I see at as potentially divisive, and bearing in mind that this proposal has been made against the backdrop of no identified issues, it has the potential to cause serious reputational damage. Why should the profession take this risk?

The Chair: Mike, thank you for that. I guess there are two **limbs**. I was going to turn to you, Ben, if I may, if, if I can summarise my-, if I go wrong here, I guess, the first limb of Mike's point is, 'Here's an answer in search of a question. What on earth is the question?' and then this, this problem that there are risks of going ahead, that we have reviewers substituting their views as to, as against the views of the person they're reviewing. That generates, division. That division gets into the public domain. Actuary squabbling is a negative. Ben?

Ben Kemp (IFoA Director and General Counsel): Thank you, Des. Thank you, Mike, for those very, very thoughtful considered remarks. Let me have a go at those.

As to the question we are trying to address, actually, I think, if I may, I think you put your finger on it in one or two of the things that you said. You're right that we have a number of standards, and the FRC has its TASs to which you refer. You're right, also, we don't have evidence of any lack of compliance with those standards, nor do we have any actual evidence of compliance with those standards. The issue that this proposal is seeking to address is that we actually don't have information about the extent to which the standards are being complied with at all. What we have is some anecdotal information. We have reason for confidence in the qualifications and the character of our Members. We get relatively few disciplinary scheme complaints, but we don't think it's enough, actually, to rely on a system which relies on things being reported under the disciplinary scheme, when things go really wrong, to find out that something has gone really wrong. What we're trying to do is devise a mechanism, which is sensible/which is pragmatic. That's what we're trying to achieve, to give us more information before things go wrong, to allow us to assess whether things have the potential to go wrong, to provide feedback individually and collectively to the profession to pre-empt the things that might go wrong, and ultimately damage the reputation of the profession, and at the same time benefit individuals, but to do that, the things we're trying to pull off here, is to be able to do that in a way which is sensible and not overly burdensome. That's my attempt at a response to point one.

As to point two, if I may, I actually don't think...you're right, also, that there is of course, within many professional sectors, there is scope for a range of professional opinion. I don't think that the existence of a range of differing, and a range of different opinions necessarily leads to disrepute. The public understands that from doctors, and lawyers, and an actuary is the same. Equally, I do, however, think you put your finger on an important point that a lot in these proposals will depend on the way in which our monitoring team goes about that monitoring exercise, and the credentials and the credibility of that monitoring team will be critical. And, I agree with you, Mike, in that the onus will be on us to ensure that they are appropriately experienced and trained, and that they are not coming in, as Jane alluded to, and simply trying to usurp one judgement call with a different judgement call. What they are doing is looking more holistically at the quality of the way in which advice is being given and the extent to which it is complying with standards, and to offer constructive and useful feedback on the back of that. Not to say, "you've got your advice wrong/I would have said this . . .". So, those are my attempts. Jane may wish to . . .

The Chair: Yes. I think you wanted to comment as well.

Jane Curtis: Just a couple of comments, Mike, if I may: so, it may interest you to know the first two years of this project I was constantly asking the question "what problem are we trying to fix". So, I became much like a broken record, as you can imagine. Did you say you think pensions actuaries are the most highly regulated part of the profession? Did you say that? Because I'm not sure I would agree with that. Being a pensions actuary myself, but I'm also a NED on the insurance board, a Category 1 insurance board, and I

have to say, I think the way in which the PRA and the FCA are crawling all over them is unbelievable, is incredibly intrusive. So, I was actually thinking, I was jolly lucky being a pensions actuary, so I'm not sure that's - you know- I think given what they have I'm not really seeing that.

Someone made a contribution last night, around: could we anonymise in some way the piece of work, or, indeed, the individual or the firm? Because, somebody did make the comment that you might have a bias or a prejudice against a particular view taken, say, by a particular firm or indeed an individual. Could, if we anonymised it in some way, feed back to the person in due course, but with the Review Team might not necessarily knowing who'd done the work. Maybe that would actually help. So, that was just an interesting suggestion that we took away from last night, and again, I would reiterate what Ben said and I tried to say earlier as well, this isn't about substituting a view for the judgement that the person has made, but the process by which they have arrived at that.

The Chair: Mike, do you want to come back?

Mike Dick: I'll let others have a go (inaudible).

The Chair: Okay.

Mike Dick: Who wants to go next?

Iain McLellan: Hi guys. It's Iain McLellan. I'm a Category A Scheme Actuary holder at KPMG. I am probably actually quite supportive of the general thrust of the proposals. I think it makes sense. I don't think they measure quality, because people go to CPD events. I think that's not the standard I would expect of other professions, in terms of assessing the quality and, at the moment, obviously, we tend to have most of that quality-checking being done internally. So, the people you work with, your peers in the organisation, which, I think, if we have risks of groupthink, *etc.* it tends to come through that, and the direction of travel here in terms of trying to provide some comfort and, I think this is more risk management by the profession rather than anything else, in terms of rather to you (inaudible) ask my question.

I've got questions, or some of it is more suggestions, and some of it's just questions. I'm happy to list them and take them in any order you like. Apologies if there's a few.

For me, I think the challenge here is not - especially on the Category...a lot of the Category A stuff - most firms - if it's a Practising Certificate work - it's very rarely written from scratch in terms of - firms have got their own internal standards *etc.* - you know - you go and speak to any firm. Yes, you'll see a big difference, I suspect, from a valuation report from one firm to another/from three actuaries in a firm. I'd be very surprised if there's - it'll reflect the specifics of the circumstance *etc.*, but I'll be amazed if there's a huge variation, because everyone's trying to be as efficient as possible, and peer review standards *etc.* It does tend to drive - and obviously some firms have very strict professional standards *etc.*, as well, which people aren't able - well, only very exceptional circumstances can go without. So, I wonder more if it's actually - some of the stuff could be done at a firm level rather than at an individual Practising Certificate holder.

Also, I think in terms of, for me, the quality here in terms of the question being asked is actually, for me, the actuarial stuff is very dangerous to think compliance means putting lots of caveats and writing ten pages on potential risks. For me, it's: does my client understand the risks? And, I think that's, for me, the high-quality work is work that my client, the trustees, the company, whoever it is, understands, and it's not to say just because I've put another four pages in I'm more TAS compliant than some other report. It's: do they get it? And I think, actually - so maybe it's some survey of actual trustees or sponsors, who's actually used the output, in terms of they "can describe the key risks," then I think we've done our job. And, whether that's through meetings or presentations, or not just sticking up dry written stuff we do, because a lot of this stuff, in terms of, particularly the Practising Certificate work, comes after the event. You complete your final valuation report after the negotiation is done practically, in most cases, although along the way you have covered all the various components, and that's generally when it's then resolved. So, I think actually, I'd be focussing more on output/users of it, not just the actual delivery. And to the doctor analogy "did the patient live or die from the back of the operation," in terms of how they are judged.

Some questions, I suppose, just in a random order: I wasn't too sure in terms of who makes up the Review Team? I'm assuming this will be - in order to get consistency in there - it will be an independent IFoA group, not people from other firms. I suspect there's an element there as well of IP [Intellectual Property] risks. If someone's devised some amazing way of describing climate risk, and spent a fortune on that, I think there's always a challenge here between what's good quality, but what is, actually, someone investing prudently and wisely and then suddenly having it told to everyone else. It is a real challenge, obviously, I think, with any kind of professional view on this, versus the commercial aspect.

I was wondering in terms of - will it just cover Practising Certificate work? Will it just cover the work they are doing on a valuation report or a factor review, or will it cover non-standard stuff as well, in terms of the work that's getting covered?

I was also - in terms of then - how does that feedback get delivered from that Review Team, in terms of that challenge? And, I think the anonymisation piece, I think, would work well and, I think, if you took it at a firm level in terms of their baseline reports *etc.*, it might be another way to try and avoid that personalisation of it, because, I suspect, ultimately, at some point here, if a Review Team feel that you're not compliant with TAS you will, I suspect - they'll have a remit to raise that concern somewhere, which again, obviously, naturally, anyone being reviewed would find there's the prospect of further sanction - does get quite defensive. And I was just wondering in terms of any impact this may have on the Practising Certificate Scheme itself, in terms of for those of us who have to complete our application forms, is the expectation that, to extend some of this regulatory burden will be offset, and a more streamlined process at, you know annual renewal. That's the last question, sorry.

The Chair: Okay, let's try and unpack that. What I'm going to suggest, Iain, is: let's, if I may, start with your last three questions, because I think we can then come back to some of the most philosophical points you were making, if I can call them that, at the beginning. Emma, can you start then on this questions of: how are we going to make up the IFoA team to do this; whether it is covering PC work only; and if we identify compliance with TAS, the further sanctions, implications for the PC regime itself.

Emma Gilpin: I can have a go. Yes. Thanks for the comments and the questions, all good ones. In terms of the Review Team we're very conscious of this idea that it would be a big conflict if we were getting people from various firms to come and do that, so what we proposed is, actually, to set up an IFoA unit, so it would be people employed by, or contracted to, the IFoA that are actually doing that, senior actuaries. I think we have to think about how we balance the level of experience across that team, so it may be that you have some very senior people supported by more junior actuaries to help them in their review work, but the idea is they will be IFoA employees: not just contracting services from firms.

In terms of the work that we're proposing to look at - and I suppose I would just say that obviously these are illustrations and proposals and if people have other views, please do provide those - in terms of the work for Category A, the proposal is that it will relate to their PC work only, so it's only PC work that's covered by that, because in terms of the rationale for focussing on PC holders it's about that PC work that has that public interest relevance. So, that's what that would focus on. I think though that we're open-minded about what that would cover, so I think it wouldn't necessarily just be "we've got a list of documents that we want to review and that's it". I think that the idea is that we want to be looking at the - it doesn't really make sense just for us to be sent a valuation report, and we look at that, and that's the end of it: paper-based exercise. We want to be able to probe at that a bit more and maybe ask for other information too, so I think that it's not just going to be "here's a list of things and send them to us". I think it's likely to be a bit more of a conversation/probing and maybe asking for more follow-up information, but all within the context of PC work.

In terms of the impact on the PC Scheme, what we've said in the proposal paper is that, obviously, we are going to have information about PC holders and the work that they're doing in relation to their PC role. I think that if there were issues that were relevant for the decisions about Practising Certificates, we have tried to come up with feedback loops to Practising Certificates decision making. I think that the outcome of reviews may be available to the Practising Certificates decision makers at the time you renew your application, but we have to think about how we do that sensibly, because apart from anything else, if there aren't issues that are relevant to that decision making then we're not just going to pass lots and lots of

information to the PC decision-making review process, but we are trying to make sure that we loop that all in, because we will have information about the work that PC holders are doing and if there are practical ways that we can make it easier for our Practising Certificate decision making process, using this, then that's another thing we want to look at as well.

The Chair: I was then going to circle back to your opening comments, Iain, if I may, and Ben, I was going to turn to you first of all, in terms of this point, that is being made. Well, perhaps it might be better if we were looking at something, by way of an assessment, that's at firm level rather than the individual PC holders, individual actuary Members within that firm?

Ben Kemp: Thank you, Des, and thanks, Iain, for the questions and the comments. I think that's a really interesting question. You can look at it from the point of view of the different categories of monitoring we're proposing, and I think firms could have a really important role to play in helping to make the monitoring proposals work well and efficiently.

If you look at Category B, Thematic Reviews, the opportunity to engage with firms directly and say "will you help and support a Thematic Reviews and contribute input and intelligence in relation to, in support of, that review," seems to be an obvious thing to do, and hopefully people will, and firms will, see the value in that in terms of the outputs of the Thematic Reviews.

In terms of Category A, the more direct monitoring, clearly we have - and these are just my initial reflections - clearly we have the formal relationship with Members as individuals, where also, part of this is to try to give - and also the individual accountability in terms of the Practising Certificate role - individual feedback. With that said, I can see the power of the point that you make and the potential to be able to do this a little bit more systemically at a firm level that would, at least to make that a part of this, and I think we have the option to do that, actually, through the QAS. Bearing in mind that a very large percentage of Scheme Actuary Practice Certificate holders are now within a QAS entity. What we've said in the proposal is, if you're in a QAS entity, we think we can do this slightly differently. We're still going to look at individual work. We're still going to want to talk to individuals, but we can look at the - we'll have a better understanding of how that organisation, or that part of that organisation, works systemically. We can engage with the QAS process/with the organisation, and we've said, as a proposal that perhaps we can then take a sample of PC work/PC holders work and perhaps we don't have to do it quite as frequently, because we've got a better understanding of how that organisation works. And there is a power, I think, to - and this is really going to the QAS - to really trying to- we take some considerable comfort and reassurance from understanding how QAS entities work and their commitment to professional standards. So, I think - a little bit of a candid way of saying - I think there's something in that if we can blend the two. Yes.

The Chair: But, I guess, I'm right in saying the key to being able to do that is the status of the firm posing the question, being a QAS accredited firm. If the firm is not QAS accredited, then I'm guessing that we would have - we'd be forced to, as it were, look at an assessment process on the individual actuaries within that firm.

Ben Kemp: That's right, Des. Bearing in mind the point that a lot of Scheme Actuaries are within the QAS: yes.

The Chair: Yes, and Jane, if I may, I was going to ask you to comment on the second overarching comment that Iain opened with: this point about "high-quality work is work that's understood by the user" my paraphrase.

Jane Curtis: Yes. I'll talk from the pensions perspective, because that's where I see it most and, I think realistically a huge number of trustees are not in a position, really, to understand whether they're getting good-quality work or not. Interestingly, I was having a conversation with one very close friend, who happens to be an actuary at The Pensions Regulator at the moment, and he said to me that, the quality of work varies enormously. So, those of us who are employed by the big firms don't actually, perhaps, see that end of the spectrum but it's hugely variable. And, what I've noticed from my own business is that the regulator now has some of the - what we perhaps colloquially might refer to as some - basket cases and has put some independent trustees on those schemes, who have gone "huh" at what they have seen and

immediately put out the advisory work to tender, to get some better quality advisors in place to assess some schemes which are in huge difficulty. So, perhaps some of us just don't see that end of the spectrum, but that's some anecdotal feedback that I've certainly been getting.

The Chair: Interesting. If I might make a remark. Just taking that last example you're quoting there, I think it'd be right to say that those instances where those independent trustees went to tender, because of their concerns about the quality, we weren't seeing the regulator referring those cases to the IFoA, in terms of the quality of the individual work done by the Scheme Actuaries. It's also, I think, worth saying that the scheme, the Category A proposition within this proposal, would affect the range of, as it were, advisor entities/actuaries within the range of those advisor entities. So, clearly, whilst the predominant focus in terms of the public interest motivation would be around us, publicly important institutions, and the actuaries within those institutions, we're trying to look across the range. I think this goes back to the concerns that Mike was voicing at the beginning, that our perception in the absence of empirical evidence, that there may be a problem that is focussed, that there is a very wide range of quality of work and that we don't know what that range is, if it exists, or what are the issues within the range, to any degree upon which we could appropriately act, as it stands at the moment. Now, you may or may not disagree. Mike, do you want to come back?

Mike Dick: Thanks. Jane, I'm maybe slightly surprised that an actuary at the regulator just blind-eyed that, blind-eyed it, didn't report that. Was there not a whistle-blowing aspect to it? If he or she was aware that there's a breach in actuarial standards or suspected breach, who's that serving?

The Chair: Ben, I know you want to come in on this.

Ben Kemp: Without sounding too much the lawyer it's difficult to comment on individual cases. We do get - in fairness to the regulator and all of the regulators - we do get referrals where matters are of that level of seriousness and we do engage with them all regularly in relation to issues that they are seeing. But, I think the point stands that there may be a range of work out there which doesn't always fall below that threshold, such as to trigger disciplinary action, yes? But, would benefit from, frankly, some element of positive standard improvement and feedback, which is what we're talking about.

The Chair: Okay. I'm keen to gather other views and thoughts over here and then we'll come to the table in the middle.

Allan Martin: The name's Allan Martin. I'm something more of a trustee than an actuary these days, but officially, a sole practitioner. I used to be a Scheme Actuary and I've just a few general points, but I am supportive of the initiative, if I could put it that way.

The one main point I'd like to make is that I really think we all should try very hard to learn from our mistakes. I suspect disciplinary cases will highlight some mistakes. I also think they will highlight some situations that could be very usefully shared elsewhere. Normally, if there's an embarrassment within the firm, some or all of the firm find out about it and it's not repeated, but it might not be in the public interest. Sorry, it may be in the public interest if that was more generally shared, obviously, anonymised along the way, so anything that we can get out of those actual disciplinary cases, I think, would be hugely valuable. The other area where we might be able to learn from is where there are actual professional indemnity claims. Now, most of these are settled out of court, of course, with the appropriate terms, but again, if they could be shared, in terms of the situation, so that everybody can learn from those and it's not happening again. For the immediate, looking at or surveying schemes/surveying firms, I would suggest one area where you might like to start is where letters of engagement are amended. I have amended a few letters over my years, and if you're advising a 60 billion, respective of £60 billion, fund with only multi-million PI you put in a caveat that this is most certainly not advice that you should be relying on or have any protection from. So, scale can be involved there. Others across the pond with multi-billion pound deficits need others with resources to look at it. So, any amended engagement letter, I think, would be a very good place to start.

The other area where I have referred some instances to the profession are in respect of court judgements. Deferred annuities come to mind. The Pensions Ombudsman, where commutation comes to mind and just picking up general reports like the National Audit Office on commutations, quite a few

decades ago. But generally, if internal embarrassments can be shared on a 'no names' basis, I think the profession could benefit greatly. If the regulator's, sorry, The Pensions Regulator, isn't as able or empowered to share details could I suggest we look at some of the users? There is a profession, sorry, there's an Association of Professional Pension Trustees, there's also an Association of Member Nominated Trustees. These are probably more end-users, and able to cover the more general points of user-friendliness, *etc.*, and the significance of having to put in best estimates and how prudent - there's prudent type of situations where, I think, I would say the profession is more exposed on those bigger issues, where a Select Committee may, with the great wonder of hindsight, come back and say "exactly how did that look" or, "how was that not explained more," so I think we can do more from basically learning from what others have already done.

The Chair: Okay, and let's look at this second question of the (inaudible).

Neil Walton: Neil Walton. I've spent my career as a Scheme Actuary. I'm a PC holder. These are my personal comments and I'm only going to talk about pensions matters. They could be completely different in other areas of the actuarial world.

There's been a lot in the document, and also in statements from people at the table, that this is in the public interest. The public's interest in pensions is "is my pension going to be paid in full, on time". These proposals do not address that. If you think about the issues that have happened in pensions recently: BHS was about covenant assessment and, possibly, the actuarial advice given to the employer; Toys R Us, and other retailers' covenant assessment went badly; Carillion was down to a failure of auditing and accounting by one of the major companies who this report holds out as doing proper reviewing; and, Tata situation appears to be a big company deciding to use its strength to pressurise the Government to allow it to change its scheme rules, and we don't know what actuarial advice was given to the employer in that case. In response, the profession appears to be saying "actuaries who give advice to trustees are the people that we need to regulate, and we need to put more regulation on them".

In contrast to that, things like advice to employers or, let me see, what was it - Lex, at the weekend, was talking about actuarial investment advice. Those are Category B stuff. They're not so important, and therefore, they'll just be done by Thematic Reviews, and nobody will be told who did what. I think if this goes ahead, then it will be quite easy to foresee the Daily Mail, say, or somebody on the Work and Pensions Committee, making a comment like "the actuarial profession fiddles while the pension schemes burn". It just appears to be a box-ticking exercise, not addressing the public interest. If I look at what's proposed for Category A review, and this may have been covered by others, as I understand it, to give professional advice you need to have a Practising Certificate, and, therefore, if you're going to review what the Scheme Actuary has done, at least one of those reviewers has to have an active Practising Certificate. That person has to have, at least one current Scheme Actuary appointment and, I think 6.2 [of the Consultation Paper] states that the reviewers will be employed by the profession, so that means the profession is now a competitor for my actuarial consultants, because they will be having clients.

You look a bit puzzled there, Ben.

If the reviewer is internal to your own company then it's not independent, except that, if it's a by a competitor, either KPMG/Watsons, or whatever, then they'll be looking for something to use. That is the reality of business and if you want to avoid criticism that the review is just a whitewash by an old boys' network then the reviewers are going to be, not necessarily incentivised but certainly, trying to find something that should be better, so the actuary is assumed to be guilty until proven innocent, and I think that's not really the UK approach to justice.

You say confidentiality will be ensured. Now, there's talk in the document about the employer. This information, this advice, does not belong to my employer. It belongs to my client, whether that's the trustees or a corporate body. Does the profession really think it's going to get informed consent from every set of trustees and every set of possible sponsoring employers? That's a hell of a bureaucratic nightmare, and if the data owner doesn't agree to it then under 6.23 [of the Consultation Paper] you're going to remove my Practising Certificate. It sounds a very draconian idea. One of the frequency of review points is the number of PCs appointment held. Now, I think that there is more public risk for one actuary holding an appointment for a scheme with 200,000 lives, than for somebody who holds ten or

eleven, or twenty appointments for schemes with only 100 lives. The proportionality of the proposals is skewed, I suspect, towards the big companies who don't want too much extra hassle. The small companies, and I think unfortunately, Jane, you did imply that by your previous comment, are the ones that we're after. Personally, I think this is a cheap shot by the profession at a highly regulated part of the profession, while it omits looking at the areas of the profession, which may, only may, be causing some of the issues that the public is really worried about. Thank you.

The Chair: Okay, thank you for that. Where shall we start? Ben?

Ben Kemp: Thank you. Firstly to just acknowledge Allan's comments - I don't think I'm particularly going to come back on any of those, but I think we note all of those and are grateful for them. Neil, thank you for your comments. Let me have a go at some of those at least. We'll obviously reflect on everything you've said.

I think, to an extent, in your opening remarks one of the threads I took from your comments is that you seem to be suggesting that we weren't going far enough, in so far as we are not really addressing the problem, or the wider public interest concern. I think to some extent that's a good challenge. I think that we cannot claim through this to be trying to solve all the problems in the pensions sector, all the crises that are out there. That cannot be our sensible claim. We do not have the power, the ability, to do that. We also have a limited range of tools/mechanisms/means at our disposal.

I'm not sure that you were suggesting this, but if you were I don't think I would agree, that pension scheme actuaries don't hold significant public interest roles. That's not to say that pension scheme actuaries have been at all responsible for recent crises. I would accept that, but that's not, equally, to say that they don't hold important public interest roles. I don't think we see Category B reviews as being of lesser importance from a public interest point of view, actually. Can I come back to you in just a moment? Is that okay? The balance we are trying to achieve with these proposals is to say "look, there are some recognised statutory regulatory roles out there, in both in pensions and insurance". That recognition is not something that we have put in place. That recognition, in the case of pension scheme actuaries, comes through pensions legislation. On the other hand, we have also acknowledged that there is a broad range of other things that actuaries do, whether in investment, whether in banking, whether the advisor to corporates in relation to the corporate sponsor, in relation to pensions schemes, where there is significant public risk. What do we do in relation to that work? That's where the Category B Thematic Reviews come in. We've attempted to strike a balance. It's a fair challenge: whether the balance is in the right place. That's a good challenge. We take that away but I don't think I would agree that we're not striking at something which is of public interest importance at all, if that was your suggestion.

I, maybe, have one other point, if I may, and my colleagues may wish to come in. I know you want to come back as well. The confidentiality point that is used very often in lots of spheres, in lots of examples, I've heard that said many times as a basis for not regulating in the right way, actually. And, it's also 'trite law' in this country that, confidentiality should not be a barrier to appropriate regulation, and the law recognises that and actually, the IFoA already deals with and handles lots of confidentiality, lots of confidential information, through the QAS, as an example, through the disciplinary scheme, where we look at files very regularly. We don't go to individual clients ourselves. We rely on the support and cooperation of our Members to procure that agreement where necessary, and typically, they do so through their standard terms of engagement, where typically they say "we reserve the right to share appropriate information for relevant regulatory purposes with our professional body or regulator".

The Chair: Well, can I just come in, because I was intrigued with one point that Neil was making, and if I understand you correctly, I think Neil's assertion was that the ownership of a piece of advice is with the trustees, as it were, with the client and therefore, for the process to go forward, one would have to bureaucratically get the owner of that piece of advice, the trustee in this example, to agree that material could be released to us. Do you agree with that?

Ben Kemp: No, as I was just saying Des, I don't think that's - whether now -

The Chair: That's the point you were making about trite law, yes?

Ben Kemp: Yes.

The Chair: I want to be clear about this.

Ben Kemp: Yes, and in terms of any consent which it may be necessary to obtain, there may be an argument about what belongs to the advisor and what belongs to the client. I wasn't going to get involved in that. There can be certain information/documentation, which may well have belonged to the client, but as a matter of law, and, in terms of engagement that firms standardly have in place, we would ordinarily expect you to be able to disclose information to your regulator or professional body and that is pretty standard practice and that's what we experience in terms of other contexts, in terms of what we do, as does the PRA, as does the FRC.

The Chair: Neil, I know you may want to come back, but can I just clarify one point. I think I heard your opening comment saying that this proposition inaccurately identifies, or inaccurately defines, what the real public interest issue here is, in the context of pensions and, the real public issue here, you asserted if I understand you correctly is "is my pension going to be paid in full and on time". Yes?

Neil Walton: (inaudible).

The Chair: And, you think that's the totality of the public interest in this matter, because with respect, I would challenge you on that. I think it goes wider than that.

Neil Walton: I didn't say the totality, but it is what the media and the politicians think the issue is, and that is the issue that we as a profession have to address now, not the theoretical issue that we may have to address in ten years' time.

The Chair: Forgive me. I think you wanted to respond to something?

Neil Walton: Yes. It was Ben's comment that he didn't think that the items in Category B were being downgraded against Category A items, except in Category A, if I'd done something which is not thought to be appropriate I would be reported to disciplinary, or I can be reported to disciplinary. Category B items will be, as I understand, as I remember it, thematic feedback and it will be kept anonymous. There is no reference there whatsoever that those would be referred back to disciplinary as well, so it has been downplayed.

The Chair: Okay. Right. I understand your concern. Emma, can I ask you to address that, because I think there are specific proposals in relation to what would happen with the outputs from anonymised Thematic Reviews?

Emma Gilpin: Yes. I think the first thing to clarify is that with Thematic Reviews, what we're saying is that, there's a wide range of ways in which we might carry out those reviews, so actually, for Thematic Reviews, they might well look very much like Category A type monitoring for particular groups. So, you may have Thematic Reviews, which aren't anonymised and we've said that in the proposal that that will be on a theme-by-theme basis. So, I think it's not quite correct to say that it's a lighter touch, or it's less, or it will always be anonymised, because I think we've allowed for a range of different types of approaches to Thematic Reviews.

In terms of the referral to discipline, what we've said is that none of this monitoring, whether it's Category A or Category B, is trying to identify issues of misconduct. We're not really trying to create more business for our disciplinary investigations team. That's absolutely not what we're trying to do here, but what we can't do, as a public interest regulator/a self-regulating professional body is ignore instances of misconduct if we come across them within monitoring. That would be the same if it's in relation to a Category A sort of review or a Category B review where we know who we're dealing with. Obviously, if we are going to come up with some situations where we're doing it on an anonymous basis, then you're not going to have the practical information to report that to the disciplinary scheme, but it's certainly not that we're saying that we're not as concerned about Category B activity. It's just that we've got a range of ways that we can deal with it.

The Chair: Okay, thank you for that. Jane, I think you want to come in?

Jane Curtis: I wanted to comment, Emma, because of course the real difference is that it's mandatory under Category A and it's not under Category B, so I suspect we won't find too many instances of misconduct, because they won't put a submission in. I wouldn't have thought.

The Chair: So, maybe, on reflection, Category B might also need to be mandatory.

Jane Curtis: Yes. I wanted to pick up - like you, I feel very strongly, being a Scheme Actuary, about some of the advice that I see on the corporate side, but I also know that a lot of actuarial advice given to corporates is not given by actuaries, and the same is true of investment advice, and that's one of the things that we struggle with, but - you're smiling - but that's the case. That's realistically what happens.

The Chair: That might be the case, but is that the reason for the profession to have double standards?

Jane Curtis: No, it's not, but that's why we're trying to get at it through the Thematic Reviews, and what I think is that this scheme will evolve over time anyway. If we need to take more direct action then gathering evidence through the Thematic Reviews will allow us to do that, so it will evolve over time, and we're starting, I think, where it's practical to do so.

The Chair: If time allows, we might even come back to that, but that's a point about double standards (inaudible) information, but let me see. Are there any other colleagues who want to contribute and make a comment, or raise a question? Right, we've got quite a number. I caught your eye first, so let's come down to the front and then I'll pick the other two up as quickly as we can.

Susan Hanlon: Thanks. Susan Hanlon of Mercer. I'm speaking tonight, not as a Practising Certificate holder. You are talking, in the consultation document, about taking a proportionate approach and a risk-based approach, but with the Category A review you appear to have gone straight to "we need to look at everybody with a Practising Certificate". As actuaries, can we not construct an appropriate sample to give us comfort that there aren't issues out there, without needing to put in the huge amount of effort required to look at everybody on a rolling basis. A second point: I fully support the idea of the Category B Thematic Reviews. I think they're very important. Have the board considered how they sit alongside the work of the Practice Boards and the Working Parties are already in existence?

The Chair: Okay. Right. Well, I think the answer to your first point, and I don't mean this to sound dismissive, is yes. We're not proposing that everybody who, as it were, is in the population of Category A is reviewed every year, so you (inaudible) and let's go to then to the second aspect.

Emma Gilpin: Yes, yes. I think that we have been trying to think about ways that we can sensibly do that kind of sampling approach. What we've proposed in the consultation document is that, for those Scheme Actuaries within QAS organisations, it would be a sampling approach, because we have that comfort that they're within the structure of a QAS organisation and we've done some testing of the processes and procedures that they've got in place for compliance and all of that kind of thing. I think with the insurance it's a little bit more difficult because we have far fewer Practising Certificate holders. I think there's about, what, 200/300 Practising Certificate holders in total, compared to a population of about 800 or so Scheme Actuaries. So, we are very conscious that, actually, we couldn't go every year and speak to every Scheme Actuary, because we don't have the resource to do that, so we have specifically been looking at sampling for that.

The Chair: Ben, would you like to address the second question? Do you remember that?

Ben Kemp: Yes, I can. Thank you, Des. Thanks, Susan.

The Chair: Sorry, I'm being rude.

Ben Kemp: No, no. I'm still alert Des, still going. This relates to the interaction with Practice Boards and Working Parties, yes. I'm not sure. I don't think that there is a direct overlap with anything the Practice Boards and Working Parties are doing, or currently doing, in so far as they don't directly review work and

undertake Thematic Reviews of the sort that we're proposing. What they do - and obviously they do an enormous amount of really important work from a regulatory sort of side of the house, as it were – is provide you with a lot of intelligence and information and insight. From time-to-time, they raise concerns with the Regulation Board that they would like the Regulation Board to look at, which can inform our assessment/prioritisation and risk. And so, if the question is, “are we going to be joined up with the engine rooms of the Practice Boards” that is what we try to do currently, and that is what we will be intending to do.

The Chair: Emma, I think you wanted to come in quickly?

Emma Gilpin: Yes. I suppose the only area where there might be a bit of overlap that we'll need to be aware of is around that Category C monitoring. A lot of the Working Parties do surveys and questionnaires and we know that they sometimes touch upon relevant regulatory issues and we work quite closely with our colleagues there. We certainly wouldn't be putting out questionnaires about particular aspects of work where there's a Working Party that's doing that activity already, so, we'll work with that. We're not about duplicating effort for the sake of it.

The Chair: Okay. I want to (inaudible)

Peter Cormack: Hello, I am Peter Cormack. I am a Scheme Actuary, and I work for a firm that is not QAS accredited. I think Jane was maybe implying that my work, therefore, is high-risk and I'll be subject to review or monitoring more frequently than a Scheme Actuary who has a £2billions schematic advisor or whatever. I think we need to be honest about the purpose of this. It's a quality monitoring scheme. It's a quality monitoring scheme. You're, monitoring the quality of work, yes? In the paper, it says there's an information gap that needs to be filled. You're looking to identify bad apples, or perhaps, as Ben said, work that is not bad enough to require being dealt with under the disciplinary scheme, but perhaps doesn't meet an actuary's opinion of what good work is, which is fair enough. I think peer review helps improve the quality of our work and the opinion of others would undoubtedly help improve the quality of our work, but why doesn't it just say that: “we want to improve the quality of work”.

Then, I've touched on something that we all are subject to: peer review. Has any consideration been given to, perhaps, extending the requirements of the peer review process, so that, perhaps, evidence of peer review is submitted or reviewed? Or, what about the Practising Certificates issue, or renewal process? Could that be extended to capture some of the information that is proposed to be captured under this proposal, or finally, if QAS means a light touch monitoring, why not make the QAS scheme mandatory? Quick points: that's it.

The Chair: I want to bring in the next speaker, so let me try and answer some of your points. I have to say that I disagree quite strongly with the accusations you're making about our motivation, in terms of your opening comments. This is not a proposition about trying to, as it were, drum up more business for the disciplinary scheme or find bad apples. This is first, second, and third, a proposition, imperfect or perfect, depending on your view, about making sure that we try and have a better grasp of the empirical evidence, whether it's good, bad, or indifferent. That's the motivation, and as I say, I know the people who have been working on this for the last three years or so. That is the motivation. So, as I say, I was a little disappointed to hear what I interpreted, perhaps, I'm incorrect as an attack on the motivations of this proposition. It is not as you suggest.

The second point is that no one is saying that because you're not QAS accredited, which is an entirely voluntary scheme, and I think should remain an entirely voluntary scheme, that you are high-risk. What we're saying is that if you look at the table that we show on page 23 through 24, we're trying to find a mechanism that would have regard to tangible, sensible evidence, to try and create some risk-based approach, to help us make the scheme proportionate in terms of where we're saying “well, given that particular score as emanates from that table on page 23, we should therefore invite a Member from 'X' to come and be the subject of an interview in terms of Category A”. That's the idea behind that. Now, it may be that there are much better ways of doing that. If there are completely different and more efficient ways of that, and we are very, very anxious to identify those, but, that is not an attempt to stigmatise people who are not in QAS, or whatever, but to try and say what factual information could we rely upon to create some form of risk informed assessment of where we ought to direct resources.

The next series of points you made, I think is very interesting, and it could be, for example, as you fairly say that, the PC regime [PC Scheme] could be extended to capture bits and pieces (I know you want to come in), that's something we will want to go away and talk about and it's something that we would be very, very interested in learning of your thoughts on, and for anybody else who's got thoughts, through the consultation process. There could be different ways of capturing, this information. There could be different ways, as it were, of creating that empirical information, which we say represents 'a gap' in the current structure. We're very, very open to those points.

Very quickly, because I want to capture the last question . . .

Emma Gilpin: It's a really interesting point about the alternative way that you could have done this Category A monitoring was to almost just enhance the Practising Certificates application and renewal process. During this lengthy period of coming up with variations of how you could do this one of the things that we did, I think one of the versions of this, that, was this expanded application form for with Practising Certificate, where you were providing explanations about work that you'd done and it was going to be built around that. So, really keen if people do think that that alternative type of approach would be preferable to this, because it is definitely another way that we could do that. So, it was really interesting to hear that, because we had thought about that as a possible alternative option, so, yes, if you think that would be better then please do tell us.

The Chair: We have a very patient colleague waiting to speak.

Jonathan Black: Hi, Jonathan Black, JLT. I've got three very quick points, because I'm very aware of the time.

First of all, I think this is potentially quite a good opportunity to get more information out to the Membership about quality, I think, if what you're doing is collecting information across the board about how work is delivered and that is shared with the Membership and not just collected, but properly shared with the Membership. I think, one of the challenges I find with CPD is that the CPD that's available can be very sterile. It can be very factual about "this is what the TAS is trying to achieve," or "here are some imagined examples of professional issues that people face". If this is some real stuff that comes back to us, then I think that's proper, valuable, CPD that can make a difference. So, I think if you're doing something like this, it's got to very much deliver back to the Membership to help them learn from that, because I think that's something we find very difficult to do.

A couple of other points: I think, to potentially agree with some other things that have been said, I think, it's a big challenge to work out exactly who does this monitoring. I think the points that were made were about existing practitioners, and then you've got all sorts of commercial issues. Is it a team that goes away and actually becomes almost self-fulfilling of what it thinks is right or wrong, and loses a bit of the commercial aspect on the practitioner side of it? I think that's a big challenge that, I think, will be quite difficult to manage.

My final point is, I think what you've said is it's not your intention that Category A is very much the focus of it, and not the B or C. My interpretation when I read the paper, and I accept it's maybe not your intention, is that it was very much focussed on Category A and I think Category A already has quite a lot of control over it, accepting that some of the feedback to the Membership might be weaker. But, I think there are all sorts of things that could be happening. I think, as you said, they're across Category B or C: investment advice is a perfect example. And, I think the point that an actuary giving investment advice is an actuary, and people relying on that rely on the fact they are an actuary, and the way that TAS does apply to everybody who is an actuary, whatever advice they're giving is an important point. I accept that's maybe not what your intention was in the paper, but I think reading it, that came across to me.

The Chair: Anyone want to comment on that?

Emma Gilpin: We'd be very interested in any ideas and suggestions about how we might select the Review Team, picking up on that particular point. Some thoughts that we had is that, it will be, for example, recently retired people who held Practising Certificates and that it would be very time-banded as well, time-banded in terms of how long they were on the Review Team, because I think, to pick up on

something Neil said, these people need to remain very relevant and understand exactly what it means to be a Practising Certificate holder.

The Chair: I think the other point you were making, that we have given the impression that what we want to do is focus on Category A. That's clearly very useful feedback. I think one of the things we wanted to do was to be open and transparent, because it is clearly the case that the proposed activity, even on the basis, let's say, of sampling, rather than everybody being subject to this type of review work, the proposed activity in Category A is the most intrusive, and so we wanted to be open and very clear in terms of what was proposed there, that's almost as if it were the sharp end of this. But certainly, I think our planning and all of our work, in terms of formulating the current proposition, is that the Category B and Category C activity, is really, very, very important, and that once you've got outputs from Category B/Category C, whatever it might be, we have to act on it. That might require us to do further things, more work, more targeted, investigations, more targeted Thematic Reviews, whatever it might be. So, we absolutely see B and C as very important elements of the proposition. I do accept the fact that may not come over very well. John, I'll go to you first and then to the colleague right at the back.

John Taylor: Thanks, Des. My name's John Taylor, President Elect this year for IFoA, and I just wanted to come back to the very first question about the problem we're trying to solve here, and just share [the IFoA] Council's perspective on this. So, I'm not a Category A actuary, but I work with quite a number at Hymans Robertson, and I've got a number of friends who are also Category A and I'm very mindful, therefore, of the need to make sure whatever we do here is proportionate and doesn't interfere too much with the client relationship. However, when we look at this from a Council perspective, we've challenged ourselves about two questions as an organisation who has the privilege of self-regulation, and not all professions have that privilege, we question ourselves: what do we expect of ourselves in that role? And, also, what would others expect of us? I think the principle of monitoring seems pretty clear. If you want to call yourself a regulator you've got to have some idea of the practice that's going on within the Membership. That seems fairly clear, at least at a Council level, and then to the point of: what do others expect of us? I think the public scrutiny on regulators is just rising and rising all the time, and the risk to us as a profession is, should something happen, like another Equitable Life and we are then scrutinised as to how we executed our self-regulation and were found wanting, at that point, our ability to self-regulate, and our privilege of self-regulation, could be lost. So, I think we as a profession are best placed to oversee that regulation, and I think what's difficult and is always difficult, is understanding what's proportionate, where the key risks are, and how to introduce a monitoring scheme in the most effective manner. So, from a Council perspective, I just want to thank you for giving up a couple of hours of a very warm, and rare, sunny Edinburgh evening, for making such very valuable contributions. I'm sure the experts in the Project Team will have got a lot of the stimulation and food for thought on the back of it, so thank you.

The Chair: Absolutely, and I think we got, is it final question now? Yes.

Andy Scott: Yes, thanks, Des. It's Andy Scott. I used to be a Scheme Actuary, but I'm no longer one, so I'm not in Category A, or I won't be a subject of Category A review, which gives it a bit less anxiety or concern, perhaps, than it might have done. But, one of the things I think, that is coming out - it's been a very interesting debate - and a lot of very good points made - and some that I hadn't considered - but I think you will take back, no doubt, and have a think about. But, there is some concern and some suspicion about what this is all about, whereas I can see that there are some positives and some reasons behind what we're trying to achieve here. And, it'd be good to try and get the positives across to the profession and the people that do have the doubts, and in that respect, I'm just wondering what the outcome of a review will be. Is it just a pass or fail? Is there positive feedback to the individuals, as well as negative feedback, so that they're going in, themselves, with the right frame of mind to it - and getting this across? Because, just based on the comments, and possibly the turnout today, perhaps that hasn't been as strongly advertised as it might have been. The other thing, as well: I know that it's been talked about - the nil cost arrangement - and that the resources are there. I'd like to think that was the case, and I think, again, if pass or fail, rather than "he got one out of ten or two out of ten" I don't know how - if there's going to be any scaling of scores here. And also, whether there'll be some - if there are worries - is the intention to go to the employer in any way, or will it remain purely with the actuary being reviewed, because there could be concerns on public interest from the employer point of view, so I'd be interested in feedback from that, and there is a danger that things could get bogged down. This is where the resource thing that was

mentioned previously, and probably the simpler and more positive it can be made, the better perhaps it'd be all round. That's what I wanted to say.

The Chair: Emma, would you want to pick up on some of those points please?

Emma Gilpin: I can do, yes. In terms of the process, the review process and what the outcome of that will be, where we think there will be the most value, the most benefit for individuals, is in getting that best practice feedback. So, if someone is subject to a review then, the reviewer will be able to point out particular kinds of things, like recommendations, that they might go away and take in, and add to their work and improve. So, it will be something with feedback around that. In terms of sharing with employers, we've had a bit of debate about whether, or what the appropriate positioning is around that, because obviously we're asking organisations to give us access to information. There may be an expectation that that would be shared from the PC holder. What we've proposed in the consultation document is that would be for the PC holder, to decide whether to share that or not, so it would be between us and the PC holder. Again, that may be a point to think about further when we shape it, but part of that was - we didn't want this to be a 'report card' that we were passing back to their employer.

The Chair: Okay. I'm very conscious, colleagues, that we've run over time, so my apologies for that. Could I just say two things if I may? First of all, I want to just thank all of you, echoing John's comments, thank all of you for giving up your time after a busy working day on such a lovely evening as this. We all here very, very much appreciate that and I want to thank each and every one of the contributors for all of the comments/the challenges/the questions. You've given us much, much food for thought, and I do hope that you will take the opportunity to make sure that you pass back those ideas, those questions, those challenges, those concerns, through the consultation process, which remains open until 28 September. We are very open in terms of how you organise and structure your consultation responses. There are some suggestions about how you can do that with questions you can answer, but, a freeform response getting over the key points as we discussed tonight, any way you want to put that response through to us would be really, very, very valuable indeed. Finally, I wonder if I could take this opportunity to ask all of you to join me in showing our appreciation for our speakers and the panellists, in the usual way. I hope you all agree with me that they've attempted to deal with each part of your questions as best they can, so thank you to them, very much.