



Institute  
and Faculty  
of Actuaries

# Diversity makes us stronger

Annual report of the Institute and  
Faculty of Actuaries 2014/2015



This annual report looks at what the Institute and Faculty of Actuaries (IFoA) has achieved over the last year as an internationally recognised body. It highlights how our Executive and volunteers have worked together to promote the actuarial profession and respond to the wide-ranging and changing needs of our members in the UK and internationally.

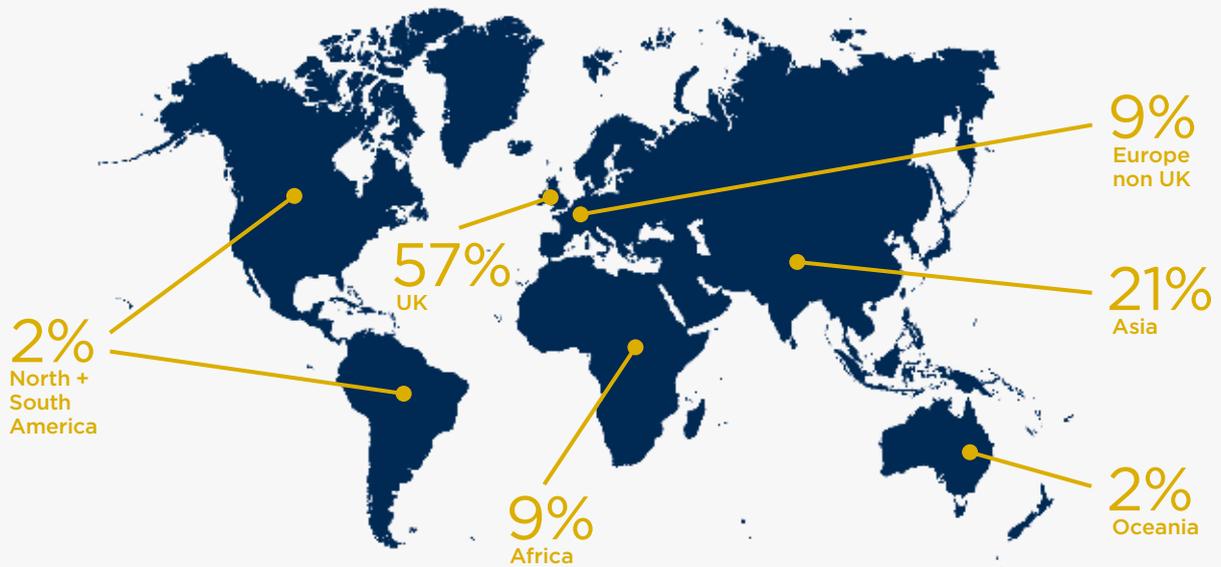
## Contents

President's statement.....	4
Chief Executive's statement ...	5
Volunteers .....	6
Member support .....	8
Public affairs and promotion .....	10
Learned society and thought leadership .....	12
Education.....	14
Regulation.....	16
International .....	18
Corporate governance statement.....	20
Accounts .....	30



# A brief snapshot of our 2014 membership

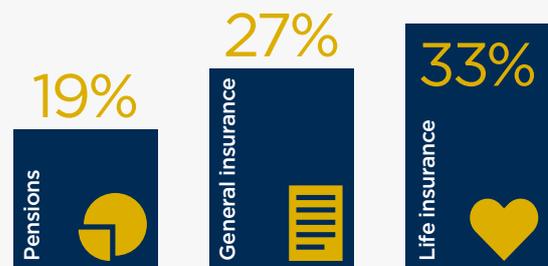
## Breakdown of the membership by country or continent



## Age and gender

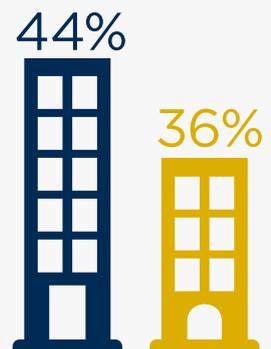


## 79% of our membership work in the top three industry sectors



## Top two employer types

44% of members work for an insurance or reinsurance company  
36% of members work in a consulting/business advisory firm



**As a profession we face a great many challenges as we work to ensure that we remain relevant in the ever changing world around us. When I started my year as President, I suggested that, by embracing diversity, we could successfully rise to these challenges and harness the talents and expertise of our global membership.**

# President's statement



Nick Salter, President

Building on the solid foundations laid by previous Presidents and Councils, and through the dedicated support of a committed Executive team and thriving volunteer network, I have been keen that we broaden our outlook as a profession and as a professional body. It is clear to me that as actuaries our valuable, regulated skill set can be applied to many roles and in many types of organisation. By seeking out these opportunities, actuaries will become known for the skills that they have and not just for the areas where those skills have been traditionally applied.

By seizing these new opportunities within a clearly defined ethical and professional framework, to which all our members are held accountable, we will continue to serve the public interest by ensuring that actuaries are trusted and sought after for their valued analysis and authority.

Reassuringly over the past year, it has become evident to me that a growing number of our members are already applying their skills to a range of roles and organisations that are not traditionally actuarial, leading the way and highlighting that the actuarial skill set has broad application. I am extremely encouraged by this as a clear sign that our profession and our members are adapting to the changing demands of the surrounding environment.

The changes that we have been going through as a professional body, and highlighted in this report, clearly support the evolution of our profession in the UK and overseas. They also demonstrate how the IFoA is taking a proactive and innovative approach to ensure that our suite of qualifications, our approach to regulation, our member offering and our thought leadership and its promotion remain relevant and appropriate.

It has been an honour to serve as your President for the last twelve months but, above all, it has been a privilege to work alongside a team of dedicated Executive staff and volunteers whose commitment to the IFoA is delivering real benefits to our members and the wider actuarial profession. The vast bulk of the work that the Executive staff undertake is unseen by our members but, when you take the helm as President, you realise how much the profession owes to this team in working with the volunteers to take the ship in the right direction. Thank you to everyone who has helped me over this last year.

**An increase in member numbers has seen an increase in the diversity of our membership, which naturally poses challenges for a professional body such as the IFoA.**

# Chief Executive's statement



Derek Cribb, Chief Executive

With members at various stages of their careers, in disparate geographic locations, all with their own unique ambitions, how can we make sure that we are meeting their individual needs? And what have we achieved over the past year for the benefit of all of the IFoA's members?

A major focus has been the early stages of our Education Strategy review. Already we have seen significant changes to our Associate qualification, bringing it in line with the international requirements for a qualified actuary and thus making it more relevant to global markets. 2014/2015 also saw the first exam sessions for the new Certified Actuarial Analyst (CAA) qualification, with exam entries from over 30 countries.

This means that we now have an education offering which caters for the needs of specialist Fellows, qualified Associates and competent technicians – the new CAAs, helping to expand the appeal of actuarial careers. It also helps us to highlight to employers the sheer variety of ways in which the actuarial skillset can add value to their businesses, helping members to branch out into non-traditional areas in which actuarial expertise has historically not been recognised.

Looking at members' needs beyond qualification, this year we have laid the foundations for a step change in the availability and convenience of our services. The platform for our new Virtual Learning Environment (VLE) has been put in place, which will provide an online gateway for easily accessible CPD, available around the world as and when our members need it. We have also rolled out new and improved Professional Skills Training, available online, and developed a microsite for our Chinese speaking members.

Our vital regulatory role has also become more global in approach, with a new, simplified CPD Scheme which takes account of the different professional needs of each of our member grades, in line with the public interest objective in our Royal Charter. In discharging our regulatory

responsibilities, we continue to engage in a positive way with our oversight body, the Financial Reporting Council (FRC). The Joint Forum on Actuarial Regulation has been an effective way for us to share experience with regulators who impact on our members over the last year, and we look forward to building on that next year.

All of this activity has enabled us to widen our reach outside of the historic centres of London and Edinburgh, to better reflect the extensive geographic spread of our members.

Looking forward, in 2015/2016 we will be undertaking a refresh of the IFoA's Strategy to make sure that it is still relevant, including further work on the Education Strategy review. We will also be completing the roll-out of the CAA and the next phase of our digital strategy, increasing our promotion of the value of actuarial skills, and hosting the IFoA's first residential conference in Asia.

This really is the tip of the iceberg in terms of our work: you can read more about our activities in this report. However what I hope is evident is that the IFoA is committed to being as diverse and accessible as possible, whilst continuing to set the standard for actuarial education and support. We are not diversifying for the sake of it: I truly believe that our future success depends on the sharing of research innovations and best practice from members around the world and at all stages of their careers.

It is here where the partnership between the Executive and our volunteer members is vital. We are lucky enough to have almost 4,000 members volunteering their time for the IFoA in a wide variety of roles, and on behalf of the IFoA I would like to sincerely thank each and every one of them. It is the diversity of our volunteers which will ensure that we continue to meet the needs of all parts of our membership.

**Volunteers past and present are vital to our success and part of our strategy is to provide appropriate opportunities for members to volunteer.**

# Volunteers

In the last year an ever growing number of members expressed an interest in working with our existing volunteers and the Executive staff, to promote the actuarial profession and respond to the wide-ranging and changing needs of our members in the UK and internationally.

International members' expressions of interest in volunteering opportunities increased by 260% on last year. This response helps ensure outputs are relevant, and encourages diversity of view. 19% of Council now provide experience from outside the UK.

The seven volunteer Practice Executive Board chairs who, under their remit, continue to guide and support their diverse range of sub-committees; working parties; conferences and events, have worked with the Executive staff to ensure we are offering volunteer opportunities which allow members to get involved in a way which best utilises their skills and expertise.

## **Bringing our values to life**

Volunteer chairs have worked with Executive staff to bring our values – Community – Integrity – Progress – to life by looking at ways to make the most of members' generous support. Examples include changing the time of meetings to allow international members to dial in and creating more opportunities for members to get involved from any location.

This year, we have continued to embed our open, fair and transparent volunteer recruitment processes and to raise awareness of opportunities to get involved. As part of this, we have also streamlined the way in which our Education Directorate recruits our Professional Development and Responsibility (PDR) volunteers to mark, set and test exams. This has

professionalised the way in which we work with these individuals. In December 2014 we asked the 400 Club if they felt these developments over the last two years had been a positive step forward – 96% agreed with 66% giving top ranking.

## **Consolidating our governance**

Two key resources which we have created for volunteers are the Volunteer Induction Pack (VIP) and the new Governance Manual. With the launch of the latter, we have embarked on a period of consolidation to embed the values and the guiding principles. With the input of our volunteers, we will evolve and enhance these core resources, ensuring they are understood, are well implemented and that they are making a difference, allowing us to work together and to deliver on the Corporate Plan.

At the start of 2015 an external audit of our volunteer appointment processes was commissioned and we carried out a qualitative and quantitative piece of research into our volunteer recruitment and engagement. The independent findings of this research will help us to understand not only what our volunteers tell us they like but more importantly, to help us prioritise what we can do to make things better.



# 97%

of volunteers who responded to our survey said they enjoyed volunteering for the IFoA.



**600+**

hours of CPD provided.



**Our goal is to provide an equivalence of service no matter where members are based and ensure that they feel part of a vibrant actuarial community, supported in their development and learning.**

## Member support

87% of members who responded to our 400 Club survey said that they are very satisfied with our progress.

Our first objective this year was to deliver the next phases of the digital strategy. While building our new web site and new virtual learning platform we had over 12 million views on our main web site. We launched our Chinese microsite in June which attracted 4,500 views in the first eight weeks. A new conference App was introduced at the GIRO and Life Conferences, which resulted in 20,000 views – making it easier for members to communicate with each other, find papers and access sessions.

The CPD Co-ordinators' annual briefing included presentations and workshops on increasing employer engagement, CPD content, the CPD Scheme and the new 'Becoming a CPD Co-ordinator' guide. The latter highlights the IFoA's recommendation for organisations to appoint a CPD Co-ordinator and gives examples of the benefits which can be derived as a result.

Members also greatly appreciated the prompt and timely responses by the membership team who, during the year, processed 8,000 payments, sent over 68,000 emails and answered 5,000 calls. The team monitored and reviewed over 14,000 hours of CPD.

### Expanding our CPD programme

News from our Practice Boards had the highest opening rates of all our newsletters. These communities, supported by the Practice Executive team, comprise over 1,000 volunteers. They have contributed to 38 government consultations and advanced actuarial research in over 80 different topics. We launched the second End of Session Report which showcased their activities.

The events team delivered New Qualifier Ceremonies globally, with sessional meetings and major conferences, which equate to 12,000 bookings for 132 live events, providing evidence that meeting and learning from each other is still a primary benefit of being a member. Plenary speakers at our conferences promoted non-technical learning and covered topics such as economics, philosophy, consumer behaviour, epidemiology and banking. Our recorded archive has attracted over 3,000 views. It enables individuals, as well as groups in offices and regional societies, to access and discuss our materials no matter where they are in the world.

### Increasing regional activity

Regional activity has increased substantially with the launch of several new member-led societies including in the Gulf, Jakarta, Leicester and the London-based Indian Actuarial Network. Our first briefing for regional society committee members enabled the 17 UK-based participants to come together to share best practice and novel ideas.

Research with the CEOs of employers of actuaries showed that the technical skills and 'brilliance' actuaries demonstrate, is a given. They are also looking for individuals who demonstrate excellent communications skills, an ability to adapt to change, and to display commercial acumen and leadership. To help members meet these challenges, we have developed a Masterclass strategy to provide relevant training through both live and recorded modules.

**Last year we worked alongside our volunteer Boards to respond to 38 consultations. 20 published final reports with the IFoA's response being recognised in 65% of cases by the consulting body. Significantly, we can demonstrate a tangible impact in over 80% of those 20 consultations.**

# Public affairs and promotion

Our policy priorities include four overarching themes: ageing population; resource and environment issues; future of investment policy and regulatory policy. These were agreed in consultation with Practice Executive Boards and approved by the Public Affairs and Consultations Committee.

## Ageing population

We are working with the Department of Health to identify areas where IFoA research can support the development of policy on long term care. We are also working with international actuarial associations to examine how defined contribution decumulation is managed in different countries and how policy developments will impact people decisions in retirement.

## Resource and environment

We are working with the Foreign and Commonwealth Office to examine policy approaches to assessing climate risks and how applying an actuarial approach might impact policy decisions. Our work with the Prudential Regulation Authority looks at the insurance industries understanding of climate risks. We are partnering with the Global Challenges Foundation to consider how policy makers design policy responses to major global risks.

## Future of investment policy

In consultation with Treasury officials, we are developing a position paper on infrastructure investment. We are also examining the issue of procyclicality – in terms of the regulatory structure, managing investment risk and governance issues. An event in 2015 will facilitate debate with our members, leading to development of further policy outputs.

## Regulatory policy

We have drafted a 'live' document outlining IFoA's position on Solvency II – a critical regulatory reform for many of our members. This outlines the framework for Solvency II and synthesises key IFoA positions on outstanding issues.

Proactive stakeholder engagement remains a key strand of our public affairs activity. The Presidential team represented the IFoA at 90 events across a range of stakeholders, including the Department for Work and Pensions, the Foreign and Commonwealth Office and the Bank of England.

Briefings were also provided to the Work and Pensions Select Committee, Health Select Committee, All Party Parliamentary Group on the Ageing Population and a number of back bench MPs on issues ranging from pension reforms, data, long term care and funeral payments.

IFoA media coverage increased significantly with over 500 items of media coverage, up from 350 last year. The majority of our media coverage focussed on health and care, general insurance and pensions where we proactively promoted research undertaken by our volunteers.



# 70+

policy-related engagements  
undertaken last year.



**9,000+**

journal paper downloads  
and eBook loans in 2014.



Over 1,000 people attended sessional meetings in person, with over 2,000 online views from across the world of the film recordings.

# Learned society and thought leadership

The IFoA's research programme continues to develop under the Research and Thought Leadership Committee (RTLTC). In November 2014, Professor Mark Cross was appointed as the new lay chair of the RTLTC, bringing an external perspective to how the IFoA addresses research gaps and delivers its objective of advancing actuarial science. The last year has seen around 50 research papers and 60 presentations delivered by over 80 IFoA working parties.

The IFoA's programme of events is an important part of how our research is developed and disseminated. Lord Robert Winston delivered our Spring Lecture in London on genetic medicine and public health. Professor Carol Jagger, AXA Professor of Epidemiology of Ageing at Newcastle University, discussed the ageing population and healthy old-age in our Autumn Lecture in Edinburgh. The lectures attracted more than 400 attendees and saw some of the best ever audience feedback.

## Understanding future trends

Under the guidance of the Mortality Research Steering Committee (MRSC), the IFoA held an exhibition at the Royal Society on longevity. The MRSC also oversaw the delivery of an International Mortality and Longevity Research Symposium, which brought together practising actuaries, academics and other stakeholders to discuss the latest developments in our understanding of longevity trends.

The IFoA's two learned journals, the British Actuarial Journal and the Annals of Actuarial Science have both experienced over 40% increase in subscriptions. Circulation in Asia has more than doubled. The IFoA's library service had contact with users from over 50 countries. This has been supported by the

doubling of the number of e-books in the IFoA online library service, with around 100 titles now available electronically. The IFoA's pop-up library was a new feature at this year's IFoA residential conferences and brought the library service closer to members, particularly for those who would not normally visit the London or Edinburgh offices.

Five PhD students are now studying at the Actuarial Research Centre (ARC) and have undertaken significant knowledge exchange activities this year. ARC student Paul Van Loon also received a prize for a paper presented at the International Congress of Actuaries in Washington in 2014.

## Celebrating excellence

The IFoA recognised excellence and achievement with a number of examination and research paper prizes presented at an Awards Dinner. It also welcomed six new Honorary Fellows from across the world to its membership:

- Professor Wai-Sum Chan (Hong Kong)
- Dr Peter England (UK)
- Professor Karel Van Hulle (Belgium)
- Professor Carol Jagger (UK)
- Sir Philip Mawer (UK)
- Professor Hailiang Yang (Hong Kong)

Finlaison Medals were presented to David Hart and Brian Wilson for their contribution to the profession and actuarial science over many years.

**The IFoA is the only actuarial body that offers a compelling suite of qualifications catering for specialist Fellows, qualified Associates and technically proficient Actuarial Analysts globally – expanding the appeal of actuarial careers.**

# Education

Student numbers continue to rise and at the end of January 2015 were just under 14,000 with more than 50% from outside the UK. We have student members in over 100 countries. Student admissions doubled in the past 10 years with non-UK admissions doubling in the past four years. The gender split for new admissions is 38% female and 62% male, which also represents our student population gender split. Our enterprise risk exam ST9 is used to support the CERA qualification by associations in Australia, South Africa, India, Israel, Japan, Chinese Taipei and by the Casualty Actuarial Society in the USA. In 2014 there were over 350 candidates who sat this exam from these associations. In fact we provided support to over 3,000 candidates from these associations. Our Financial Mathematics exam for non members continues to expand with 1,740 candidates taking the exam in 2014.

## Launching our new qualification

A new qualification – the CAA – launched summer 2014. This is a technician-level qualification aimed at professionalising support roles for those who work with actuaries. In particular, we want to attract those in IT and finance functions that support actuaries by providing data for actuarial analysis. An entrance exam enables those contemplating the new qualification to test their abilities before fully committing to the programme. The exams are provided in the form of computer-based testing with Pearson Vue, who have exam centres around the world. The CAA has attracted candidates from over 30 countries and support from bodies such as the World Bank which endorsed the qualification to insurance supervisors around the world.

Our Associate qualification is changing. We are repositioning the Associate to include 10 rather than 12 of the 15 subjects required for Fellowship by replacing core applications subjects Model Documentation Analysis and Reporting and Communications with a work-based project covering spreadsheet and communication skills. The change is due to take effect from July 2015.

## Reviewing the qualification process

We have begun a strategic review of the qualification process with the aim of ensuring that future actuaries are properly equipped in terms of skills and competences they need to meet business challenges in the 2020s. We aim to complete the review in 2016 and introduce examinations for the new strategy in 2017.

# 660

student members  
transferred to Fellowship.



# 3,000+

members attended live professional skills sessions.



**Our Conflicts of Interest video case studies received over 80,000 views online.**

# Regulation

## Standards and guidance

In July 2014 we issued a statement with the FRC explaining how the FRC and the IFoA carry out their respective standard setting functions and work done by each to progress its work in this area.

We published a new cross practice Actuarial Profession Standard (APS) relating to the review of actuarial work in January 2015. APS X2: Review of Actuarial Work comes into effect on 1 July 2015. A detailed guide has also been produced to assist members in understanding this new standard and how to apply its requirements in practice.

Our two whistleblowing guides: a guide for actuaries and a guide for employers of actuaries were updated and published in February 2015.

## Quality Assurance Scheme

Following a substantial consultation exercise in 2013, a pilot of the Quality Assurance Scheme (QAS) to improve IFoA connections with employers by assuring the quality of our members' work environments, was successfully undertaken in 2014. The outcomes of that pilot were evaluated and, taking account of feedback arising, the decision has been taken to proceed to implement the QAS in 2015. Full details of the Scheme, its benefits and how organisations can apply can be found on our website.

## CPD and professionalism

The 2014/2015 CPD Scheme came into force on 1 July 2014 and introduced a simplified set of CPD arrangements bringing together the CPD and Professional Skills Training regimes under one "umbrella" scheme with improved accessibility and clarity.

Online professionalism content was developed to help members enhance their ethical decision making skills. A series of video case studies and supplementary online materials including interactive exercises was launched in October 2014 around the theme of speaking up, whistleblowing and an open culture in organisations.

## Consultations on regulatory initiatives

A number of additional regulatory initiatives triggered public consultation and were conducted during the year including:

- the regulation of the Chief Actuary and Chief Risk Officer roles under the Solvency II regime, including necessary changes to our Practising Certificates regime
- a cross practice standard designed to provide a framework for IFoA members carrying out work in different geographic locations to determine which standards to apply
- changes to the Life Actuary Practising Certificate regime
- a new standard and supporting guides designed to address concerns regarding actuaries' involvement with pre-paid funeral plan trusts.

Finally, enforcement of our standards is a critical part of our regulatory framework, enabling us to ensure that we take appropriate action when things go wrong. We made significant improvements to ensure a fair balance and more details can be found in the 2014 Annual Report of the Disciplinary Board.

**The IFoA is one of the principal actuarial associations in the world today by size of membership and global influence.**

# International

The changing profile of our membership tells us that over 40 per cent of our members live and work outside the UK. This trend is likely to continue. Our high quality suite of qualifications attract some of the brightest and best students of actuarial science, who are looking for a passport to career opportunities throughout the world.

The IFoA's International Strategy is based on the principles of proactive engagement, equivalence and accessibility and is intrinsically woven into the wider strategic themes. This ensures that consideration of international needs and impacts feature as a first step in any development of education, member support, regulation, thought leadership and promotional activity.

As a membership organisation we strive to provide the same level of member services regardless of where members are based. This is achieved through a combination of centrally managed activities such as CPD training and sponsorship of regional conferences, to helping foster thriving local communities wherever our members are located. Over the last couple of years we have opened a representative office in Beijing, and in Singapore we share office space with the Singapore Actuarial Society, both of which help support and foster the actuarial communities in these regions.

Through proactive collaboration, we seek to engage, support and influence the international actuarial community as appropriate. Playing a prominent role on the international scene, we believe, is for the overall good of the IFoA, actuaries and for actuarial science as a profession.

At the heart of our International Strategy is our desire to be a good citizen, promoting the benefits and development of actuarial science around the globe. We do this, in part, by developing strong partnership

bonds with other actuarial associations, working alongside them to foster and develop actuarial capacity where it is both wanted and needed.

## Case study - Ghana

Over the last twelve months we had approaches from a number of actuarial associations looking to promote the CAA. One example of this is our recent collaboration with the Ghanaian Actuarial Association (GAA), where, facilitated by the GAA, the IFoA signed a Memorandum of Understanding with the Insurance Institute of Ghana, to supply volunteers to help teach students studying at the Institute who have passed the entry level for the CAA, for the later exams.

## Case study - World Bank

The World Bank recently published an information note for Insurance Supervisors on the CAA. In the note they highlight that "actuarial capacity is a 'pre-condition' for effective insurance supervision", and that "a shortage of actuarial resources is an issue of concern to both insurers and supervisors". The World Bank suggests that one of the possible steps toward a solution could be the CAA qualification.

As a professional body with a Royal Charter, the IFoA is committed to working in the public interest. The new CAA qualification will help assure public confidence by ensuring that those working in technical, analytical and actuarial support roles are doing so in an environment requiring professional skills, continuous professional development, and regulatory oversight.

**43%**

of our members live and  
work outside the UK.



# Corporate governance statement

## Constitutional framework

The Council of the Institute and Faculty of Actuaries (IFoA) has ultimate authority for the governance, control and strategic direction of the IFoA. In addition, Council has in turn delegated certain powers to various Boards and Committees and the IFoA's Chief Executive (with established reporting lines) as prescribed under a List of Reservations and Delegated Authorities set out in the IFoA's Governance Manual.

The main Board and Committee structure is set out below.

The IFoA follows the provisions of the UK Corporate Governance Code, issued by the Financial Reporting Council, to the extent appropriate.

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

## Office Holders

Under the IFoA's constitution, Council decides who serves as two of the three Office Holders – the President and President-elect. The outgoing President is invited to become the Immediate Past President. The President-elect, President and Immediate Past President will normally serve for a term of one year in each role. In April 2015, Council elected Colin Wilson as the President-elect from 29 June 2015.

## Council

Council is elected by voting members (Fellows, Associates and Honorary Fellows), in accordance with the governing documents (Charter, Bye-laws, Rules and Regulations). In addition, Council may co-opt up to three additional members of Council and to fill casual vacancies. Each member of Council will normally serve for a term of three years before being required to stand for re-election and must stand down for a year after two terms. A certain number of members of Council representing the General and Scottish Constituencies retire annually in accordance with Bye-law 8. Elections to elect new members to the Council take place during May and June each year. Any Fellow or Associate may stand as a candidate for the constituency of which they are a member.

The current Council comprises 20 members serving the General Constituency and 10 members serving the Scottish Constituency in accordance with Bye-law 21. In addition, David Hare was co-opted to Council when he became President-elect. None of the members of Council receive remuneration for services to the IFoA, other than reimbursement of out-of-pocket expenses and, very rarely, payments on a normal commercial basis.

Council considers strategy and policy, and develops key areas of thought leadership. In the last financial year, Council met five times – 7 April, 17 May, 22 July, 9 October (all 2014) and 5 February 2015. The main topics covered were:

- The strategy agreed in 2011, with separate discussions on specific strategies for education, regulation, public affairs (including the Scottish Independence debate), international, learned society and thought leadership, and member support, with work on horizon scanning to refresh the strategy in the next year;
- Governance related issues, including elections and awards, a phase 2 of the governance review (Board and Committee structure) and the launch of the IFoA's new Governance Manual, property changes and changes to constitutional documents (Charter, Bye-laws, Rules and Regulations);
- Introduction of the Certified Actuarial Analyst qualification and the Quality Assurance Scheme for organisations.

A register of Council members is maintained which details any conflicts of interest they might have in respect of their roles as members of Council. Additionally, at the start of each Council meeting, Council members are asked to declare any conflicts specific to any item on the agenda for that meeting.



**Back row, left to right:** Deborah Cooper, Edwin Sheaf, Marjorie Ngwenya, Patrick Lee, Colin Wilson, Nick Silver, Huw Evans, Elliot Varnell, Martin Potter, Donald Macleod, Marian Elliott, Suzanne Vaughan, Peter Tompkins, and Alan Watson.  
**Middle row, left to right:** Simon Sheaf, Kathryn Morgan, Carole Ryden, and Malcolm Slee.  
**Front row, left to right:** Derek Cribb, Nick Salter and Fiona Morrison.  
**Those not present:** Charles Cowling, Helen Davies, Karen Grant, David Hare, Benny Higgins, Mark O'Reilly, Andrew Rear, Alan Rubenstein, Mike Smedley, Xi Cynthia Yuan, and Feifei Zhang.



## Management Board

Alan Whalley was appointed as the Chair of Management Board in June 2013 for a period of three years following an open recruitment process.

Under delegated authority in accordance with the List of Reservations and Delegated Authorities and the strategy set by Council, Management Board has oversight responsibility for the operation and management of the IFoA, the implementation of Council's strategy and, in addition, holds the Executive accountable for its management and operational activities. For example, Management Board has oversight responsibility for matters related to the development and implementation of the IFoA's strategy, corporate plan, policy and operational plans, and all matters related to the organisation's resources. The Chair of Management Board issues updates to Council after each Management Board meeting and attends Council meetings at the invitation of the President, as Chair of Council. Members of Management Board undertake an annual effectiveness review and any significant issues are reported to Council. Management Board comprises a Chair, who is an actuary but is independent of both Council and the Executive, four ex officio appointments (the President, President-elect, Leader of the Scottish Board and the Chief Executive), two further Council members, and three Executive Directors nominated by the Chief Executive.

The non executive Management Board members reviewed, on behalf of Council, the objectives and remuneration package of the Chief Executive. The Executive staff are remunerated with reference to market benchmark salaries. The Chair of Management Board is remunerated at the rate of £27,400 per annum (linked to the Ministry of Justice's fees for court and tribunal appointments).

Management Board met 11 times in the last financial year (March, April, May, June, August, September, November, December, January (twice) and February). The list of members of the Management Board since 1 March 2014 to end February 2015 and their respective attendance records are on page 29.

## Chief Executive

The Chief Executive is appointed by Management Board and supports the development of strategy and creates operational plans to deliver it. He is responsible for the executive management and administration of the IFoA and is supported by Directors who report directly to him. The Chief Executive is accountable

to Management Board (and thereby to Council) for the delivery of the agreed strategy and operational plans and setting the priorities for the IFoA's Executive management team.

## Audit and Risk Committee

The Audit and Risk Committee provides oversight to ensure that the IFoA adopts a sound approach to financial management and reporting and that key risks are identified and addressed. It is chaired by a lay Chair, Iraj Amiri, a qualified accountant, and reports to Council.

The Committee has an oversight role and gives its views to management on the financial statements, external and internal audits, risk management and internal controls, governance matters and other ad hoc issues. BDO LLP is appointed as the IFoA's internal auditors. This year, the internal auditors have conducted audits in a number of areas at the Committee's request. Actions from internal audits undertaken by BDO LLP are reported on at each Committee meeting and the Committee considers and approves in advance the annual internal audit plan.

Members of the Committee meet haysmacintyre, the external auditors, annually to review and discuss their planned basis and scope of audit work. This included quality control processes and independence requirements. The Committee was content that these were satisfactory and approved the audit plan for the year. The external auditors' performance of their duties was considered by the Committee at the year end and it had no specific concerns or recommendations.

The Committee formally reports to Council on an annual basis usually in May. The Chair attends these annual meetings in order to present the annual report from the Committee to Council and to be on hand to answer any queries Council may have. In addition, the Committee reports to Management Board on any significant matters identified by the Committee.

The Committee ensures that the IFoA adopts a sound approach to financial management and reporting and that key risks are identified and addressed. During the financial year a continued focus has been on providing oversight of the IFoA's risk management and other governance processes, and the Chair has attended meetings to develop a new revised risk framework. The Committee reviewed the IFoA's new Governance Manual in advance of it being approved by Management Board, and thereafter Council. Similarly, the Committee has had oversight of the work done by

Those Council members who represent the Scottish Constituency are marked with \*, those who were elected to Council in 2014 are marked with + and those co-opted to Council for one year to fill a vacancy are marked with ^.

The following members retired from Council in 2013 and did not seek re-election:

Nick Salter: <b>President</b>	Deborah Cooper	Andrew Rear+*
Fiona Morrison: <b>President-elect</b>	Charles Cowling+	Alan Rubenstein*
David Hare^: <b>Immediate Past President</b>	Helen Davies	Carole Ryden*
	Marian Elliott+	Edwin Sheaf
	Huw Evans	Simon Sheaf
	Karen Grant+*	Nick Silver
	Benny Higgins*	Malcolm Slee+
	Patrick Lee	Mike Smedley+
	Donald Macleod*	Peter Tompkins
	Kathryn Morgan	Elliot Varnell
	Marjorie Ngwenya	Suzanne Vaughan*
	Mark O'Reilly+	Alan Watson*
	Martin Potter*	Colin Wilson
		Xi Cynthia Yuan+
		Feifei Zhang+*

Helen Crofts
Mike Dick*
David Gulland
Malcolm Kemp
Mark Stocker
Gordon Wood*

the Executive this year to strengthen its operational governance by reviewing a new Financial Regulations and Procedures policy, and other frameworks such as Procurement, Risk and Project Management processes and policies – prior to being approved by the Chief Executive and Directors. These new frameworks will be implemented fully in the next financial year.

Audit and Risk Committee met four times in the last year (April, September, December and February). The record of attendance is given on page 29. The Committee undertakes an annual review of its effectiveness.

### Nominations Committee

The Nominations Committee is responsible for overseeing appropriate succession planning and makes recommendations to Council on retirements from Council, the process for appointing the President-elect and succession planning for other appointments. The members of the Nominations Committee are currently the President, President-elect and Immediate Past President, along with three other Council members, Edwin Sheaf, Nick Silver and Mike Smedley.

### Executive staff and volunteers

The IFoA values a diverse workforce and is committed to building a culture that promotes equal opportunity, fairness and transparency and prevents all unlawful and unfair discriminations. Additionally, a fair, open and transparent process which encourages diversity is now in place for volunteers wishing to serve on IFoA Boards and Committees. The Executive staff work closely with the volunteer Chairs to support their implementation of this process.

The Governance Manual and Volunteer Induction Pack (VIP) provide guidance and support.

All people-related policies are updated in line with changes in employment law and professional employment legal advice is used to ensure appropriate compliance.

The IFoA runs an annual performance management process which includes appraisal, objective setting and personal development planning. The process encourages managers to meet regularly with their team members on an individual basis and there is a mid-year review to check progress. Training needs are

ascertained from the personal development plans and the IFoA offers a variety of learning interventions to address the areas identified.

The Executive staff are updated regularly on developments through the organisation's intranet. A staff forum meets regularly to give employee representatives a further opportunity to be consulted and involved, and feeds back employee views directly to the Chief Executive, Director of Finance and Operations, and Head of Human Resources. Additionally, staff satisfaction is monitored annually through a staff survey, the results of which are reported to the Chief Executive, the Directors and Management Board.

### **Corporate and social responsibility**

The IFoA sponsors a number of events which are used to promote the work of actuaries to school and university students:

- UK Maths Trust – Junior, Intermediate and Senior Maths Challenges: these challenges reach over 600,000 students and involve students answering questions of increasing difficulty which aim to stimulate mathematical thinking beyond the main schools' curriculum
- Enterprising Mathematics in Scotland: this event involves around 300 schools and colleges in regional rounds and 60 for the final. The IFoA's sponsorship ensures that this event continues on an annual basis
- Highland Maths Challenge: through the Scottish Board, the IFoA provides funds to allow the Highland Council to run this event. The event has been held for 15 years and has proven to be highly popular with senior students studying advanced mathematics in their Sixth Year of high school. The key aim is to foster an enjoyment of mathematics through the application of advanced mathematics to real problems, to make students aware of the importance of mathematics, science and technology in business and industry, as well as the careers and opportunities available to them.

As an organisation, we recycle wherever possible. Our procurement policy incorporates a set of principles and procedures on which sustainable procurement activity within the IFoA is based. The policy acts as a prompt to Executive staff to consider our corporate and social responsibility as a factor in all purchasing decisions.

We strive to:

- comply with all relevant environmental legislation
- encourage suppliers to deliver environmentally sound products and services
- encourage internal customers to review their consumption of goods and materials in order to reduce wastage
- specify, whenever possible and reasonably practicable, the use of environmentally sound materials and products
- explore opportunities for recycling materials as appropriate; and
- address barriers to entry so that SMEs and local suppliers are encouraged to bid for appropriate work.

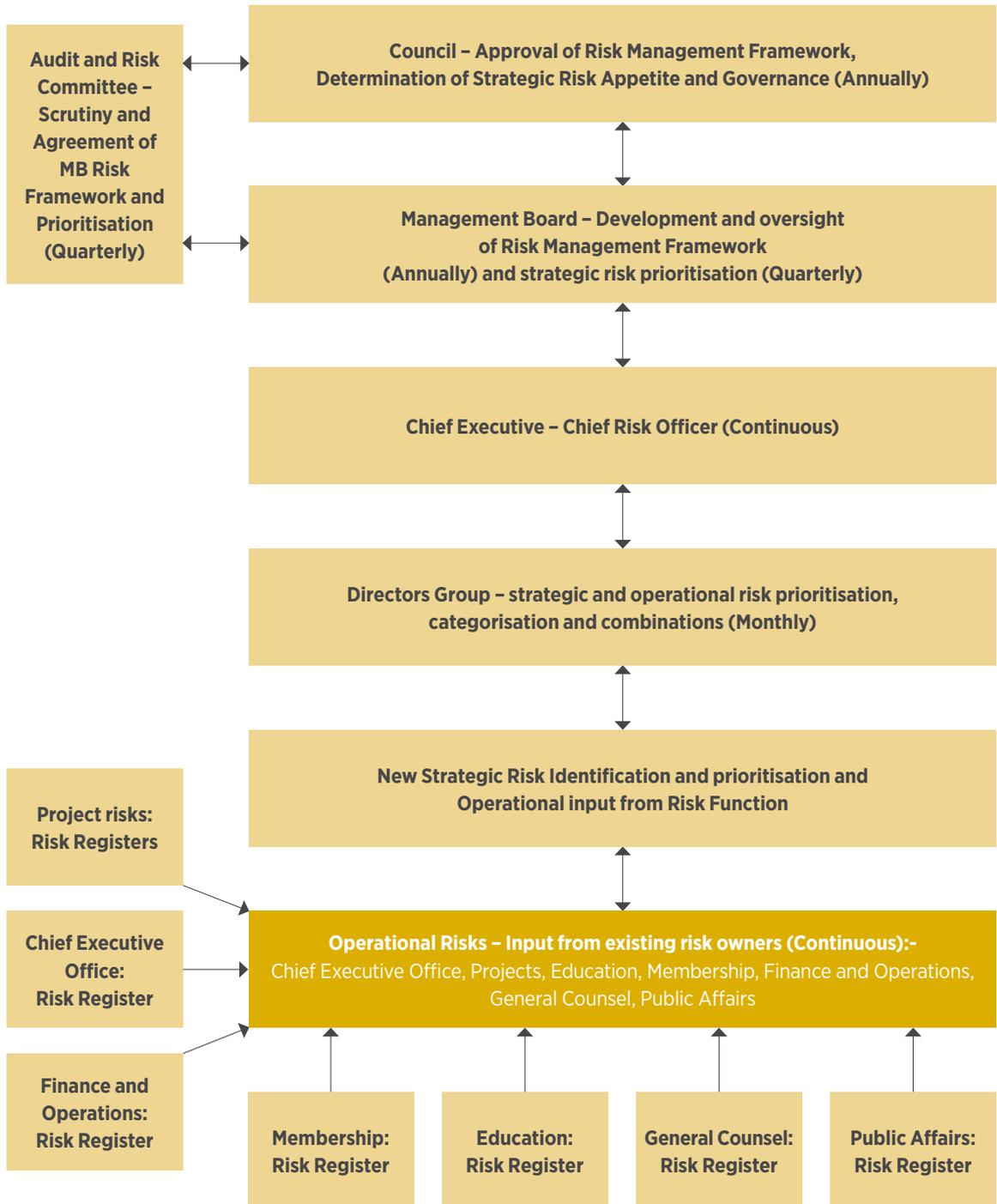
### **Risk Management**

Council, in conjunction with Management Board and the Executive, has established and implemented a new ongoing Risk Management Framework to identify, evaluate and manage the significant risks faced by the IFoA. This is illustrated, in outline, on page 25.

Council reviews the operation of the Risk Management process on an annual basis. During this review it considers the adequacy of the overall risk management policies and processes in place throughout the organisation and assures itself that they are relevant and appropriate to the needs of the organisation. It also reviews the extant Strategic Risk Register for the IFoA, the activities being undertaken to mitigate these risks, the outcomes of the Risk Management activities for the previous year and sets an appropriate level of Risk Appetite going forward – that is the acceptable limit of risk that Management Board and Executive may adopt in their day-to-day Risk Management activities.

In this way Council reviews, endorses and delegates the specific Risk Management policies and processes which will be adopted by Management Board and Executive staff in all day-to-day Risk Management activities.

## Schematic approach to risk governance



## Statement of principal risks and uncertainties

Unacceptable outcome	Risk description	Cause	Mitigating activity
<b>R1. Lack of demand for actuarial science</b>	Skills not relevant	Changing market needs	Ensure Education syllabus remains relevant and implement employer engagement strategy
		Research and Thought Leadership not up to date	RTLC oversight to ensure comprehensive Research agenda
	Low perceived value for money	High cost of regulation	Ensure level of regulation remains appropriate
		Lack of quality membership services	Develop and communicate the member proposition
		Low perceived public influence	Maintain proactive approach to media and stakeholder involvement
	Competition from other professions	Market developments enable other professions to encroach upon actuarial business	Continue to develop CPD to cover all potential new areas of actuarial activity
	Failure to diversify into new areas	Inadequate consideration given to potential new areas of operation	Potential new areas of operation reviewed as part of ongoing review of syllabus
<b>R2. Loss of Licence to operate</b>	Standards failures	Standards do not address matters of public concern	Ongoing review of standards framework to ensure coverage remains appropriate
		Ineffective regulation	Aim to ensure public interest issues and risks are addressed at an early stage. Monitor appropriately effectiveness of regulatory framework. Ensure disciplinary process is effective
	Other outcome failures	Inadequate skills/ knowledge in practice areas	Ensure Practice Boards are effective in supporting members
		Ineffective practising certificates regime	Continue to maintain and promote effective practising certificates regime
	External contagion	Failures of other actuarial bodies	Ensure effective monitoring and active media and stakeholder management
<b>R3. Loss of control over destiny</b>	Severe Governance failure	Ineffective governance framework or oversight	Roll out guidance and training programmes to staff and volunteers and maintain appropriate levels of supervision
	Severe operational failure	Failure of systems to cope with circumstances – Financial, Data, Examinations	Continue to review and refine operational systems and controls. Maintain programme of internal and external reviews of processes

Unacceptable outcome	Risk description	Cause	Mitigating activity
	Competition, e.g. from other actuarial bodies	Perceived better service offering	Ensure the offer remains competitive, is good value and is promoted
		Lack of cooperation	Ensure we engage effectively and respond to changing market conditions
	Breakdown in relationship with key regulatory stakeholders	Weak stakeholder management	Ensure we engage effectively with relevant regulatory stakeholders
		Ineffective regulation	Maintain and monitor appropriate standards of regulation
<b>R4. Insufficient quality of people</b>	Failure to attract best people into the profession (members and staff)	Failure to offer appropriate perceived value to actuaries and/or staff	Promote effective communication with members, the public and educational providers. Maintain competitive reward package for staff
	Failure to engage and keep the best people (members, volunteers and staff)	Provision of ineffective member/volunteer support	Maintain effective communication and engagement. Conduct a volunteer engagement survey to ensure that a volunteer's experience is consistent and meets expectations. Introduce a staff development programme
		Poor staff management and/or reward	Ensure good resource planning, management and remuneration strategies
	Failure to maintain overall quality standards	Failure of educational standards	Continue to maintain effective educational strategies
		Failure of CPD standards	Maintain effective CPD programme and standards
		Ineffective regulation	Continue to maintain effective regulatory strategies
		Ineffective management	Maintain effective overall standards of management

### Audit and Risk Committee

Risk is a major part of the Committee's remit. Please see the earlier section relating to the Committee for further details.

### Management Board

Overall Risk Management activities are delegated by Council to Management Board. Acting on behalf of Council, Management Board has carried out a robust assessment of the Strategic Risks facing the IFoA, including all of those which would impact upon the ability of the IFoA to achieve its Charter objectives or threaten its overall business operations.

Four potential unacceptable outcomes were identified, together with their associated Strategic Risks. These represent the main risks the organisation faced during the year in delivering against the strategic objectives. These translate into the Principal Risks and Uncertainties illustrated in the table on pages 26-27. The Strategic Risks are maintained in the Strategic Risk Register, along with the controls and actions in place. Progress against managing these key risks is monitored through the Chief Executive, Directors and Management Board meetings on a regular basis, and at Audit and Risk Committee on a quarterly basis.

The Risk Management process also captures risks at two other levels, operational risks and project risks.

All Executive staff are responsible for Risk Management in their day-to-day roles. Each business unit is responsible for identifying and managing their own bottom up operational risks on an ongoing basis. These business unit risks form part of directorate risk registers.

The essential linkage between these strands of Risk Management processes is provided by a newly established Central Risk Management Team led by a Head of Risk Management who reports directly to the Director of Finance and Operations.

This team is responsible for providing Risk Management information, advice and guidance to all parts of the IFoA, acting as a “clearing house” for the evaluation of all operational, project and strategic risks and conducting research to identify potential new risks arising from market and other external developments. It is also responsible for ensuring that the ongoing assessment of risks is linked directly with project developments and the Corporate Plan.

## Control functions

Council, through Management Board and Audit and Risk Committee, has oversight responsibility for the systems of internal control and their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can therefore only provide reasonable and not absolute assurance against material misstatement or loss.

Key elements in the system of internal control during the last financial year providing assurance were:

### • Delegation

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

### • Budgets

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

### • Competence

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

### • Gift register

A register of gifts and hospitality is maintained that lists all offers of gifts or hospitality offered to volunteers or members of the Executive by commercial entities.

### • Review

Council, through reports from Management Board and the Audit and Risk Committee, reviews the effectiveness of the IFoA’s system of internal control in operation during the financial year.

In addition, the external auditors, haysmacintyre, and internal auditors, BDO LLP, provide assurances on the effectiveness of internal controls.

## Responsibilities of Council

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

In addition to the statutory accounts, summary financial information is provided on pages 30-31.

Council delegated responsibility to Management Board to select suitable accounting policies and to apply them consistently taking into account the views and advice of the Audit and Risk Committee.

In reviewing the financial statements on behalf of Council, and taking note of the advice of the Audit and Risk Committee, Management Board is satisfied that:

- judgements and estimates are reasonable and prudent;
- applicable accounting standards have been followed; and
- the financial statements have been prepared on a going concern basis.

Council, through the Management Board and the Executive staff, was responsible for ensuring proper accounting records were kept, which disclose the financial position of the IFoA, and for safeguarding the assets of the IFoA by taking reasonable steps to prevent and detect fraud and other irregularities.

## Attendance lists for the financial year 1 March 2014 to 28 February 2015

### Council

COOPER, Deborah	5/5	MACLEOD, Donald	5/5	SILVER, Nick	4/5
COWLING, Charles	4/5	MORGAN, Kathryn	4/5	SLEE, Malcolm	3/3
CROFTS, Helen	2/2	MORRISON, Fiona	5/5	SMEDLEY, Mike	4/5
DAVIES, Helen	4/5	NGWENYA, Marjorie	5/5	STOCKER, Mark	2/2
DICK, Mike	2/2	O'REILLY, Mark	2/3	TOMPKINS, Peter	5/5
ELLIOTT, Marian	2/3	POTTER, Martin	4/5	VARNELL, Elliot	4/5
EVANS, Huw	5/5	REAR, Andrew	2/5	VAUGHAN, Suzanne	5/5
GRANT, Karen	2/3	RUBENSTEIN, Alan	2/5	WATSON, Alan	5/5
GULLAND, David	2/2	RYDEN, Carole	0/5*	WILSON, Colin	4/5
HARE, David	4/5	SALTER, Nick	5/5	WOOD, Gordon	2/2
HIGGINS, Benny	0/5	SCOTT, Philip	0/2	YUAN, Xi Cynthia	3/3
KEMP, Malcolm	2/2	SHEAF, Edwin	5/5	ZHANG, Feifei	3/3
LEE, Patrick	5/5	SHEAF, Simon	4/5		

\* Leave of absence from 1 March 2014 to 28 February 2015

### Management Board

	Position	Attendance: actual/ possible
Alan Whalley	Chair	11/11
Derek Cribb	Chief Executive	11/11
David Hare	President until June 2014	4/4
Ben Kemp	General Counsel	8/11
Memoria Lewis	Membership Director	10/11
Fiona Morrison	President-elect from June 2014	5/6
Martin Potter	Scottish Board Leader	11/11
Alan Rubenstein	Council member	9/11
Nick Salter	President from June 2014	8/11
Simon Sheaf	Council member	7/11
Trevor Watkins	Director of Education	11/11
Philip Scott	President until June 2013	3/4
Simon Sheaf	Council member	10/10
Trevor Watkins	Director of Education	7/10

### Audit and Risk Committee

	Position	Attendance: actual/ possible
Iraj Amiri	Lay	
FCA	Chairman	3/4
Marjorie Ngwenya	Council member	4/4
Irene Robinson	Lay member	4/4
Peter Tompkins	Council member	4/4

Patrick Lee, Council member, attended one Board meeting as an Observer member.

# Accounts

## Consolidated statement of income for the year ended 28 February 2015

	2015		2014	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
<b>Revenue</b>				
Subscriptions and other operating income	12,412	11,239	12,220	11,168
Pre-qualification learning and development	15,578	9,246	14,974	8,274
Post-qualification learning and development	3,493	3,320	3,138	3,138
	<b>31,483</b>	<b>23,805</b>	<b>30,332</b>	<b>22,580</b>
<b>Expenditure</b>				
Employment costs	(9,039)	(9,039)	(8,820)	(8,820)
Other operating charges	(24,189)	(16,540)	(23,210)	(15,611)
	<b>(33,228)</b>	<b>(25,579)</b>	<b>(32,030)</b>	<b>(24,431)</b>
<b>Operating (Loss)/ Profit</b>	<b>(1,745)</b>	<b>(1,774)</b>	<b>(1,698)</b>	<b>(1,851)</b>
Finance and other income	141	136	210	204
<b>(Loss)/Profit before tax</b>	<b>(1,604)</b>	<b>(1,638)</b>	<b>(1,488)</b>	<b>(1,647)</b>
Taxation	(55)	(48)	(77)	(45)
<b>(Loss)/Profit for the year</b>	<b>(1,659)</b>	<b>(1,686)</b>	<b>(1,565)</b>	<b>(1,692)</b>
Amortisation of negative goodwill	-	-	582	-
<b>(Loss)/Profit after taxation and exceptional items</b>	<b>(1,659)</b>	<b>(1,686)</b>	<b>(983)</b>	<b>(1,692)</b>

## Statement of comprehensive income for the year ended 28 February 2015

	2015		2014	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
(Loss)/Profit for the year	(1,659)	(1,686)	(983)	(1,692)
<b>Other Comprehensive Income</b>				
Gain on revaluation of investments	25	25	103	103
Gain on revaluation of historical books	155	155	-	-
Actuarial gain (loss) recognised in the retirement benefits scheme	815	815	(7,564)	(7,564)
Other comprehensive (expenditure) / income for the year net of tax	<b>995</b>	<b>995</b>	<b>(7,461)</b>	<b>(7,461)</b>
Total comprehensive income for the year	<b>(664)</b>	<b>(691)</b>	<b>(8,444)</b>	<b>(9,153)</b>

## Consolidated statement of financial position as at 28 February 2015

	2015		2014	
	Group	IFoA	Group	IFoA
	£000	£000	£000	£000
<b>Non-current assets</b>				
Property, plant and equipment	2,612	2,612	2,093	2,093
Available for sale financial assets	936	936	911	911
Historical assets	1,175	1,175	1,013	1,013
Retirement benefit asset	3,482	3,482	2,889	2,889
	<b>8,205</b>	<b>8,205</b>	<b>6,906</b>	<b>6,906</b>
<b>Current assets</b>				
Inventories	6	6	20	20
Trade and other receivables	3,826	1,820	3,548	1,693
Cash and cash equivalents	18,574	17,118	20,556	19,276
	<b>22,406</b>	<b>18,944</b>	<b>24,124</b>	<b>20,989</b>
<b>Total assets</b>	<b>30,611</b>	<b>27,149</b>	<b>31,030</b>	<b>27,895</b>
<b>Current liabilities</b>				
Trade and other payables	(3,452)	(2,324)	(3,529)	(2,690)
Corporation tax	(41)	(35)	(69)	(38)
Deferred revenue	(10,251)	(8,630)	(10,321)	(8,736)
Deferred rent	(90)	(90)	(104)	(104)
	<b>(13,834)</b>	<b>(11,079)</b>	<b>(14,023)</b>	<b>(11,568)</b>
<b>Non-current liabilities</b>				
Deferred rent	(837)	(837)	(403)	(403)
	<b>(837)</b>	<b>(837)</b>	<b>(403)</b>	<b>(403)</b>
<b>Total liabilities</b>	<b>(14,671)</b>	<b>(11,916)</b>	<b>(14,426)</b>	<b>(11,971)</b>
<b>Net assets</b>	<b>15,940</b>	<b>15,233</b>	<b>16,604</b>	<b>15,924</b>
<b>Reserves</b>				
General fund	14,641	13,934	15,485	14,805
Investment revaluation reserve	1,299	1,299	1,119	1,119
	<b>15,940</b>	<b>15,233</b>	<b>16,604</b>	<b>15,924</b>



Institute  
and Faculty  
of Actuaries

### **London**

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP  
Tel: +44 (0) 20 7632 2100 · Fax: +44 (0) 20 7632 2111

### **Edinburgh**

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA  
Tel: +44 (0) 131 240 1300 · Fax: +44 (0) 131 240 1313

### **Oxford**

1st Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD  
Tel: +44 (0) 1865 268 200 · Fax: +44 (0) 1865 268 211

### **Beijing**

6/F · Tower 2 · Prosper Centre · 5 Guanghai Road · Chaoyang District · Beijing China 100020  
Tel: + 86 (10) 8573 1522

### **Hong Kong**

2202 Tower Two · Lippo Centre · 89 Queensway · Hong Kong  
Tel: +11 (0) 852 2147 9418

### **Singapore**

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024  
Tel: +65 (0) 6717 2955

[www.actuaries.org.uk](http://www.actuaries.org.uk)

© 2015 Institute and Faculty of Actuaries