

INSTITUTE AND FACULTY OF ACTUARIES COUNCIL MEETING

MINUTES

Date: Friday 6 September 2019

Place: Apex Waterloo Hotel, Waterloo Place, Edinburgh

Time: 8.15am – 14.15pm BST

Council Members Present:

John Taylor (President and Chair)

Laura Andrikopoulos	Gilli Engel	Louise Pryor	Perry Thomas
Nico Aspinall	Lee Faulkner	Alan Rae	Kartina Thomson
Kelvin Chamunorwa	Richard Galbraith	Andrew Rear	James Tufts
*Jules Constantinou	Jennifer Hartley	Matt Saker	*Steven Yu
Charles Cowling	Patrick Lee	Malcolm Slee	*Cynthia Yuan
Mahidhara Davangere	*Prosper Matiashe	Paul Sweeting	
Marian Elliott	Bruce Porteous	Tan Suee Chieh	

In Attendance:

Grahame Stott	IFoA, Chair of Management Board
Desmond Hudson	IFoA, Interim Executive Director
*Clifford Friend	IFoA, Director of Engagement and Learning
Ben Kemp	IFoA, General Counsel
Anne Moore	IFoA, Chief Operating Officer
Sarah Sim	IFoA, Director of Markets Development
Annette Spencer	IFoA, Director of Public Affairs and Research
Erik Vynckier	IFoA, Chair of Research and Thought Leadership Board (for item 9 only)
Sarah Mathieson	IFoA, Head of Research and Knowledge (for item 9 only)
*Charles Toomer	IFoA, Chief Risk Officer
Kate Shasha	IFoA, Chief of Staff
James Harrigan	IFoA, Corporate Secretary
Lisa Rivera	IFoA, Assistant Corporate Secretary
Simon Wilson	Strategy Day Facilitator (for item 7 only)

* Joined by telephone/videoconference

CLOSED SESSION

Council Members, along with the Chair of Management Board, Grahame Stott, and the interim Executive Director, Desmond Hudson, held a confidential discussion prior to the meeting.

PART 1 – INTRODUCTION AND PROTOCOLS

1. Welcome and apologies

- 1.1 The President welcomed everyone to the meeting, in particular newly elected members of Council to their first Council meeting.
- 1.2 Apologies were received from Council members Dermot Grenham, Keith Jennings, Kalpana Shah, and Michael Tripp.

2. Registration and declaration of interests

2.1 No declarations of interest were made.

3. Actions from past meetings

3.1 Council noted updates to its action list.

Paper 54 19 noted.

4. Consent agenda

4.1 The President invited Council to note and (by exception) comment on the items in the consent agenda for this meeting:

- Minutes of Council's meetings on 12 and 13 February 2019
- Qualifications Framework Task & Finish group – Update

4.2 The Minutes of Council's meeting on 14 June 2019 were approved. No comments were raised on any consent item.

Paper 67 19 approved; paper 68 19 noted.

5. Death announcements

5.1 Council noted, with regret, those members who had died recently. Alan Rae specifically noted the passing of Raymond Baxter.

Paper 55 19 noted.

6. Ways of Working

6.1 The Chair advised Council that this was a standing item to encourage Council members and other attendees present to be mindful of their conduct and tone throughout the meeting, and to be constructive in all of their contributions.

Paper 56 19 noted.

PART 2 – STRATEGY AND STRATEGY-LINKED DECISIONS

7. Follow-up to Council strategy day on Thursday 5 September

7.1 John Taylor and Tan Suee Chieh introduced a presentation summarising the key points of agreement reached during the discussions at Council's strategy day on 5 September.

7.2 Council was first asked to confirm that the proposed refinements to its guiding principles for progressing its strategic priorities, as discussed during the strategy day, accurately reflected the outcome of those discussions. That approval was given.

7.3 In relation to Council's discussions at its strategy day of each area of strategic priority, Council was asked to confirm that the main points of agreement arising from those discussions (including key next steps) had been accurately captured in the summary presentation. That approval was given.

7.4 Vision, Skillsets, Mindsets and Domains

Council members suggested that the key points of agreement under this topic, as expressed in the presentation, were primarily concerned with members and might usefully also focus on external stakeholders and employers. Concerns were raised in relation to the quality of Continuing Professional Development (CPD) that the IFoA produced and its relevance to the various cohorts in the profession, and in relation to the IFoA's regulation of its members' compliance with CPD requirements. It was agreed that the suggested changes would be considered, and that the issues of CPD and CPD regulation would be reviewed separately.

Subject to these points, Council approved the summary provided.

7.5 Member Value Proposition

Following clarification that the final output of the Member Value Proposition would not be called a Charter (to avoid confusion with the IFoA's Royal Charter), Council approved the summary provided.

7.6 Global Model

Council approved the summary provided but noted that there remained a substantial amount to do to progress the work in this area. It was proposed that a steering committee or similar would provide the coherence necessary to move things forward with pace in this area. It was also highlighted that the Management Board would meet in October for its strategy day, at which (amongst other things) it would look at the plan for the next 12 months, and how related priorities and constraints would be managed most effectively.

7.7 In conclusion of this item, Council expressed its gratitude to Simon Wilson for his facilitation of the strategy day and his input to the follow-up work.

Paper 57 19 approved.

8. Individual Examination Exemptions and Mutual Recognition Agreements

8.1 Ben Kemp introduced the update on individual examination exemptions and Mutual Recognition Agreements (MRAs). He explained that the IFoA was in the process of agreeing refreshed MRAs with other actuarial associations on a body-by-body basis. In response to questions raised by Council members as to the impact of the MRA work on the IFoA's relationship with the Actuarial Association of Europe (AAE), it was explained that the IFoA continued to recognise the AAE's MRA but the AAE had established two taskforces to analyse this MRA and its governance framework.

8.2 After members questioned the communication with UK universities about the suspension of individual examination exemptions, it was agreed that Clifford Friend would ensure there was appropriate communication with UK stakeholders, particularly UK universities, about this.

Action 1 – Clifford Friend

8.3 Ben Kemp then updated Council on the position with an Employment Tribunal case brought against the IFoA by one of its student members, in particular the financial award to the member for those aspects of his claim on which the Tribunal had made findings against the IFoA. In response to concerns raised by Council members, Ben Kemp provided assurance that the risk of further litigation against the IFoA flowing from the outcome of this case was limited due the specific nature of the evidence in that case. Council members acknowledged that the IFoA's decision to cease offering individual

examination exemptions to new student members as of 31 July 2019 (with a transition period put in place until 31 December 2021 for existing student members) had also reduced the IFoA's risk exposure in this area.

- 8.4 Members stressed the need to consider the implications of the MRA reviews and litigation outcome when producing the next iteration of the international strategy. It was pointed out that due to the financial and resource costs allocated to initiating, developing, and then reassessing MRAs, there should be provided to Council a cost/benefit analysis of MRAs.

Action 2 - Ben Kemp

Paper 58 19 noted.

PART 4 - GOVERNANCE

9. Research and Thought Leadership Board (RTLB) – Annual review

- 9.1 Erik Vynckier introduced this item by highlighting the progress made in the area of research and thought leadership in the past year, notably with regard to the work undertaken within the Actuarial Research Centre (ARC) during that period. Erik then outlined three issues for Council's attention.

Future funding of ARC

- 9.2 Erik Vynckier explained that following previous discussion at Council's July 2018 meeting, Council was asked to confirm its continued support for the RTLB to continue a co-funded ARC with a long-term aspiration of £500k per annum funding from the IFoA. This proposal included reducing the IFoA's full financial sponsorship in lieu of a long-term aspiration of procuring at least 50% match funding from suitable external partners.
- 9.3 While Council members expressed broad support for match funding for future research projects, some members emphasised proceeding with caution, given the potential for reputational risk through association with an inappropriate partner. In response, Erik Vynckier advised Council that all potential external partners will continue to be scrutinised, and that any concerns will be raised with Management Board. Erik Vynckier additionally sought to assure Council that in all circumstances, a condition of agreeing collaboration with an external partner will be the partner's clear understanding that the governance of the project will remain under the sole control of the IFoA.
- 9.4 In response to suggestions that the RTLB's research should explore wider fields in order to broaden members' skillsets, such as data science and climate change, members were informed of the RTLB's current wider fields work and that the RTLB tests the application and uptake of each project's findings. In addition, it was pointed out that when the selection panel considers a proposal, it first and foremost assesses the extent it can be applied for actuaries. In response to suggestions for other funding models such as partnering with global organisations such as Actuvision, it was explained that since those organisations charge their members for access to research, Council should consider this option in the context of its Global Model strategy.
- 9.5 In conclusion of discussion on this topic, Council (with two abstentions) agreed to continue support of a co-funded ARC, with a long-term aspiration of max. £500k per annum funding from the IFoA in order to seek match funding.

Composition of RTLB

- 9.6 Council members noted the recently-agreed change to the RTLB's composition and the rationale for that change, and the process that had been followed prior to that change being proposed. Some Council members expressed concern that there needed to be a clear strategic link between what the IFoA's Practice Boards need and the direction of RTLB's work, it was pointed out that this would feed into Council's two strategic priorities, Member Value Proposition and Global Model. In addition, it was noted that RTLB planned to hold biannual deep dives with the Practice Boards.

Prize Awards

- 9.7 Council unanimously agreed to delegate to the RTLB the decision-making authority for awarding the IFoA's Peter Clark Prize and Geoffrey Heywood Prize (best paper prizes).

Paper 59 19 noted and approvals given where requested.

10. Chief Risk Officer's Annual Risk Review and Strategic Update

- 10.1 Charles Toomer introduced this item by emphasising the importance of having a clear Corporate Plan and recommending it be appropriately communicated to all employees in order to best mitigate any planning and implementation risks. Charles noted that both this, and the work on redefining the IFoA's strategy, would eventually require fundamental decisions to be made, and that these decisions would need to be made in recognition of capacity restrictions within the organisation.

- 10.2 Key points arising from the discussion of this item are summarised below:

- It was suggested that future risk reports to Council would benefit from having a greater focus on the risks that the IFoA may face in the future, rather than just those it currently faces, as this would allow for the risk process to be built into the ongoing process of developing a strategy.
- The importance of the climate crisis, and the need for the IFoA to speak out on this directly and educate its members of the impact it will have on their day-to-day work (notably by how it will affect medium- to long-term investments) was underscored. Charles Toomer noted in response that there appeared to be a lack of clear responsibility for drawing together the various strands of this area of risk, and the perceived failure of employers to treat it with appropriate seriousness and priority, made it difficult for actuary employees to speak out on the subject – though the efforts taken to date by the IFoA, including a risk alert and through the Actuary magazine, were noted. The Chair proposed that he would discuss this further outside the meeting with the members concerned, to look at confirming a process for the IFoA's involvement in such matters.

Action 3 – John Taylor, Louise Pryor

- Some Council members questioned the process by which Charles Toomer was able to comment from a risk perspective on other papers presented to Council. Charles sought to give assurance that he had appropriate access to all areas of the organisation, including with regard to development of strategy, but noted that a better process for accessing and understanding the views of the various Corporate and Practice Board chairs would be beneficial. It was noted in response that one of Council members' prime concerns was to be assured that it was receiving its

assurance independent of the Executive. It was proposed that Charles Toomer discuss with the Chair of Management Board how this might best be achieved.

Action 4 – Charles Toomer, Grahame Stott

Paper 60 19 noted.

11. Update from Chair of Management Board

11.1 Grahame Stott, Chair of Management Board, presented an update for Council on (1) recent Management Board activity; (2) progress on implementing the recommendations from Council's Governance Review in 2018; and (3) the IFoA's performance in the current business year against its Corporate Plan and Budget.

11.2 Key points arising from discussion of these updates are summarised below:

- Concerns were raised at the disclosure that, due to a number of unexpected pressures, the budget was expected to be in deficit by year end. Council members were advised that there were three main factors involved: (1) costs of staff transition (2) cost overruns on some budgets; and (3) a fall in revenue driven by both a cap in number of students taking the IFoA's examinations and by a reduction in the level of growth of new admissions. Council was advised that Management Board and the Executive were actively looking at areas of discretionary spend to cut back on, and at other areas of potential savings to address the shortfall.
- Further to the point above regarding the reduced level of membership growth, a number of Council members confirmed that their companies were currently hiring fewer actuaries – a trend reflected in early research carried out by the IFoA to better understand the position. It was highlighted work to liaise with employers of actuaries, in order to better understand the drivers around this issue, was already in the current year's Corporate Plan.
- Concerns were raised about the cap on the number of people taking the IFoA's examinations. It was explained that this was a result of the limitations of the IT platform currently being used for the exams, and which would be used for the September 2019 diet and (potentially) to April 2020 diet also. Council were advised that the IFoA would be moving to a new third-party supplier in 2020, whose capacity greatly exceeded the current supplier – but this would then exacerbate the more fundamental challenge on capacity of exam markers (with this latter challenge being the focus of a new project, to be reported to Management Board in due course).
- It was highlighted that students in (for example) some countries in Africa were occasionally struggling to remit exam fees, or pay subscription renewals, on time because of foreign exchange controls in their country. It was suggested that it would be helpful for the IFoA to have arrangements with banks that could prioritise the payments and ensure they are paid on time – potentially with the assistance of local associations.

Action 5 – Anne Moore

- In response to enquiries about the reasons for IFoA receiving an increasing number of Subject Access Requests (SARs), it was confirmed that this was driven by students using SARs in order to gain access to their exam marks. It was confirmed that a proposal for publishing that information to students from 2020, thus reducing the number of SARs received by potentially 90%, was being worked on. It was

noted that SARs exposed instances of divergence between markers, an issue that is currently under management.

- It was broadly agreed that the IFoA's Corporate Boards needed to be set clearer objectives, with performance against those objectives ideally measured against Key Performance Indicators.
- With the end of Bronwen Curtis's term as independent director on Management Board approaching, a recruitment process to find a replacement had begun. Council recorded their appreciation to Bronwen for her significant contribution.

11.3 Council agreed that the implementation of recommendations from the 2018 Governance and Culture no longer needed to be reported to Council meetings on a routine basis, but that the core issues arising from the review would continue to be taking forward by the Board and the Presidential Team.

Management Board's Effectiveness Review and objectives for 2019/20

11.4 Grahame Stott introduced this paper by providing an overview of MB's progress during the past twelve months against a backdrop of considerable change within the IFoA. It was noted that the results of the Board's effectiveness review surveys emphasised the need for better two-way communication with the IFoA's Corporate and Practice Boards.

11.5 Council members noted the Board's proposed objectives for 2019/20. Grahame Stott clarified for Council that the objective of improving the setting and marking of examinations had been added as it would be a necessary driver for progressing a number of projects and priorities. Council approved the objectives, subject to an amendment to the Board's overarching objective in order to clarify its connection and role in delivering Council's strategy.

11.6 Members expressed concerns at the current pressures on employees, resources, and budgets as reported elsewhere in the meeting. Council members advised Management Board to reprioritise projects as appropriate and consider taking necessary budgetary measures in order to get back on track. Members of the Executive echoed this concern and assured Council that they were directing resources towards areas that would most benefit members and employees.

Papers 61 and 63 19 noted.

Paper 62 19 approved subject to amendments as detailed above.

12. Council's Work Priorities for 2019/20

12.1 The Chair introduced this item, which set out for Council's discussion his proposed areas of priority focus for Council's 2019/20 session. Council agreed those priorities but acknowledged that they may evolve if circumstances – notably the outcome of the Kingman Review – dictate. Council briefly considered what it might be able to do positively influence the outcome of the Kingman Review, but this was acknowledged to be subject to a wide range of potential impacts.

12.2 The Chair noted that the fee structure review included a number of considerations such as international affordability and wider fields. Members discussed prioritising the subscription fees strands and suggested basing it on income levels rather than geographic regions as one of the priorities.

12.3 One Council member emphasised his view that rebranding the IFoA's Associateship qualification as Chartered Actuary should be Council's key focus.

Paper 64 19 noted.

Council's overseas engagement model

12.4 John Taylor introduced this item, which asked Council to consider its current practice of having the majority of Council members travel annually to an international market, both (a) to meet with local members, key stakeholders and influencers and (b) for a meeting of Council to be held whilst in that international market.

12.5 It was agreed that Council should cease holding a meeting abroad, as it was not the most cost-effective way of engaging with members outside of the UK. There was also wide support among Council members for changing the current arrangements for travelling to international markets, given the financial, logistical, and environmental implications. However there was also broad support for continuing to have an active overseas engagement process. A number of suggestions for change/improvement were made:

- Sending smaller groups of members but more frequently on international engagement trips, as this would provide the impact of a group meeting but at a smaller cost (and where Council members frequently work in/engage with an overseas market, to leverage the benefits of the knowledge/working relationships they will have developed there)
- Council members to tell the Executive when they are travelling abroad for work, so that potential opportunities for engagement in the region could be set up during that time
- Utilise the President and the CEO more often for foreign travel, as their potential impact is greater given the additional prestige conferred by their respective roles
- Utilise the Executive more in maintaining relationships and collaborating with international contacts – particularly with the Markets Development Team
- Invite foreign members and representatives from overseas associations to visit the IFoA in the UK
- Any revision should also consider how best to engage with members within the UK.

12.6 In conclusion, Council agreed (with one abstention) that the Executive should prepare for Council's consideration a more targeted, lower expense strategy for overseas travel and engagement as well as Council's annual meeting in Scotland.

Action 6 – Desmond Hudson

Paper 65 19 noted.

13. Council's Forward Agenda

13.1 The Corporate Secretariat was advised to incorporate regular updates on the strategic priorities into the Forward Agenda for the next twelve months. Council members were invited to contact John Taylor or the Corporate Secretariat with further suggested agenda items for Council's next meeting.

Paper 66 19 noted.

14. Review of the Meeting

- 14.1 The Chair invited Council members to share their thoughts on the meeting and suggest areas for future improvement. A number of productive suggestions were made and would be taken forward as appropriate by the Corporate Secretariat.

15. Other Business

Life Conference

- 15.1 In Council members discussed the merits of holding the Life Conference in Dublin, given earlier discussions about the IFoA's need to be mindful of its carbon footprint. It was emphasised in response that the decision had been made on a sound commercial basis.

Equity Release Mortgages

- 15.2 Desmond Hudson informed Council that the IFoA had received further correspondence from two individuals who were challenging the IFoA's Equity Release Mortgages research. He offered to share his response with Council members should they wish to see it.

END.