

**COUNCIL MEETING, INSTITUTE AND FACULTY OF ACTUARIES
MINUTES**

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|--------------------|--|
| Date | 2 June 2016 |
| Start Time | 09:30 |
| Finish Time | 16.30 |
| Place | Stirling Suite, Sheraton Hotel, Edinburgh |

Council Members present:

Fiona Morrison President and Chair

| | |
|--------------------|-----------------|
| Kelvin Chamunorwa | Carole Ryden |
| Deborah Cooper | Nick Salter |
| Jules Constantinou | Edwin Sheaf |
| Charles Cowling | Nick Silver |
| Stephen Cunningham | Malcolm Slee |
| Marian Elliot | Mike Smedley |
| Andrew Hitchcox | Peter Tompkins |
| Keith Jennings | Elliot Varnell |
| Patrick Lee | Suzanne Vaughan |
| Kathryn Morgan | Haijing Wang |
| Marjorie Ngwenya | Colin Wilson |
| Mark O'Reilly* | Cynthia Yuan |
| Martin Potter | Feifei Zhang |
| Louise Pryor | |

* By telephone.

In attendance:

| | | |
|-------------------|--|--------------------|
| Derek Cribb | IFoA, Chief Executive | |
| Clifford Friend | IFoA, Director of Education | |
| Ben Kemp | IFoA, General Counsel | |
| Memoria Lewis* | IFoA, Membership Director | |
| Anne Moore | IFoA, Director of Finance and Operations | |
| Paul Reynolds | IFoA, Director of Public Affairs | |
| Kimberley Russell | IFoA, Corporate Secretary | |
| Alan Whalley | Chair, IFoA Management Board | |
| Iraj Amiri* | Chair, IFoA Audit and Risk Committee | Items 10 – 12 only |
| Tim Birse | Chair, IFoA Education Board | Items 3 – 4 only |
| Kathryn Burton* | haysmacintyre, External Auditor | Items 10 – 12 only |
| Des Hudson | Chair, IFoA Regulation Board | Item 14 only |
| Mike Kilgour | IFoA, CRO and Head of Corporate Planning | Items 9 – 12 only |
| Suzie Lyons | IFoA, Head of Adjudication | Items 7 – 8 only |
| Keith Oliver | Chair, IFoA Disciplinary Board | Items 7 – 8 only |
| Mark Stocker | IFoA Fellow, as Observer | |

PART I – INTRODUCTION AND PROTOCOLS

1. WELCOME AND APOLOGIES

The President welcomed attendees to the second day of the fifth Council meeting of the 2015 – 2016 session. There were apologies from Andrew Rear and Ellen Yang. Martin Potter passed apologies for Agenda Items 9 – 16. The Immediate Past President, Nick Salter, held the proxy for Andrew Rear and Martin Potter (during his absence).

2. REGISTRATION AND DECLARATION OF INTERESTS

Fiona Morrison declared a conflict in respect of Agenda Item 15 with regard to the approval or otherwise of her appointment as forthcoming chair of the Nominations Committee.

PART II - SPECIFIC ITEMS

3. REFRESH OF STRATEGY – EDUCATION

The President welcomed Tim Birse to the meeting.

Clifford Friend highlighted key points arising with regard to the longer term strategy for the IFoA's qualification framework. Council endorsed the proposals set out in Paper 30 16 for a qualifications framework designed to allow the diversification of the IFoA's qualifications into new segments and, as part of a single framework, a relationship between analyst study and specialist learning pathways in both traditional and non-traditional sectors.

Council, accordingly, encouraged the further development of the Certified Actuarial Analyst as a stand-alone qualification and, as previously supported by Council, the repositioning of the Associateship as the primary pathway to qualification as an actuary. Council, however, felt it appropriate that the particular name to be given to the initial exit qualification for professional actuaries be considered further. In addition, Council also felt it important not to overly segment or complicate the qualifications framework.

The rationale for the introduction of the new framework would require careful communication to the membership, employers and the like and, as such, Council agreed that a task-force be established under the Education Board to develop the repositioning of the Associateship (including all change management required to embed the change with employers, learners and the broader profession). Separately, Council also agreed that a second task-force be established under Education Board to explore new modular study pathways to diversify the education offer into non-traditional areas, and to develop approaches to the individual certification of study. Council did so, however, on the basis that both task-forces are broader in their membership than Education Board alone. Some continued form of connectivity or involvement of Council was felt to be important. Equally, the task-forces should maintain a connection with the IFoA's Diversity Steering Group.

It was, accordingly, agreed that further information relative to each task-force would be circulated to members of Council out of meeting.

**Action 1 – C Friend
K Russell**

Paper 30 16 noted and approved.

4. EDUCATION CURRICULUM REVIEW

Tim Birse highlighted key points arising with regard to the review of the IFoA's education curriculum which had been overseen by the Education Board over the course of the previous two years. Council approved – all members present and by proxy having voted in favour – the new curriculum proposed by Education Board which included, but not exclusively so, the introduction of new material to many of the subjects, particularly in relation to data analytics, with the intent of helping actuaries to diversify into wider fields. In doing so, Council noted the implementation timetable particularly the intent that all examinations would be held under the revised exam structure by April 2019. Council, however, also noted the desire for formal consultation on the proposals approved by Council and agreed to delegate to the Education Board the organisation of that consultation, probably by electronic survey, provided the consultation was as wide as possible across representative groups. Council further agreed to delegate to Education Board oversight of the operational implementation of the new curriculum, including approval of transitional arrangements.

Paper 31 16 approved.

5. REFERESH OF STRATEGY – STRATEGY DOCUMENT

Derek Cribb presented a Strategy document (full and abridged) which consolidated the discussions and recommendations provided by Council and others – such as the relevant IFoA boards and committees and taskforce groups – in the previous twelve months into a single document for publication. Council approved – all members of Council present and by proxy voting in favour – the Strategy, subject to further minor amendments, for example to reflect the education strategy as discussed under Agenda Item 3. An updated copy of the Strategy, post amendment, would be circulated to Council prior to its final publication.

Action 2 – K Russell

Council urged the importance of disseminating the Strategy to the wider membership and stakeholders and, accordingly, noted the next step in developing a communications plan and materials. The communication materials would be shared with Council in due course.

**Action 3 – P Reynolds
K Russell**

Paper 32 16 approved, subject to amendment.

Paper 33 16 noted and endorsed.

6. FEEDBACK ON EXTERNAL SPEAKER

Council discussed the presentation provided by Lindsay Smartt, President of the Actuaries Institute (Australia), and David Bell, their Chief Executive Officer, on 1 June 2016.

Council had in particular been struck by the percentage of the Institute's members working in emerging (i.e. non-mainstream) areas, such as data analytics and banking and, accordingly, the value of the actuarial skillset in wider fields. In addition, Council recognised the importance of the IFoA's relationships with its sister organisations and the value in leveraging such relationships and the work of other actuarial associations.

The President formally noted her gratitude to Lindsay and David for their presentation.

7. DISCIPLINARY BOARD

The President welcomed Keith Oliver, recently appointed Chair of the Disciplinary Board (**DB Board**), and Suzie Lyons to the meeting.

Keith provided a high level overview of the Annual Report of the DB Board of the IFoA, year to 31 December 2015 (**Annual Report**). The number of disciplinary cases had remained low but was largely comparable to other actuarial associations. Nevertheless, steps were being taken to meet with, for example, life companies and consultancies to help better understand intra-company complaints practices and processes. Continued efforts were being made to raise awareness of the Disciplinary Scheme, among not only the membership but users of actuarial services. The DB Board continued to monitor closely the timespan of disciplinary cases at each of its meetings. Furthermore, Council noted that a review of the sanctions guidance had commenced.

Council approved the Annual Report for external publication, subject to the correction of a transcription error in the 2015 statistics in Table 3 – Practice area 2010/2015.

Paper 34 16 noted and approved.

8. BYE-LAWS 48 AND 49

Council continued to support the introduction of a distinct Capacity for Membership Scheme which would sit alongside the IFoA's existing Disciplinary Scheme, to give effect to Bye-laws 48 and 49; those Bye-laws giving authority to create a process for the termination, suspension and reinstatement of membership on the grounds of capacity.

Council, however, urged the development of compassionate and proportionate processes. It was, accordingly, felt important that the very distinct nature of any new "capacity" scheme, whether or not the pre-existing general provisions and other infrastructure typically associated with the Disciplinary Scheme are to be utilised in practical terms, is made clear in any member communications.

Paper 35 16 noted and steer provided.

9. KEY ISSUES DISCUSSED BY MANAGEMENT BOARD

The President welcomed Mike Kilgour to the meeting.

Alan Whalley highlighted key issues arising at Management Board (**Board**) since the Council meeting held on 8 and 9 February 2016, which included some of the items now presented to Council such as the Strategy document and the Financial Statements.

More specifically, Alan spoke of the progress made with regard to risk management since July Council, 2015. Mike Kilgour had been appointed as the Chief Risk Officer and much work had been done to embed the IFoA's Risk Management Framework. The reporting of incidents had increased. Two of the four special risk related projects commissioned by the Board over the course of the 2015 – 2016 session had been completed namely (a) development of a Principal Risks and Uncertainties report for inclusion in the IFoA's Annual Report, and (b) clarification of the definitions of No Tolerance, Limited Tolerance and Greater Tolerance as contained in the Risk Appetite Statement. The other two projects namely, (a) estimating the size of the principal Downside Risks of the profession and (b) reverse stress testing, had not yet been completed. Council noted the possibility that the two outstanding projects may not be completed by July (e.g. reliance on volunteer availability etc.).

The extent to which the CRO would attend Council would be considered in due course.

**Action 4 – C Wilson
M Kilgour**

Paper 36 16 noted.

10. FINANCIAL STATEMENTS 2015 - 16

The President welcomed Iraj Amiri and Kathryn Burton to the meeting.

Iraj provided an overview of the purpose of the Audit and Risk Committee (**Committee**) and highlighted key issues arising from his report to Council.

In addition, Iraj expressed his thanks to Peter Tompkins for his significant contribution to the Committee, noting that Peter would retire from the Committee in June.

The following items were in particular noted by Council:

- The Committee had reviewed the Financial Statements and associated documentation for the IFoA, the Memorial Prize Fund (**MPF**), the Memorial Education and Research Fund (**MERF**) and the Faculty of Actuaries in Scotland Charitable Trust (**Faculty Fund**). The Committee had been satisfied that the IFoA had complied with its requirements and the presentations for each were fair. The post year end reporting timetable had run smoothly.
- The Committee had identified three potentially sensitive matters namely, (a) the loss for the year of £1.3m, (b) the prior adjustment and the circumstances giving rise to it, and (c) the Chief Executive's remuneration. Further explanatory text had since been added to the Financial Statements to clarify these matters.
- The Committee was satisfied that efforts had been made in the prior twelve months to make more active use of each of the charitable trusts' funds, albeit some awards had remained uncollected. The use of the trust funds would also be a matter for consideration at a forthcoming Board meeting.
- The Committee was satisfied that the Board had adequately listened to, and considered, issues highlighted by the Committee.

In addition, Alan Whalley clarified that the Board were also content that the Financial Statements were complete and suitable for approval by Council and publication to members. Council unanimously approved the Financial Statements for the IFoA, MPF, MERF and the Faculty Fund and that the IFoA's Financial Statements for the IFoA were to be signed by the President and the Chief Executive. It was agreed that the Financial Statements for each of the Trust Funds would be signed by the Chief Executive only.

In discussion, a member of Council queried how the Executive would feel should there be a request to publish the expense claims of senior employees (including the Chief Executive), and accordingly, sought clarification on the robustness of the IFoA's expenses policy. Assurances were provided as to the robustness of the expenses processes. In addition, Kathryn Burton updated Council with regard to the forthcoming requirement for employers to report to HM Revenue & Customs details of any benefits in kind and expense payment paid for on behalf of its employees.

Council agreed to delegate responsibility to the Board for signing and providing the auditors with the respective Letters of Representation. In doing so, Alan Whalley reminded members of Council of the terms of the Letters, particularly paragraph 6 with regard to related party disclosures. No disclosures other than those already recorded were made.

The President thanked Iraj and Kathryn for their work over the prior year and for their attendance at the meeting.

Papers 37 16 and 38 16 noted.

Papers 39 16, 40 16, 41 16 and 42 16 approved (i.e. Financial Statements).

11. ANNUAL REPORT

Subject to any minor amendments circulated to Memoria Lewis immediately following the Council meeting, Council approved for publication the Annual Report for 2015 – 2016.

Paper 43 16 approved.

12. CORPORATE GOVERNANCE STATEMENT

Subject to final amendments, including those passed to the Corporate Secretary out of meeting by the President and Alan Whalley, Council approved the Corporate Governance Statement for the Annual Report. In doing so, however, Council noted the relatively low level of attendance by some members of Council throughout the session. While a number of factors had influenced attendance, Council suggested that the President review attendance biannually. In addition, steps would be taken in 2017 to consider how best to record the contribution of members of Council as part of the Corporate Governance Statement on the basis that the role of, and activities undertaken by, a member of Council goes further than simple attendance at meetings.

Action 5 – K Russell

Paper 44 16 approved, subject to amendment.

13. SUBSCRIPTION RATES FOR 2016 - 2017

Anne Moore highlighted key points arising. It was now recommended by the Board to Council that the subscription rate was increased from £700 to £710, representing an increase of marginally over 1.4%. This recommendation was made on the basis of the five year plan having included an annual inflationary increase of 1.5% to the subscription fee. No further increases with regard to examination fees had been assumed in the five year plan until 2017, albeit a review of the examination fee structure could be required as a result of the new education strategy. It was noted that the increase was lower than that which would require a member vote (RPI plus 1%). It was also noted that, while a programme of operational efficiency assessments had commenced, any efficiencies would not likely go sufficiently far to alter the working assumption for annual subscription fee increases.

By a unanimous vote, Council approved that the subscription rate for 2016 – 2017 be increased in accordance with the recommendation – all Council members present and by proxy having voted in favour.

Separately, Council approved that the practicing certificate fee be increased from £860 to £870 – all Council members present and by proxy having voted in favour. In doing so,

Council noted that the practicing certificate fee had remained unchanged since 2010. This had represented a reduction of 15% in real terms against RPI.

Paper 45 16 approved.

14. FUTURE OF ACTUARIAL REGULATION

This agenda item would be minuted separately as a confidential item of these minutes.

Paper 46 16 noted.

15. REPORT FROM THE NOMINATIONS COMMITTEE

Council noted a report from the Nominations Committee summarising the salient points arising since the last report dated 8 February 2016. More specifically, Council were pleased to see the record level of engagement by the membership with the 2016 Council Elections, albeit were disappointed by the low number of female candidates. Council further acknowledged that the involvement of a third party validator in the presidential selection process for 2016 represented the beginning of a wider succession planning process, in helping the IFoA identify and develop potential future candidates.

Council approved the recommendation that Fiona Morrison be appointed as the chair of the Nominations Committee, with effect from the date of the 2016 Annual General Meeting (23 June) until the date of the AGM in 2017. All members of Council present and by proxy, with the exception of Fiona Morrison who abstained, voted in favour.

Paper 47 16 noted.

16. COUNCIL EFFECTIVENESS REVIEW

Council continued to recognise and support the need to review its own effectiveness annually and agreed it would be appropriate to carry out a quantitative self-assessment process by way of two separate surveys as per the process undertaken in 2015. An additional question relative to behaviours would be included. Key stakeholders would be asked to complete a written survey that would rate the performance of Council, using pre-defined measures of effectiveness and set questions.

Action 6 – K Russell

The President encouraged all members of Council to participate in the survey.

Paper 48 16 approved.

PART III - GOVERNANCE

17. DRAFT MINUTES

The draft minutes of the Council meetings held on 8 and 9 February and 8 April, all 2016, were approved.

Papers 49 16, 50 16, 51 16 and 52 16 approved.

18. ITEMS APPROVED BETWEEN MEETINGS

Two items had been approved by Council between meetings (i.e. since the Council meeting held on 8 and 9 February 2016) as undernoted:

Appointments to the Research and Thought Leadership Committee (RTLTC)

Council had been asked to approve the recommendation of the RTLTC and the Board that Dr Torsten Kleinow, Grigory Spivak, Carole Ryden and Professor Andrew Cairns be appointed to the Committee. Each of the four appointments had been approved by means of a majority vote, as follows:

Twenty members of Council had voted in favour with regard to the appointments of Dr Kleinow, Grigory Spivak and Professor Andrew Cairns, with immediate effect for a three year term. There had been no votes against and no abstentions.

Nineteen members of Council had voted in favour with regard to the appointment of Carole Ryden, with immediate effect until her tenure as a member of the Scottish Board came to an end. There had been no votes against and one abstention (Carole Ryden).

Amendment to RTLTC Terms of Reference

Twenty members of Council had voted in favour to amend the Terms of Reference for the RTLTC. There had been no votes against and no abstentions.

19. ACTION LIST

The actions included on the action list were noted.

Paper 53 16 noted.

20. FUTURE AGENDA

The items included on the future agenda were noted. The schedule of forthcoming events had been a helpful addition. In addition, Council felt the publicity to the membership, in some way, of forthcoming topics for the Council agenda would be useful.

Action 7 – K Russell

Paper 54 16 noted.

PART IV – BRIEFING PAPERS

21. DIVERSITY

Council noted the significant work taken forward by the Diversity Steering Group throughout 2015 – 16 under each of the three diversity pillars namely, diversity within our membership; diversity of the actuarial skillset; and diversifying into new areas of work. In particular, Council noted the launch of web pages to highlight the three pillars, provide resource tools, access to recorded events and profiles of members. Moreover, Council noted the development and publication of a Diversity Strategy for the IFoA and of the 2016 – 17 Diversity Action Plan. Nick Salter, who had championed Diversity from the beginning of his presidential term, expressed his thanks and gratitude to the Executive and encouraged all to continue to embed diversity across the IFoA's work.

Paper 55 16 noted.

22. COUNCIL COMPOSITION PROJECT

Council noted the report which set out, in high level terms, the status of the project to consider the composition of Council and some initial trends identified by benchmarking other Royal Chartered bodies. In particular, Council noted the intent to establish a Council task-force to assist with the project.

Council noted the number of potential volunteering roles available to members of Council, whether by task-force or, more formally, a vacant board or committee position. A note of all potential available positions would be circulated to all of Council.

Action 8 – K Russell

Paper 56 16 noted.

23. DEATH ANNOUNCEMENTS

Particular tribute was paid to Mr David Munro, who died on 16 April 2016 aged 87 years. Council noted, with regret, the names of the other members who had died in recent months and questioned what, if any, steps should be taken by Council to formally acknowledge deaths of members. The possibility of a letter from the President was discussed.

**Action 9 – K Russell
Presidential team**

Council also welcomed notification of deaths at more frequent intervals.

Paper 57 16 noted.

PART V – ANY OTHER BUSINESS

- 24.** Colin Wilson spoke of the intent that the IFoA enter into a Memorandum of Understanding with the Insurance Asset Management Association of China. The MoU would be circulated to Council for approval out of meeting.

**Action 10 – B Kemp
K Russell**

The President thanked the Council members retiring from Council on their contribution to Council over their tenure. The President also spoke extremely positively of the efforts of Council and the work undertaken during her tenure as President, particularly in terms of the refresh of the IFoA's strategy and Council member's participation in Council meetings. The President expressed particular thanks to Nick Salter, Immediate Past President. The President expressed confidence in the future as she passes the Chair to Colin Wilson who would take up his tenure as president from the AGM on 23 June. The President-elect expressed, on behalf of Council, thanks to the President for all that she had done during her tenure.

25. NEXT MEETING

The next meeting of the Council would be held on 20 July, 2016, at Staple Inn Hall, London, preceded by an external presentation and dinner on the evening of 19 July. An induction for new Council members would also be held on afternoon of 19 July. The induction and other meetings on 19 July would also be held at Staple Inn, London.

Schedule of Actions

| Item | Action | Member | When |
|------|--------|--|--------------|
| 3 | 1 | Clifford Friend Kimberley Russell | 30 June 2016 |
| 5 | 2 | Kimberley Russell | 23 June 2016 |
| 5 | 3 | Paul Reynolds Kimberley Russell | 20 July 2016 |
| 9 | 4 | Colin Wilson Mike Kilgour | 20 July 2016 |
| 12 | 5 | Kimberley Russell | May 2017 |
| 16 | 6 | Kimberley Russell | 20 July 2016 |
| 20 | 7 | Kimberley Russell | 20 July 2016 |
| 22 | 8 | Kimberley Russell | 30 June 2016 |
| 23 | 9 | Kimberley Russell Presidential team | 20 July 2016 |
| 24 | 10 | Ben Kemp Kimberley Russell | 16 June 2016 |