



INSTITUTE AND FACULTY OF ACTUARIES COUNCIL MEETING

APPROVED MINUTES

Date: 18 July 2018

Time: 08:30-16:30 BST

Place: MacDonald Holyrood Hotel, Edinburgh

Council Members Present

Jules Constantinou (President and Chair)			
Nico Aspinall	Dermot Grenham	Edwin Sheaf	James Tufts
Chantal Bray	Andrew Slater	Matt Saker	Charles Cowling
Kelvin Chamunorwa*	Keith Jennings	Malcolm Slee	Alan Watson
Laura Andrikopoulos	Marjorie Ngwenya	Paul Sweeting*	Richard Galbraith
Marion Elliott	Bruce Porteous	Tan Suee Chieh	
Colum D'Auria	Louise Pryor	John Taylor	
Lee Faulkner	Alan Rae	Michael Tripp	

* by telephone

In Attendance

Derek Cribb	IFoA, Chief Executive
Anne Moore	IFoA, Chief Operating Officer
Clifford Friend	IFoA, Director of Engagement and Learning
Emma Gilpin	IFoA, Senior Regulatory Lawyer
Sarah Mathieson	IFoA, Head of Research & Knowledge (Item 13 only)
Sarah Sim	IFoA, Director of Markets Development
Annette Spencer	IFoA, Director of Public Affairs and Research
Alan Whalley	Chair, IFoA Management Board
Marc Cross	IFoA, Chair of Research and Thought Leadership Board (Item 13 only)
Peter Shearer	IFoA, Corporate Governance Consultant (minutes)
James Harrigan	IFoA, Assistant Corporate Secretary

CLOSED SESSION OF COUNCIL

Members of Council only held a confidential discussion prior to the meeting.

PART 1 – INTRODUCTION AND PROTOCOLS

1. Introduction and Apologies

- 1.1 The President welcomed attendees to the meeting especially Laura Andrikopoulos, Richard Galbraith and James Tufts who were attending their first meeting as members of Council. He welcomed back onto Council Charles Cowling and Marian Elliott and congratulated Kelvin Chamunorwa, Keith Jennings and Louise Pryor on their re-election for a second term. He also welcomed Emma Gilpin, who was standing in for Ben Kemp

(General Counsel) who sent his apologies. Apologies were also received from Council members Hilary Salt, Perry Thomas and Kartina Thomson.

- 1.2 The Chair thanked Marjorie Ngwenya for steering Council through the previous 12 months under her presidency – this was met with warm applause.
- 1.3 The President recognised that this Council meeting would be somewhat different to usual. He explained that the overall intention of the meeting was to set the scene for new and existing members, and give members an idea of what they need to be thinking about over the next 12 months, and from there to identify what Council's objectives for the year should be.

2. Registration and Declaration of Interests

- 2.1 A declaration of interests was made by Marjorie Ngwenya in relation to the Nominations Committee report (Item 22)

PART 2 – WELCOME TO NEW MEMBERS / SETTING THE SCENE

3. Roles of Council, Management Board and the Executive, and reporting lines.

- 3.1 Alan Whalley gave an overview of the role of Council, Management Board and the Executive and their reporting lines.

Paper 41 18 noted.

4. IFoA's 2016 Strategy

- 4.1 Derek Cribb outlined the current 2016 strategy comparing it with the 2006 and 2011 strategies and developments and progress made since then.

Paper 42 18 noted.

5. Overview of IFoA's Corporate Boards: responsibilities and goals

- 5.1 Alan Whalley gave an outline of the key responsibilities and goals of the Corporate Boards.

Paper 43 18 noted.

6. Role of the Council on IFoA's (Corporate) Boards: the Cabinet system

- 6.1 The President thanked members for completing the survey regarding their availability and interest in serving on the various Boards and Committees and he stressed the need for Council members to be ambassadors for the IFoA. If members were attending Conferences then he would welcome them taking the opportunity to speak on behalf of IFoA Council and the organisation as this should not just be the domain of the President alone. If members wished to change the preferences indicated in the survey, following the Board meeting they should contact the Corporate Secretariat.
- 6.2 The President outlined his vision for a cabinet system and Council members taking an active and broader role in the various aspects of the IFOA.

Paper 44 18 noted.

7. Other Boards and Committees: Disciplinary Board, Audit & Risk Committee, Nominations Committee, Remuneration Committee

7.1 Alan Whalley outlined the role of other Boards and Committees such as the Disciplinary Board, Audit and Risk Committee, Nominations Committee and Remuneration sub-Committee.

Paper 45 18 noted.

8. Concluding Remarks and Discussion

8.1 During discussion members were reminded that while Council delegates its powers to other Boards, Committees and individuals, it remains the responsible body and it was confirmed that Council members are insured against being sued if they have acted in good faith, not fraudulently or knowingly illegally. It was agreed that Ben Kemp's paper on the legal responsibility of Council and Management Board, which was produced in 2013, would benefit from being refreshed to reflect changes since then, though the note remained largely accurate.

Action 1 – Ben Kemp

8.2 It was asked at what point in the past the IFoA became an international body in its own right rather than supporting the establishment of other professional bodies around the world and then withdrawing. This change was welcome and understandable given the history of the IFoA. It was recognised that the IFoA needed to give an appropriate weighting in its activities to its international dimension throughout the organisation while recognising it is still currently a predominately UK-focused organisation. One of the issues to be grappled with is how the organisation effectively engages with, and draws members in, both in the UK and overseas.

8.3 The issue of subscription levels was raised and the question of what value members gained from the IFoA brand.

8.4 In answer to a question as to whether IFoA should take a position on issues or be a representative body for the members, given the danger of upsetting various constituencies within the IFoA and/or external bodies if a position was taken, it was stated that it would depend on the issue being considered and it would not be possible to please all the people all the time. The question was posed as to whether the IFoA was a leadership organisation or a following organisation and whether it needed to push forward to be a leadership organisation.

8.5 In relation to the strategy it was asked how the objectives of the strategy were translated into the strategic actions, i.e. what assumptions were made to determine the actions which flow from the strategy statement? It was agreed that this matter would be considered at the October strategy day. It was suggested that the Chairs of the Corporate and Practice Boards may be asked how their outcomes contribute to the overall strategy objectives. Chairs of Corporate and Practice Boards will be meeting with Management Board in September to consider this. Council was reminded that during 2017 a major review of the Boards took place and those changes are currently bedding in – so inevitably there is some uncertainty around the roles and outcomes of Boards currently.

8.6 The President thanked everyone for their contribution to a wide ranging discussion on the above. The Council touched upon matters such as the international dimension of the work;

the pace of change; subscription levels and member engagement; Corporate and Practice Boards; and the IFoA Brand.

PART 3 – UPDATE ON ANNUAL PROCESS ITEMS

9. Corporate Plan 2018/19, and Council dependencies

- 9.1 Anne Moore presented the update on the Corporate Plan and emphasised that the construction of the Plan is both a bottom-up and top-down process. She explained how it was structured around three cross-cutting issues rather than the five strategic objectives and conceded that this may have led to some line of sight to strategy being lost as a result. This was a matter to be considered in developing the Plan for 2019/20.
- 9.2 Council was advised that a review of the IFoA's operational structure would need to begin soon, as the leases on its properties will expire in five years' time and any fundamental changes would require a long lead-in time. This would require input from Council in due course.
- 9.3 Council was advised that the Key Performance Indicators in the Plan are intended to give an indication of the overall health of the organisation and progress against the delivery of the strategy. An update on performance in Q1 was presented – it was noted that most indicators were green because they are measured annually and there is currently no reason to suspect they are off track, and that the red status of the measure regarding staffing of the Markets Development Directorate was a matter of timing, rather than being indicative of a more fundamental issue.
- 9.4 Council noted the report, and agreed that the Plan is an important document and that it should come back to Council on a regular basis. The CEO asked each Council member to consider the priorities for the organisation's progress over the next 12 months and to feed it back as input into the KPIs for the development of the 2019/20 Corporate Plan.

Action 2 – Council

- 9.5 A question was raised regarding the monitoring of the Corporate Plan and it was noted that it is considered by Management Board quarterly and escalated to Council by exception.

Paper 46 18 noted.

10. Annual Budget 2018/19 and progress report

- 10.1 Anne Moore presented the Budget which is developed in conjunction with the annual Corporate Plan but it is considered in the context of a 5-year timeframe.
- 10.2 Having made her presentation Anne Moore asked Council for feedback regarding whether the balance of the budget is right. A variety of suggestions were made and it was noted that over the period there would be a healthy surplus created. Owing to VAT issues we could not make an ongoing surplus year on year for exam and events fees but specialist tax advice is being sought on this and will be reported back.
- 10.3 The differential in subscriptions between Associates and Fellows was noted and it was confirmed there is no cross-subsidy between income streams.

- 10.4 It was confirmed that the IFoA maintains reserves as calculated per its Reserves Policy in order to deal with any crisis but this reserve is kept at an adequate but minimum level.
- 10.5 It was agreed that consideration should be given to optional levels of the subscriptions to fund a variety of activities such as research. As previously agreed, any paper to Council on this matter should provide options related to the cost base (for example, how a 20% reduction in subscription fees would affect other areas of the IFoA's work).

Paper 47 18 noted.

11. Annual Risk Review

- 11.1 Anne Moore presented the Annual Risk Review, which had been written by the former Chief Risk Officer prior to his departure and updated subsequently. It was highlighted that the IFoA's risk framework had recently been approved by the Management Board with minor changes and was considered to be fundamentally sound, though it was noted that a new Chief Risk Officer once appointed may wish to review the framework further. Council was invited to make any comments on the framework after the meeting, and Council was informed that the IFoA's strategic risk register would be presented at its October meeting as it was currently in the process of being refreshed.
- 11.2 Council was advised that the IFoA's internal auditors are looking into a recent overpayment to exam setters, to determine if this has ever happened before. It was confirmed that the overpayment was identified by the IFoA and recouped in full, and measures have already been implemented to prevent a reoccurrence.

Paper 48 18 noted.

PART 4 – GOVERNANCE (PART 1)

12. Deep dive: Research and Thought Leadership Board

- 12.1 The President welcomed Mark Cross and Sarah Mathieson to the meeting. Mark began by noting that he would step down from being Chair of the Research and Thought Leadership Board (RTLB) in the coming months and thanked the Council for the opportunity which he had enjoyed, adding that he had been impressed by the voluntary input into the research functions of the IFoA during his time as Chair of RTLB. Council paid tribute to Mark for the contribution he had made.
- 12.2 Mark Cross and Annette Spencer framed the issues for Council's consideration as:
- how we might structure funding models going forward – in particular, how to get external funding; and
 - what an appropriate level of IFoA funding/underwriting would be going forward – noting that the £1m p.a. of funding provided so far is high, but necessary in the context of looking to establish our fundamentals/reputation.

On the second point it was suggested that funding in the region of £500,000 p.a. be approved. Council were invited to offer guidance on the issue and it was confirmed that only a directional steer was required at this time, with something more definitive being brought back to Council next year on the basis of that steer.

- 12.3 A discussion took place regarding an appropriate contribution that the IFoA should make to research. A variety of options were considered – employers, subscriptions, whether the members' contribution should be optional.
- 12.4 While there was a variety of views about levels of funding required it was felt there was a need for RTLB to prove its credibility and impact in terms of research projects currently underway, particularly to the overseas membership, before IFoA should consider a review of its contribution to research. There was also a query about the 90+ working parties and whether their cost might outweigh their benefit, and a concern that the bottom-up identification of research topics lacked coherence and would not be consistent with any intention from the IFoA to be a leadership organisation.
- 12.5 In answer to a question to Mark Cross about where he would take RTLB if he were staying on as Chair, he reflected that the research programme would require an input of approximately £1.5–£2 million a year but this funding might come from a variety of sources including, for example, the public sector and commercial companies. Such joint ventures with the commercial sector could provide them with a 'first to market' advantage over their competitors of about 2-3 years. It was agreed such a venture takes time to gain credibility.
- 12.6 Mark Cross advised Council that the implementation of such a plan is one of wide consultation on the question of the challenges being faced by the industry or specific partner company and the development of research which meet those needs.
- 12.7 In conclusion the two issues that Annette would take away were: (a) the 'what' of Research and Thought Leadership and (b) the composition of the Board. On the former, how does the research subject matter support the IFoA strategy and how we get to where we want to be as a professional body, and on the latter, noting concerns raised by Council, that the composition of the Board was not best placed to redirect the focus of the Board from older, more traditional areas of research to areas that will help actuaries equip themselves for future challenges.

Paper 49 18 noted.

PART 5 – SPECIAL PROJECTS

13. Kingman Review Consultation

- 13.1 Derek Cribb introduced this item and highlighted that the IFoA has formed a steering committee to deal with this consultation – comprised of Policy and Public Affairs Board, Regulation Board and Council members, and jointly chaired by Annette Spencer and Ben Kemp. He reported that the Kingman review had no axe to grind regarding the regulation of IFoA per se.
- 13.2 Annette Spencer reported that the steering group is currently meeting on a weekly basis up to the close of consultation on 6th August and focusing on a draft consultation response, a short broad position paper, and a scenario paper of options. Following the end of consultation further work is expected to begin and is expected to last some months if not years. The opportunity for the IFoA is the possible placing of technical standard setting under one roof with the IFoA, to complement the regulation and ethical standards we currently excel in as an ideal situation within the public interest.

- 13.3 It was recognised however that the Kingman review presented a potential threat to the IFoA: the Financial Reporting Council (or any successor body, should be FRC itself be closed) could be given more oversight or ultimately we may lose our self-regulation status.
- 13.4 It was agreed that in order to make the most of the opportunity there is a need for the IFoA to be on the front foot if we want to take on, for example, more regulation and to demonstrate competency and good practice.
- 13.5 It was noted that the steering group consists of John Taylor, Jane Curtis, Matt Saker, Alan Watson, Hilary Salt, Malcolm Slee, Perry Thomas, Ben Kemp, Derek Cribb, Des Hudson, Emma Gilpin, Annette Spencer and Henry Thompson.
- 13.6 An update on the Kingman review would be presented at Council's meeting in October.

Paper 50 18 noted.

14. Monitoring

- 14.1 Emma Gilpin introduced this item regarding monitoring of actuarial work while recognising it is dependent on the outcome of the Kingman review.
- 14.2 Concern was expressed about the amount of regulation and monitoring that actuaries currently have to endure – particularly those who hold practising certificates who are already paying more than other members for this privilege. It was argued that the cost of this monitoring should not only fall on those who hold Practising Certificates already.
- 14.3 In response to a query about the scope of the monitoring regime, it was confirmed that while there would be no geographical dimension to the consultation, the Practising Certificate regime was currently only operational in the UK – but thematic reviews could cover anywhere that IFoA members' work.
- 14.4 It was felt that as a Practising Certificate review was currently underway the timing of the monitoring project should be tied into this, as one of the dangers of increasing fees for monitoring was that it may be a critical issue in individuals deciding to cease to be members of the IFoA. It was also suggested that the monitoring regime should be focused on those areas where the IFoA's reputation matters most.
- 14.5 It was agreed that the feedback on this item should be fed into the consultation and fed back to the Regulation Board.

Action 3 – Emma Gilpin

Paper 51 18 noted.

15. Chartered Actuary

- 15.1 Charles Cowling introduced this item and briefly explained the history of the Chartered Actuary designation to date. It was explained that the intended proposal for the IFoA membership was a single issue this time around: that the IFoA Associateship member grade should be rebranded as Chartered Actuary (CAct). Council was asked what it wished to see at its October meeting in order to reach a decision on going to a membership vote on the issue.
- 15.2 Council was largely supportive of this initiative and suggested there was a need for members of Council to champion this with their contacts, based on a clear communication

and engagement plan to ensure a successful outcome – Annette Spencer offered the services of the Communications team to assist with this which was welcomed. It was also recognised that the IFoA and Council members needed to strike the appropriate balance between getting their message across and hearing what members have to say, by diligently listening to feedback and taking it fully into consideration.

- 15.3 Concerns were raised that the IFoA had not, to date, articulated a compelling and inspiring reason for making this proposed change whilst ensuring that its Fellows are taken care of. It was suggested that this proposal is tied to the wider strategic issue of the future of actuaries/the actuarial profession. It was also suggested that a membership vote should not be risked if the likelihood of losing it was too significant, as the IFoA would consequently lose the opportunity to revisit the issue for at least a few years.

Paper 52 18 noted.

17. Project Rainbow

- 17.1 Chantal Bray introduced this item and explained the background to the project group. Chantal confirmed that the project group (now 'Rainbow 2') had made progress towards implementing the group's recommendations as agreed by Council at its meeting in May. Council was asked to approve Rainbow 2 to continue its work: this was agreed by majority but with acknowledgement that this, like any project, needed an end date – it was suggested that this work be considered business as usual from Council's meeting in October. Council was also asked to give feedback on the proposed template for Council papers – it was agreed that this would be implemented on a trial basis.
- 17.2 In response to a question regarding a recommendation from the Rainbow team for one-to-one meetings with the President, the President-elect shared the intention to allocate Council members to each of the three Presidents to facilitate this exercise. This would not in any way preclude any member of Council having discussions with any of the Presidents at any time. The President-elect would share the proposed allocation following this meeting.

Action 4: President-elect

- 17.3 New members were sought for the Rainbow 2 group – Laura Andrikopoulos volunteered to do so.

Paper 53 18 noted.

18. Data Science

- 18.1 Derek Cribb and Michael Tripp introduced this item and updated Council on the progress made in this area. Feedback from Council was welcome and it was confirmed that Council's views on the subject, as expressed at its meeting in January 2018, would be incorporated into the work to take this matter forward.

Paper 54 18 noted.

19. Council Reviews

- 19.1 Marjorie Ngwenya provided a brief update on Council's reviews and explained that:

- The intention of the *governance* review was to look at how the existing arrangements were currently operating in practice, and was not intended as an extensive overhaul of those arrangements; and
- The *culture* review was intended as a ‘temperature check’ and a forward view on setting tone and culture.

19.2 Marjorie advised that the Terms of Reference for these reviews would be shared with Council and the Executive for comment, and that she expected to be in a position to provide a more substantive update at Council’s meeting in October.

19.3 The reviews would take into account the work undertaken by the Rainbow project team. A Council member contended that the work being undertaken by the Rainbow group, as related to these reviews, dealt with the symptoms but not the underlying causes of the issues it had identified, and that the underlying causes needed to be dealt with. This was noted and will be addressed as part of the reviews.

Paper 55 18 noted.

20. Member Value Proposition

20.1 Anne Moore introduced this item and reported that a sub-group has been established but is at an early stage – the purpose of the project is not just a marketing exercise but rather is to find out what members value from us; a similar exercise was undertaken in 2014 but only amongst the 400 Club not the wider membership. It will help to determine priorities and fee structure and external consultants will be used to conduct the research. A high level time-line is being constructed and the project is expected to take place over six months. Following a range of broadly supportive comments it was agreed that reports will be brought to a future meeting.

20.2 Comments included: -

- the need to speak to those who had or were thinking of resigning from the IFoA to find out why;
- what members value now and what would they like to see in the future;
- the need to direct those who are thinking of leaving to Council members;
- how many students who pass their exams do not go on to join the IFoA;
- the need for diversity throughout the IFoA; and
- a compelling argument for the value of spending £750 on IFoA membership .

20.3 Anne thanked members for their comments and said they would help in developing the consultants’ brief.

Paper 56 18 noted.

PART 6 – GOVERNANCE (PART 2)

21. Current and upcoming vacancies on IFoA Boards and Committees (report from Nominations Committee)

21.1 Council unanimously approved to appoint Marjorie Ngwenya, in her capacity as Immediate Past President, as Chair of the Nominations Committee.

21.2 It was reported that the Chair of Management Board would shortly become vacant. Council members were invited to contact Marjorie if they have strong views regarding whether the Chair of Management Board should be a lay person or an actuary. Alan Whalley reported that the interview panel for the vacant Audit and Risk Chair vacancy had debated this matter and in order to get the best possible candidate its view was that the chair does not necessarily need to be an actuary.

Action 5 - Council

21.3 Council considered the appointment of the Chair of the Audit and Risk Committee and agreed unanimously to the appointment of Trevor Spires. It was confirmed that diversity considerations were kept in mind during the recruitment process but the principle of appointing the best candidate for the job prevailed.

21.4 It was confirmed that members of the IFoA's Scottish constituency can switch to the General constituency (and vice-versa, subject to meeting the relevant criteria as set out in the IFoA's constitution), in order to seek election to Council in the other constituency – but the deadline for switching is the date on which the window for nominations to Council opens.

21.5 It was confirmed that recommendations for Council member vacancies on IFoA Committees and Boards will be made for Council to consider and (if content) approve as soon as the Nominations Committee holds its next meeting, which was provisionally scheduled for early August.

21.6 Nominations Committee will also consider how best to take forward the Council Composition project and also the production of an information video for anyone wanting to stand for election to Council.

Action 6 – Nominations Committee

Paper 57 18 approved.

22. Council Effectiveness Review and Objectives for 2018/19

22.1 It was noted there had been a poor response to the survey which had been circulated. Some members were unable to recall whether they had taken part or not or had not done so – targeted reminders would be helpful and if not successful a list of those not taking part in future will be circulated. It was agreed that having a shorter survey would be preferable and that having a 'what was good about this meeting' review at the end of each Council meeting may also be helpful.

22.2 Some Council members expressed concern at the lower scores Council received in the survey completed by Board and Committee Chairs and the Executive, in respect of how effectively Council was achieving its objectives (to drive the mission, vision, and values of the IFoA by setting strategic direction) in the areas of (a) Learned Society and Thought Leadership, and (b) Regulation. It was agreed that further context was required to better understand the lower scores in those areas.

Action 7 – Corporate Secretariat

22.3 The President suggested a number of Council members should meet to discuss future Council efficiency surveys. Marjorie Ngwenya, Chantal Bray and Michael Tripp (and subsequent, to the meeting, Laura Andrikopoulos) volunteered for this.

Paper 58 18 noted.

23. Honorary Fellows and Medals Approval

- 23.1 This paper was withdrawn to allow further scrutiny and vetting of proposed Honorary Fellows and will be dealt with by email or at a future meeting. The new list should include who nominated individuals to become Honorary Fellows.

Action 8 – Annette Spencer

Paper 59 18 withdrawn.

PART 7 – MANAGEMENT BOARD DELEGATIONS

24. Management Board delegations

- 24.1 Alan Whalley highlighted the role of Management Board in relation to oversight of the Executive and the Corporate Boards oversight and in relation to its delegated authority from Council.
- 24.2 In answer to a question from a Council member, Alan Whalley advised that the two main areas of concern to Management Board raised in the last three months were (1) the Board's relationship with Council and (2) the work being led by the HR department to rebuild the morale and engagement of staff following the organisational restructure in 2017 – this appeared to be making positive progress but further monitoring was required to ensure an upward trend in these areas.

25. Management Board effectiveness review and objectives for 2018/19

- 25.1 Alan Whalley introduced this report, highlighting the drop in scores from last year's review and advising Council that this had been the subject of a full and frank discussion at the June Management Board meeting. Alan Whalley also advised that Management Board was seeking Council's agreement on its objectives for 2018/19, with a suggestion therein that its objective of operating efficiently and effectively as a Board should be replaced with a new objective regarding building trust with Council.
- 25.2 After discussion, Council unanimously approved Management Board's objectives for 2018/19.
- 25.3 Council were reminded that a report on the activity of Management Board is sent to members after each meeting – comments and feedback would be welcome along with more face to face meetings.

Paper 60 18 noted and approved.

26. CEO's Objectives for 2018/19

- 26.1 Council noted the CEO's objectives.
- 26.2 A question was asked about why the target for improving staff engagement was so relatively low – it was explained this was in part due to the organisational restructure in 2017, but was nevertheless within the benchmark norms for this survey type.

Paper 61 18 noted.

27. Death Announcements

27.1 Council noted, with regret, those members who had died in recent months. Dermot Grenham specifically noted the death of Andrea Mills, who he had previously worked with. The President and Alan Rae also specifically noted the death of Robert Hails, with Alan noting that he had served with Mr Hails on Council and that Mr Hails had been the first treasurer of the IFoA.

Paper 62 18 noted.

PART 8 – OTHER BUSINESS

28. Any Other Business

28.1 Marjorie Ngwenya advised Council that Chantal Bray, Hilary Salt and former Council member Patrick Lee had all been awarded Presidential Awards at the Annual General Meeting in June. Council congratulated each of them on their award.

28.2 Council was reminded by the President to support the #iamanactuary social media campaign.

29. Consent Agenda

29.1 The items on the consent agenda were passed unanimously by Council:

- Draft minutes of Council's meeting on 23 May 2018
- Council's action list
- Council's forward agenda
- Feedback survey for the Council meeting on 23 May 2018
- Update from the Chartered Actuary Task and Finish Group.

End.