

**Minutes of a meeting of the Actuarial Council held on Monday, 11 September 2017 at
the FRC Office, 8th Floor, 125 London Wall, London E2Y 5AS**

Present:

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| Olivia Dickson | Chair of Council |
| Rosemary Beaver | Member |
| Martin Burke | Member |
| Angela Darlington | Member |
| Ashok Gupta | Member |
| David Hindley | Member |
| Dominic Veney | Member |

Observer:

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| John Macartney | HM Treasury Observer |
| Ben Kemp | IFoA Observer in place of Des Hudson |

In attendance:

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| Hazel Beveridge | Project Director, Actuarial Policy Team |
| Anu Bhartiya | Council Secretary |
| Dawn Dickson | Director of Professional Oversight |
| Melanie McLaren | Executive Director, Audit & Actuarial Regulation |
| Ann Muldoon | Director of Actuarial Policy |
| Erica Nicholson | Project Director, Actuarial Policy Team |
| Simon Wasserman | Project Director, Actuarial Policy Team |

1. Welcome and apologies for absence

The Chair welcomed everyone to the meeting and in particular John Macartney to his first meeting as the HM Treasury Observer. Apologies were noted from Joanne Livingstone.

2. Declaration of conflicts of interests

There were none to be reported.

3. Executive Director, Audit and Actuarial Regulation

3.1 The Chair informed the Council that the recruitment process to fulfil the vacancies created by Howard Jacobs and Martin Miles had been suspended pending the outcome of the FRC's Governance Review. The process would be resumed later in the year.

3.2 Melanie McLaren (MM) informed that the FRC Board had met on 5 July 2017 and supported the Actuarial Monitoring proposal which meets the hallmarks of an effective monitoring regime developed with Actuarial Council's advice. Her other updates included:

- The recent engagement with the City Minister which had presented an opportunity to raise the profile of actuarial matters and a meeting with HM Treasury in gaining support and help.
- The launch of the new FRC mission statement to "promote transparency and integrity in business". It was noted that the Council will receive an update at the FRC Governance Event on 3 October 2017.
- The refresh of the FRC website.

- Communication with the Secretary of State for Work and Pensions on the need for a reform of pension disclosures including a suggestion regarding the AS TM1 assumptions.
- 3.3 It was further reported that a meeting with the Department of Work and Pensions had highlighted that the FRC's suggestion that the new Single Financial Guidance Body (SFGB) maintain AS TM1 was consistent with DWP's plans for the SFGB and its anticipated objectives and powers.
- 3.4 The Council asked if a presentation could be received on the Pensions Dashboard. John Macartney agreed to provide an update from the HM Treasury on Pensions Dashboard.
- 4. Report of the Director of Actuarial Policy and the Director of Professional Oversight**
- 4.1 Ann Muldoon (AM) introduced her report and provided an update on the following matters:
- TAS Outreach – Particular outreach has been made to investment actuaries whose work falls within the scope of TAS for the first time. Webinars have been presented alongside a member of the Finance and Investment Board of the IFoA. A presentation on TASs will be made to the students at Queen Mary's University.
 - International Model Standards – FRC is discussing with the IFoA the proposed changes of incorporating ISAP 1A within the current ISAP 1. A response to the IAA consultation would be submitted by the closing date.
 - FCA Asset Management Market Study – The final report was published in June which presented the findings and proposed remedies. The Council noted the FCA's recommendations, which included the recommendation for HM Treasury to consider bringing the investment consultancy services within the regulatory perimeter and that the Department of Work and Pensions continues to explore the possibility of removing some of the barriers to pension scheme consolidation and pooling to enable smaller pension schemes to benefit from economies of scale and increased negotiating ability.
- 4.2 The Council noted that the Actuarial Policy Team continued to work on supporting audit quality reviews for insurance company audits and common findings of the review would be presented to the Council in due course.
- 4.3 In terms of Professional Oversight, Dawn Dickson (DD) reported that the FRC was liaising with the IFoA in respect of the consultation paper on Actuarial Monitoring. The monitoring team was also completing a monitoring visit to the IFoA in Oxford.
- 5. IFoA Observer's Report**
- 5.1 Ben Kemp (BK) provided an update on the revised report of the IFoA which was presented to the Members. The following was noted:
- The work in relation to the proposed actuarial monitoring regime was progressing. It was agreed that the final paper as approved by the FRC Board will be made available to the Council for information on a strictly confidential basis.
 - The Quality Assurance Scheme is expanding across Malaysia, Singapore and Hong Kong with the first global insurer joining in Asia.
 - The launch of a substantive review of the Practising Certificate regime was progressing.
 - The consultation on the Actuaries Code is planned to be published in October 2017.
 - The next Professionalism Lecture Series 2017 event will take place on 11 October and discuss the relevance and future of professionalism.

6. HM Treasury Observer's Report

As a result of personnel changes in the HM Treasury and this being the Observer's first meeting, there was nothing to report.

7. JFAR Risk Perspective

- 7.1 Ann Muldoon provided a brief introduction to the paper which was seeking Council's input into defining the hotspots and considering the impact of hotspots across practice areas and activities. The Council thoroughly discussed each of the hotspots as set out in the paper, their detailed descriptions and if any additional hotspot should be included. The discussion included various comments and suggestions including:
- Ensure that the hotspot headers are at a similar level of granularity of risk, and include 'cybercrime' as a header in a hotspot.
 - Political risk: Actuarial work is broader than 'Brexit' and therefore the words in the box should be reviewed.
 - Regulatory change: It was suggested that IFRS 17 be included under this hotspot. The words in blue text should be reviewed to broaden regulatory change on wider actuarial work and unattended consequences. Consideration of the potential adverse impact on consumers in the event of unpredicted tax changes could be included as a trigger.
 - Market performance / uncertainty: It was suggested to expand on the use of stress and scenario testing.
 - Financial security: Risk associated with pensions disclosures also relate to this hot spot which could be clarified in the text describing the hotspot. Addressing advice gaps by actuaries whether a product delivers consumers expectations or not should be included as a risk under this hotspot. It was agreed that that the wording of the description would be redrafted as the intention was to consider the risks associated with actuarial work that may arise as a result of the development and design of new types of products and using technology in new ways and not that actuaries are necessarily responsible for the design of products or the use of new technology.
 - DB to DC transfers: It was suggested that this risk could be included under the financial security hotspot. It was suggested that the wording reflects that DB to DC transfers can be beneficial for members so the hot spot should be about recognising the risks not implying transfers are always unfavourable.
 - Big data: It was suggested that this hotspot is combined with Technology and Artificial Intelligence.
 - Climate-related risk: It was noted that actuaries are not necessarily the experts on environmental changes and may work with other experts such as scientists. This collaboration can present different risks for actuarial work.
 - Crime: It was suggested that this could be renamed to Cybercrime and Terrorism.
 - Mortality: It was suggested that the wording appropriately reflect the balance between overly prudent and overly optimistic assumptions.
- 7.2 AM agreed to take the Council's input into consideration when redrafting the Hotspots. The proposed publication will be presented to the JFAR at its December 2017 meeting for approval and a copy will be provided to Council for information.

8. IFoA Guidance

- 8.1 BK introduced his paper briefly summarising the categories of formal regulatory material published by IFoA and describing the process by which guidance is published.
- 8.2 AM informed that all IFoA regulatory guidance, both formal and informal, is shared in advance with the FRC's oversight team; in the context of the FRC's function to oversee the way in which the IFoA discharges its public interest responsibilities. Formal

guidance which relates to UK Technical Actuarial Work would require FRC approval and is reviewed additionally by the FRC's Actuarial Policy team, which seeks the advice of Actuarial Council. Informal regulatory guidance and communication which relate to Technical Actuarial Work is also shared with the FRC's Actuarial Policy team and with the Actuarial Council for noting.

8.3 The Council noted the contents of the paper and raised a number of queries. The following was reported:

- With regards to member awareness of risk alerts issued by the IFoA, the IFoA may conduct a survey to assess members' reaction and feedback.
- The term 'Risk Alert' was carefully chosen as a communication strategy to create attention and reaction.
- The IFoA's risk outlook and the risk perspective are discussed with other regulators through JFAR meetings.

9. ASTM1 Accumulation Rate – survey findings

9.1 In response to the survey of accumulation rate assumptions for annual statements issued after 6 April 2017, Simon Wasserman (SW) reported that 19 responses had been received from providers who collectively issue over 24 million SMPIs.

9.2 SW provided a high level summary of the survey findings of the accumulation rates being assumed for the broad asset classes of equities, government bonds, corporate bonds and cash. The Council discussed the findings of the review attached to the paper and made various comments and suggestions including:

- There is no evidence that recipients of these statements query the providers' rationale for the rates used.
- It could be highlighted that one of the reasons for publishing the findings is to encourage providers to be more transparent about the rationale for the rates used and share best practices.
- Some points made in the FRC's response to the DWP Green Paper on pensions could be reflected in the report.
- It is planned to publish the report by the end of September.

9.3 SW agreed to seek Joanne Livingstone's support for the publication of the survey findings and take the above discussion into consideration before publishing.

10 Council Effectiveness Review – Action Log

The Council noted the Council Effectiveness Review action log.

11 Minutes and rolling actions

11.1 The minutes of the meeting held on 13 June 2017 were approved for publication.

11.2 The rolling action log was noted.

11.3 It was reported that the Codes & Standards Committee had agreed to disband the Actuarial Stakeholder Group. AM was working with Tracy Vegro, Executive Director of Strategy & Resource to extend membership of the FRC Stakeholder Advisory Group to be in a position to consider any actuarial matters should the need arise.

12 Forward agenda

The Council noted the Forward agenda.

13 Any other business

There was none.

- 14 Date of next meeting**
7 November 2017 at 1:30pm