



Minutes of a meeting of the Actuarial Council held on Tuesday, 7 February 2017 at the FRC Office, 8th Floor, 125 London Wall, London E2Y 5AS

Present:

Olivia Dickson	Chair of Council
Rosemary Beaver	Member
Ashok Gupta	Member (to Minute 8.2)
David Hindley	Member
Howard Jacobs	Member
Joanne Livingstone	Member
Martin Miles	Member
Dominic Veney	Member (via teleconference, to Minute 8.2)

Observer:

Des Hudson	IFoA Observer (from Minute 4)
Oliver Pearson	HM Treasury – in place of Umair Choudhry (via teleconference, from Minute 4)

In attendance:

David Andrews	Head of Delivery Unit (for Minute 8)
Siân Barr	Project Director, Actuarial Oversight
Hazel Beveridge	Project Director, Actuarial Policy Team
Anu Bhartiya	Secretary
Dawn Dickson	Director of Professional Oversight
Melanie McLaren	Executive Director, Audit & Actuarial Regulation (to Minute 9)
Ann Muldoon	Director, Actuarial Policy Team
Erica Nicholson	Project Director, Actuarial Policy Team
Rebecca Smart	Risk & Assurance Manager (for Minute 8)

1. Welcome and apologies for absence

The Chairman invited everyone to the meeting and in particular Erica Nicholson who had recently joined FRC as Project Director, Actuarial Policy Team and Anu Bhartiya as Committee Secretary. Apologies were noted from Council Members Martin Burke, Angela Darlington and HM Treasury observer Umair Choudhry.

2. Private session

The Council met in private session to gather Council members' views on the objective and scope of the monitoring of actuarial work.

Public session

3. Executive Director, Audit and Actuarial Regulation

Melanie McLaren (MM) provided an update on the ongoing Audit and Actuarial matters including:

- Thanking the Council for its work supporting the publication of the technical standards and the need to monitor any implementation issues.
- The Government's Green Paper on Corporate Governance Reform with consultation on directors' remuneration, the governance of large private companies and how best to include a wider stakeholder view in company decision-making. The FRC will need to consider how to respond to the Green Paper and how the FRC's role may change as a result.
- The impending Green Paper on defined benefit pensions expected from DWP and the potential discussion on the methodology for accounting for defined benefit pensions schemes which may ensue.
- The work undertaken by the FRC as the UK competent authority for audit.

4. Report of the Director of Actuarial Policy and the Director of Professional Oversight

- 4.1 Ann Muldoon (AM) briefly introduced her report highlighting the key priorities for 2017 including the development of an outreach programme to support the implementation of the TASs. It was noted that FRC had already agreed to a number of outreach events, including supporting the IFoA's volunteers who answer queries raised through its Professional Support Service.
- 4.2 Dawn Dickson (DD) introduced her report on Actuarial Oversight. The Council discussed the post-implementation review of the transition from IFoA standard APS P2 to APS X2 regarding Scheme Actuary work. The IFoA observer, Des Hudson (DH), confirmed that the IFoA's Regulation Board has an internal statement and process on post implementation review. The Regulation Board had made a conscious decision to delay the post-implementation review on this particular matter but did intend to complete it.
- 4.3 The review would be carried out to assess what changes had taken place since the implementation and how the principles were applied in practice.
- 4.4 It was suggested that the IFoA could collaborate with the Chartered Insurance Institute which has benchmarking standards already in place with the system of complaints handling, discipline and practicing certificates which are built on public trust.

5. IFoA Observer's Report

DH provided an update on his report and the following points and observations were made:

- The new APS X1: Applying Standards to Actuarial Work and its accompanying guide were published on 14 December and will come in force on 1 July 2017.
- The Guidance document to accompany TAS 100 had also been published. The Guidance focuses on how to make standards more accessible and operative. There has been some positive feedback on the acceptance of TASs with presentations planned at conferences and seminars. At the request of the Council, it was agreed that detailed feedback on how the standards have been accepted and the support provided in this regard would be given at the next meeting.

6. HM Treasury Observer's Oral Report

Oliver Pearson reported that he had nothing to update on behalf of the HM Treasury. He agreed that HMT would be happy to attend a meeting of JFAR to observe how the JFAR contributes to the coordination of actuarial risks in the public interest

7. International Standards

FRC policy for the management of international standards

7.1 AM gave a brief update on the FRC's role of monitoring the development of international model actuarial standards and its collaboration with the IFoA's Regulation Board in agreeing to continue to support the global convergence of high quality actuarial standards. The Council supported the FRC's policy for the management of the International standards.

ESAP 3: Exposure draft and FRC proposed response

7.2 The Council supported FRC's draft response to the Actuarial Association of Europe (AAE) Exposure Draft of ESAP 3: *Actuarial practice in relation to the ORSA process under Solvency II*.

AAE Code of Professional Conduct Exposure draft and FRC proposed response

7.3 The Council noted and supported FRC's draft response to the AAE's proposed Common Principles of Ethical and Professional Behavior.

7.4 In response to a query relating to the implications of Brexit for interaction with the AAE, AM informed that the FRC would continue to consider the development of AAE model standards and assess relevance for the UK and that the AAE is reviewing its terms of reference to ensure it reflects a European region rather than EU organization.

8. Council Effectiveness

Composition of Actuarial Council

8.1 The Members present debated if the composition and size of the Council was appropriate with a current mixture of skills, experience and background to fulfil its responsibilities. Views presented included:

- The mixture was good for most of the agenda items but that at times matters which should be considered at a strategic level are considered at a technical level.
- The use of sub-groups formed with technical specialists to deal with technical issues had worked well in the past and that Council could then debate at a higher level.
- The current mixture with diversity in background was considered to add balance ensuring holistic discussions; otherwise the body would be a group of technical actuaries.
- It was noted that there was a need to fill the gap for a senior pensions practitioner.
- DH was invited to share the IFoA view and reported that the work and contribution of this Council has been very positive with the right diversity of users and practitioners.
- FRC's main focus is being a regulator acting in public interest and the actuarial practitioners' contributions are instrumental in gaining public confidence.

- The Council concluded that the composition of the Council was due to be refreshed in the summer and this should include the recruitment of a senior pensions actuary. The Chairman would monitor the debates where non-actuaries feel excluded and would take those technical issues off line in informal sub groups of practitioner members before being brought back to the Council for further review.

Risk identification and reporting

- 8.2 The Chairman reported that there has been lack of clarity on Council's role in identifying risk and reporting and this has been a concern raised at every Council effectiveness review (and those of other Councils). In light of the Council's work for this year and the input in relation to the monitoring of actuarial work, the members present discussed how this Council could make a contribution to the FRC's risk management framework, what information and deliverables it would require to meet its responsibilities.
- 8.3 The Council discussed the nature of the public interest and agreed that the Council has a role to play in assisting the FRC to identify where actuarial work poses a risk to the public interest and discussed a number of ways in which this could be achieved. It also noted that the Council is well placed to advise the FRC on any gaps it sees in risk mitigation.
- 8.4 The Council reviewed the Council's Terms of Reference and concluded that the terms of reference of the Council relating to risk management should be reviewed. It also agreed that Council should have a deeper understanding of the broader FRC objectives and plan.
- 8.5 David Andrews informed that his team receives valuable input from MM, AM and the team and that he agreed to attend a future meeting to give an update on the FRC's Annual Plan and Budget.
- 8.6 The Chair asked AM to seek input from Council members on the induction process and briefings in her communication with them and report at the next meeting.

9. Minutes of the previous meeting and rolling actions

The minutes of the meetings held on 8 November 2016 were approved for publication. The rolling action log was noted.

10. Forward agenda

The paper was noted.

11. Any other business

A member reported an issue relating to notification of email communication and the Secretary agreed to investigate.

12. Date of next meeting

The next meeting of the Actuarial Council will be held on Wednesday 22 March 2017.