

**Minutes of a meeting of the Actuarial Council held on Tuesday, 5 June 2018 at the
FRC Office, 8th Floor, 125 London Wall, London E2Y 5AS**

Present:

Olivia Dickson	Chair of Council
Rosemary Beaver	Member
Martin Burke	Member
Ashok Gupta	Member (From Minute 1 to 9.2)
David Hindley	Member
Joanne Livingstone	Member

Observer:

Des Hudson	IFoA Observer
Ella Gough	HM Treasury Observer

In attendance:

Siân Barr	Project Director, Professional Oversight Team
Anu Bhartiya	Council Secretary
Stephen Hadrill	Chief Executive
Melanie McLaren	Executive Director, Audit & Actuarial Regulation (via teleconference)
Ann Muldoon	Director of Actuarial Profession
Erica Nicholson	Project Director, Actuarial Policy Team
Simon Wasserman	Project Director, Actuarial Policy Team

1. Welcome and apologies for absence

- 1.1 The Chair welcomed everyone to the meeting and in particular, Ella Gough to her first Council meeting.
- 1.2 Apologies were noted from Council Members Angela Darlington and Dominic Veney.

2. Declaration of conflicts of interests

There were none to be reported.

3. Update from the Director for Professional Oversight

- 3.1 Ms Barr provided a brief update on the two ongoing key projects: the IFoA's monitoring consultation and the IFoA's work on its draft Guide to the revised Actuaries' Code. The Council noted that the Conduct Committee had concluded that the IFoA's draft consultation on monitoring makes a sufficiently persuasive case for a credible and effective monitoring regime in the public interest. The Chair confirmed that the paper presented to the Board had incorporated the Council's advice accurately. With regards to the draft Guide to the Actuaries' Code, it was noted that the team was collating feedback from colleagues across the FRC and would then raise the main concerns with the IFoA.
- 3.2 Mr Hudson reported that following the meeting of the IFoA Regulatory Board, a number of narrative changes were being made to the draft consultation which would be finalised in discussion with the FRC executives. In response to a query whether the Council's suggestions to the draft consultation from its meeting held on 8 May were helpful, it was noted that the IFoA were giving careful consideration to the suggestions and changes were being made.

4. Actuaries' Code interaction with TASs

- 4.1 Ms Muldoon introduced the paper that summarised how the key points of Council's advice on a previous draft of the revised Code and its new Guide, in the context of the impact on the TASs, were incorporated into the published version of the Code and the current draft of the Guide. It was noted that the term 'user' included within the Code has been interpreted in a broader manner, in the draft Guide, than the definition in the TASs; the Council had previously advised that 'user' should be defined as in the TASs.
- 4.2 In response to a query whether it was appropriate for the Code to have a broader application than the TASs, it was confirmed that the FRC was content that the Code have broader application. However, the use of the term 'user' in the Code to reflect this broader application creates an inconsistency between the Code and the TASs.
- 4.3 The Council gave due consideration to whether to change / relabel the term 'user' in the TASs to minimise the risk of confusion for actuaries. Through discussion, the Members made a number of observations including:
- The definition of 'user' for the purposes of the TASs is correct.
 - It would be appropriate to wait to make any changes until the wider Post Implementation Review (PIR), which is due to commence in the next 12 months, thereby avoiding the possibility of more than one revision to the TASs in a relatively short space of time.
 - The Reliability Objective as set out in the framework for TAS uses the phrase 'user'. Changing or relabelling the term would mean changes to the wording of the Reliability Objective.
 - The term 'user' is clearly defined in the TASs therefore, there should be no confusion in understanding how the term should be applied in the TASs. While not ideal, actuaries were capable of understanding and managing inconsistent definitions of 'user'.
- 4.4 In light of the above observations, the Council advised that any consideration of a change to the term 'user' in the TASs should be as part of the PIR and this matter should be included in the log of issues to address in the PIR.

5. AS TM1 – Assumptions update

- 5.1 Mr Wasserman introduced the paper which completes the comprehensive review of the AS TM1 assumptions. The Council considered the paper and in particular discussed the following questions as part of the discussion:

What is the impact of moving from CMI_2016 to CMI_2017?

- 5.2 The Council considered the CMI_2016 and CMI_2017 core mortality projection models as set out in the paper and noted that the impact of moving from CMI_2016 to CMI_2017 is a slight increase in the level of annuity purchased. The increase is not material and does vary significantly by the current age of an individual. The Council advised to leave the AS TM1 assumptions on the core mortality projection model unchanged.

Is there a compelling case to move from a long-term rate of improvement in mortality of 1¼% to 1½%?

- 5.3 The Council considered the table of the current set of AS TM1 assumptions illustrating recommended changes as set out in the paper. It was reported that the FRC had obtained general market feedback from the PRA and a consultancy in respect of individual and bulk annuities. The Council advised that there is no compelling case to move from long-term rate of improvement in mortality of 1¼% to 1½%.

Future considerations

- 5.4 However, the Council agreed to review the decision once the AS TM1 assumptions survey results for 2018 are compiled and to give particular consideration to Wage Growth and the date of setting the interest rate for annuity purchase.
- 5.5 The Council advised to continue to liaise with DWP to ascertain their intentions with regard to the role of the Single Financial Guidance Body, the future role of SMPs and the ownership and maintenance of AS TM1 in a post-Dashboard world.
- 5.6 The Chair suggested that the work plan be reviewed with a view to the timing of the review of AS TM1 assumptions next year allowing for input from the AS TM1 Survey.
- 5.7 Mr Wasserman agreed to take the Council's advice into consideration when making recommendations to the Codes & Standards Committee. He also agreed to circulate to Council a draft note for publication on the FRC website in respect of the 2018 review of ASTM1.

6. AS TM1 Assumption Survey 2018

- 6.1 Mr Wasserman introduced the paper which summarises the criteria for selecting the questions to be included in the survey, the survey questions for 2018, the target participants and the timeline for publishing the survey results.
- 6.2 In terms of the past survey results, a Member queried if there were any themes emerging from the SMPI production samples. Council considered that the outcomes from the surveys could provide an evidence base for the future role and ownership of the SMPs.
- 6.3 The Council considered the survey questions for 2018 and noted that they are intended to reflect information that is required to fulfil FRC's obligations as well as a few topical issues. The Council agreed that the criteria for selecting questions be included in the survey were appropriate.
- 6.4 It was noted that the 'Market review 2017 – Growth rates by asset class' (CTC survey) also takes place annually (although later in the year). It was suggested that the FRC coordinate with CTC. It was also suggested considering the outputs from the CTC survey and then seeking answers to additional questions rather than duplicating the same questions.
- 6.5 Mr Wasserman agreed to take the suggestions into consideration for the 2019 survey. The Council noted that the FRC intend to present the results of the Survey to the September Council meeting and then publish the results on the FRC website in October 2018.
- 6.6 In response to a query on whether this topic should be brought forward in the work plan from next year onwards, it was noted that the timing of the survey would depend upon the implementation of the AS TM1 assumptions which are updated and apply from April every year.

7. Update from the Chair

- 7.1 The Chair informed Council that the revised terms of reference of the Councils and Committees would be discussed at the Board meeting on 6 June 2018. She noted that the substance of the work of the Council remains broadly unchanged.
- 7.2 Mr Haddrill provided a brief update on the ongoing independent review of the FRC led by Sir John Kingman.

8. Update from the Executive Director, Audit & Actuarial Regulation

There was nothing additional to report.

9. Report of the Director of Actuarial Policy

9.1 The paper was taken as read. Ms Muldoon highlighted that in collaboration with the JFAR partners and Lloyd's, the FRC has organised general insurance Actuarial Function Reporting (AFR) roundtables with Chief Actuaries and Non-Executive Directors of general insurance companies to explore how to prepare the AFR in a more efficient manner and how to add value. One event was held in the morning of the meeting and noted that the turnout and level of engagement was excellent.

9.2 Ms Muldoon provided a brief update on the IAA meeting in Berlin at the end of May 2018. Amongst various matters, the following was noted:

- The final draft of ISAP 1, following the consultation to integrate ISAP 1 (the generic model standard) and ISAP 1A (the modelling supplement), will be published in June and planned to be approved in December 2018. Any implications for the TASs will be reviewed as part of the wider PIR.
- The final draft of ISAP 6 (the ERM model standard) following the recent consultation will be reviewed in July 2018.
- The early insights into ISAP 4 (IFRS 17 – Insurance Accounting model standard) indicated that the views from the observers were in line with the FRC's views as discussed at the May 2018 Council meeting.

9.3 The Council noted the FRC's letter dated 17 May 2018 to Gordon Dadds LLP. The Council suggested that it would be helpful if the Director's Report included a regular update on the developments in the Universities Superannuation Scheme.

10. IFoA Observer's Report

Apart from the discussions already covered at the meeting, Mr Hudson confirmed that there was nothing more to report.

11. Update from the HM Treasury Observer

Ms Gough reported on the following matters:

- The EFRAG's assessment of the IFRS 17 *Insurance Contracts* is ongoing.
- There is no further update in relation to the DWP's feasibility study on the pensions dashboard.
- BEIS is leading the project on the post-Brexit IFRS endorsement process.

12. Council Effectiveness Review

12.1 The Council reviewed the Council Effectiveness Review action log and agreed that the actions relating to the Council composition are still ongoing and should be taken into consideration when the recruitment process is undertaken. The actions relating to the effectiveness of the technical and strategic discussions at the Council meetings should be taken as noted by the Chair and closed. The Council's responsibility in relation to the FRC's overall risk management has been addressed through the internal governance review and therefore the action should be closed. With regards to the suggestion for greater coordination of oversight and sharing of vision by the Councils and the Committees associated with actuarial matters, this remained outstanding. The item would be reviewed and actioned or closed by the incoming Chair of Council.

12.2 The Chair suggested that the induction pack prepared for the incoming Chair of the Council was very informative and comprehensive and could be used for the future recruits on the Council.

12.3 The Secretary agreed to take the above discussion into consideration and review the action log accordingly in consultation with the incoming Chair.

13. Minutes of the Actuarial Council meetings and rolling action log

13.1 The minutes of the meeting held on 8 May 2018 were approved for publication.

13.2 The rolling action log was noted.

14. Forward Agenda

The Forward Agenda was noted.

15. Update on Information Securities Policies

The Information Securities Policies were taken as read. The Secretary invited the Members to email their queries to her, if any, for the Deputy General Counsel to respond.

16. Any other business

16.1 Mr Haddrill noted that this would be the last meeting for the Chair. He thanked the Chair for her significant contributions to the work of the Council. The Chair thanked the Members and the FRC staff for all the support she had received during her tenure as Chair of the Council.

16.2 The Council also noted that this was the last meeting for Angela Darlington, Ashok Gupta and David Hindley. The Chair recorded their valuable input to the work of the Council over the past six years and thanked them for their contribution.

17. Date of next meeting

17 September 2018