

**Minutes of a meeting of the Actuarial Council held on Thursday, 11 July 2019 at the FRC Office, 8<sup>th</sup> Floor, 125 London Wall, London E2Y 5AS**

**Present:**

John Coomber	Chairman
Rosemary Beaver	Member (From Minute 4.1)
Martin Burke	Member
Naomi L'Estrange	Member
Dominic Lindley	Member
Joanne Livingstone	Member
Bob Scott	Member
Dominic Veney	Member

**Observer:**

Michael Scott	IFoA
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**In attendance:**

Sian Barr	Project Director, Professional Oversight Team
Hazel Beveridge	Project Director, Actuarial Policy Team
Anu Bhartiya	Council Secretary
Paul George	Executive Director, Corporate Governance & Reporting (For Minute 6 and 7)
Stephen Hadrill	Chief Executive (from Minute 1 to 7)
Ann Muldoon	Director of Actuarial Policy
Simon Wasserman	Project Director, Actuarial Policy Team

**1. Welcome and apologies for absence**

- 1.1 The Chairman welcomed everyone to the meeting and in particular Michael Scott who was representing IFoA for this meeting.
- 1.2 Apologies were noted from Alice Habisreutinger (HM Treasury Observer).

**2. Declaration of conflicts of interests**

There were none reported.

**3. Minutes of the Actuarial Council meetings and rolling action log**

- 3.1 The minutes of the meeting held on 2 April 2019 were approved for publication.
- 3.2 The rolling action log was noted.

**4. Update from the Chairman**

- 4.1 The Chairman reported that the Board had met on 15 May and 4 July 2019 and the discussion topics at these meetings had included:
  - FRC's joint statement on Government's Green Finance Strategy;
  - FRC's Plan & Budget for 2019/20;
  - UK (International Accounting Standards) Endorsement Board;
  - FRC's Annual Report and Financial Statements for the year ending 31 March 2019;
  - Audit Quality Review: 2018/19 Public Reports;
  - Risk, Internal Controls, Viability & Going Concern;
  - Post Implementation Review of the Ethical and Auditing Standards;

- Publication of the Annual Enforcement Review;
- Amendments to FRS 101 – 2019/ 19 cycle and FRED 72 *Draft amendments to FRS 102 Interest rate benchmark reform*; and
- Citizen’s Jury Research Project.

4.2 The Chairman informed that the Codes & Standards Committee had met on 1 May and 12 June 2019 and the discussion had mainly focused on the development of the new Stewardship Code.

## **5. Report from the Director of Actuarial Policy**

5.1 The Report was taken as read.

5.2 Through discussion, the Council noted a number of points, and raised queries, including:

- Due to the current political uncertainty, the timetable for the delivery of the Kingman recommendations has been slightly extended.
- With regards to Guaranteed Minimum Pension, a wider concern was expressed in respect of differences in administering pension tax relief and its impact.
- Whether the actuarial work contributed to the deterioration from the last year’s Audit Quality Review of the firms, it was clarified that some of the key findings highlighted in last year’s report remained relevant this year, for e.g. in relation to reporting from internal actuarial specialists.
- The IFoA’s recent review established that there is no requirement for a Practising Certificate for the actuary responsible for valuation of Funeral Plan Trusts, noting that scope of PCs is kept under review.

## **6 Update from the Executive Director, Corporate Governance & Reporting**

6.1 The Executive Director, Corporate Governance & Reporting provided an update on the developments relating to FRC matters not covered elsewhere on the agenda. Particular attention was drawn to the following matters:

- The progress in respect of Kingman Recommendations;
- The independent Review led by Sir Donald Brydon in respect of the quality and effectiveness of audit;
- The proposed revisions to the UK Stewardship Code;
- The UK (International Accounting Standards) Endorsement Board; and
- The FRC’s project on the Future of Corporate Reporting.

## **7. Actuarial Policy 2019 Workplan - Update**

7.1 The Director of Actuarial Policy introduced the paper and highlighted the key deliverables achieved in the first half of the year. The Council noted that due to a number of recent resignations from the Actuarial Policy Team, delivering on the responsibilities of the FRC in respect of actuarial standard setting is proving significantly challenging.

7.2 The Council was invited to review the Actuarial Council 2019 Workplan and provide advice on priorities for workload, including any areas of actuarial practice that require more immediate attention whilst considering the levels of risks that could be taken and provide suggestions on potential mitigants. The Council considered the table that set out the key areas of work of the Actuarial Policy Team and the estimates of the resource required to maintain different levels of workload. Through discussion, the Council expressed a number of concerns, noted points and made some comments and suggestions including:

- Considering the FRC’s transition to post Kingman structure, FRC is seeking to recruit resource on a fixed term contract basis and not a permanent contract.

- FRC is in communication with PRA to seek a potential secondee to join the Team and intends to seek support from GAD also.
- At some point, recent proposed legislative/regulatory changes to occupational pension schemes, including Collective Defined Contribution schemes and the consolidation of defined benefit pension schemes, Funeral Plan Trusts, the introduction of IFRS 17 may require changes to Standards, which may call for urgent attention. Council also noted the developments in insurance arising from technological changes and how that may change the role of the actuary. It was agreed that a paper setting out the changes and suggested next steps for each of these matters be presented at the October meeting.
- The workplan does not allow for any significant effort related to transition in the event that the actuarial responsibilities move from the FRC following the implementation of the Kingman recommendations.
- FRC has also sought support from the other JFAR regulators to provide the JFAR Secretariat and to lead the work on the JFAR Risk Perspective – 2019 Update, which JFAR agreed at its last meeting remains a key deliverable for the forum.
- The scope of the work in relation to AS TM1 assumptions could be reviewed during 2020 if the resource is still a challenge.
- It was suggested that, perhaps, other outsourcing solutions could be considered for the work in respect of the AS TM1 accumulation rate survey, JFAR Secretariat and the work in respect of AQR, subject to confidentiality considerations.
- TAS Post-Implementation Review may be deferred for a short period, but it was agreed that it is important to stay up to date with the emerging risks in the market or the risks that will crystallise and require more urgent attention. It was agreed to include Appendix 3 of the paper for review at all meetings going forward.

7.3 The Chairman thanked the Council Members for their input.

## **8. Update from the Director of Professional Oversight**

8.1 In the Director's absence, the Project Director of Professional Oversight Team provided an update on the ongoing activities of the Professional Oversight Team, which included:

- The review of the governance of the IFoA;
- Planning and reporting on oversight visits to the IFoA; and
- Oversight of the IFoA's planned scheme to monitor the quality of actuarial work.

## **9. IFoA's Report**

9.1 The Council considered the Report and noted that the Thematic Review Programme in respect of the Actuarial Monitoring Scheme is scheduled to be launched in September 2019 and provided input on the IFoA's suggestions for the initial reviews.

9.2 The Project Director for Actuarial Oversight agreed to summarise the points and circulate the draft summary to the Council for comments / modifications. It was agreed that the summary would be shared with the IFoA to help to finalise its approach.

## **10. HM Treasury's Report**

The Report was taken as read.

## **11. 2019 Survey of AS TM1 Assumptions**

11.1 The Project Director of the Actuarial Policy Team introduced the paper which summarised the questions to be included in the survey for 2019.

11.2 The Council was supportive of the questions listed for the survey as they would support the collection of information required to fulfil the FRC's obligations and some

topical issues. The Council also suggested clarifying that the wording in respect of the contribution levels should be in terms of monetary amount rather than the levels in percentage of salary. A Council Member queried whether people understand the SMPI projections; it was clarified that a question was asked in previous years and the response was either 'no' or the engagement with the provider was 'too low'.

- 11.3 The Project Director agreed to consider the Council's comments and suggestions while finalising the questions for the 2019 survey.

**12. Kingman Review: Research paper on other actuarial associations and other professions**

12.1 The Council considered the paper that sets out how standards are set by international actuarial associations and by other professions in the UK. The analysis included the standard setting practices of the US, Canadian, German, Australian, South African and Japanese associations. With regards to the other professions in the UK, the review included a sample of the accounting, auditing and the legal professions from their websites.

12.2 The Council noted that in almost all cases, the protection of the public interest is stated to be at the centre of the regulatory activity. The Council found the paper very interesting.

**13. Actuarial Council - Forward Agenda and Meeting dates for 2020**

*Actuarial Council Forward Agenda*

13.1 The Council noted the Forward Agenda and in particular the items that would be considered by the Council at its meeting in October 2019.

*Meeting dates for 2020*

13.2 The Council agreed that the meeting in October 2020 should be moved to November / December 2020 so that there is greater balance between meetings in 2020 and the Council meeting would be aligned with the Board meeting in 2021. The Secretary agreed to review the date and take necessary actions.

**14. Any other business**

The Chairman noted that this would be the last meeting for Ann Muldoon and Hazel Beveridge. He thanked them for their significant contribution to the actuarial work of the FRC and wished them success in their future careers.

**15. Date of next meeting**

The Council noted that the next meeting would take place on 16 October 2019.