

**Minutes of a meeting of the Actuarial Council held on
Tuesday 12 July 2016 by conference call**

Present:

Olivia Dickson Chair of Council
Martin Burke
Angela Darlington
Ashok Gupta
Howard Jacobs
Joanne Livingstone
Martin Miles
Dominic Veney

Observer:

Umair Choudhry HM Treasury

In attendance:

Siân Barr Project Director
Francesca Carter Council Secretary
Faye Dyce Project Director, Actuarial Policy Team
Paul George Executive Director, Corporate Governance & Reporting
Robert Inglis Project Director, Actuarial Policy Team
Ann Muldoon Director, Actuarial Policy Team

Introductions and apologies for absence

Apologies were noted from Rosemary Beaver, David Hindley, (Council Members) and Des Hudson (IFoA Observer). The Chair welcomed Umair Choudhry, HMT Observer, to his first meeting of the Council.

1. Chair's Report

- 1.1 The Chair reported that while no significant actuarial matters had been discussed at the May or June FRC Board meetings, the Executive had, in considering the outcome of the EU Referendum, spent a considerable period of time discussing the potential impact of the EU Referendum outcome on pensions and on the systemic risks associated with Defined Benefit (DB) schemes. The Council noted that, as a consequence, given the breadth of the FRC's role in respect of pensions, a FRC wide project had been set up to bring together relevant strands of work which would include consideration of the implications for UK Accounting and Auditing Standards and whether the Corporate Governance Code provides sufficient guidance on Company Board's oversight role in respect of pension governance.
- 1.2 The Council welcomed the establishment of a pensions project group and noted that work to advance the scope of the project would be undertaken over the summer and that Council input would be sought. Through discussion it was suggested that it would be helpful, in developing the scope, to have regard to the work being undertaken by the Pensions and Lifetime Savings Association (PLSA) working group chaired by Council Member, Ashok Gupta (AG). AG suggested that the FRC might wish to encourage the Joint Select

Committee that has been established to undertake a review of the pensions landscape, to take a holistic and long term approach.

- 1.3 Paul George (PG) reported that, on DB schemes, the IFoA had been asked by the FRC to develop its thinking for discussion at the September JFAR meeting. AM noted that the tPR and AG would be invited to discuss issues related to defined benefit pension schemes at JFAR and also to provide input to the project. AM also reported that, in considering responses to the Specific Technical Actuarial Standards (TASs) consultation, focus would be placed on assessing whether the proposed provisions in the Pensions TAS are sufficient in the current climate.

2. Report of the Director of Actuarial Policy

- 2.1 Ann Muldoon (AM) introduced a report that provided an update on FRC activities relevant to the Actuarial Council's remit not covered elsewhere on the agenda and on resources within the Actuarial Policy Team. Particular attention was given to the following matters:

TAS Consultation

- 2.2 The Council noted that a number of stakeholder outreach engagements have been arranged to discuss the consultation including an FRC open meeting aimed at users of actuarial work.

IFoA TAS 100 guidance

- 2.3 The Council noted that the IFoA has established a working group to consider the requirement for and scope of guidance on the application of TAS 100. AM and Robert Inglis (RI) had attended the May meeting of the group and hope to attend the July meeting of the group.

Influencing international standards and regulation

- 2.4 The Council noted:
- Feedback from the International Actuarial Association (IAA) conference held in St Petersburg in May. AM reported that, on ISAP 7, she had arranged a meeting with the PRA to discuss how the PRA may implement the IAIS model regulation and what expectations they may have regarding supporting actuarial standards.
 - The FRC had met with the Government Actuary's Department (GAD) and the IFoA on ISAP 2: Financial Analysis of Social Security Schemes. It had been concluded that adoption of ISAP 2 for social security work would be appropriate and consideration is being given as to the most appropriate form of implementation of ISAP 2 in an efficient manner.
 - An update on IORP II and that the FRC would, in due course, discuss the implications of changes in approach to the IORP directive with the DWP and tPR.

AS TM1

- 2.5 Faye Dyce (FD) reported that work on a revised version of AS TM1 to reflect updated mortality assumptions is underway and that the FRC's annual survey of accumulation rate assumptions had been issued.

Consultation on the future of actuarial regulation

- 2.6 Siân Barr (SB) provided an update on the consultation. The Council noted that, in response to feedback from the bodies within the FRC Governance structure, work was underway to articulate better the basis of the consultation and the risks to the public interest of the current framework, as identified by the Board. The Council also noted that the FRC is exploring and contrasting alternative approaches to regulation to assist with identification of gaps in the existing framework for actuarial regulation in the UK and of the corresponding unmitigated

risks. HMT has scheduled a meeting with the FRC and other regulators to explore what has changed since the existing framework was introduced.

JFAR

- 2.7 The Council noted that the JFAR had discussed thematic reviews for 2016/17 and that the PRA had identified financial engineering as a new hotspot. AM undertook to provide the Council with further information as to the precise nature of the risk identified and its relevance to actuarial work. The Council supported the suggestion that the FRC liaise with the tPR and IFoA in respect of a thematic review on the management of DB schemes. It was also suggested that the executive consider whether there are any actuarial risks relating to Master Trusts, in particular the risk that those who set up and manage such schemes do not have the necessary skills.

Other matters

- 2.8 AM reported that FD would be leaving the FRC in the autumn and placed on record her thanks for the support FD had provided to her since joining the team eight months previously and to the team over the last seven years.

3. IFoA Observer report

- 3.1 The Council noted a report that provided an update on IFoA matters since the last meeting.

4. FRC Policy for international actuarial standards

- 4.1 RI introduced a draft policy for international actuarial standards that sets out the FRC's objectives and approach to influencing international standard setting and the process and criteria for determining whether the FRC:

- confirms substantial consistency with a model international standard;
- adopts a model international standard; or
- chooses not to adopt / confirm substantial consistency with a model international standard.

- 4.2 RI reported that the policy reflects previous Council discussions. RI also reported that the draft policy had been shared with the IFoA who are also developing a policy for international standards.

- 4.3 Whilst the Council welcomed the policy and considered it accurately reflected the Council's discussions, the Council highlighted the need for consistency with the FRC and IFoA policies. It was requested that, before the Council approve the policy, it has sight of the IFoA policy and an understanding as to how this matter is covered in the Memorandum of Understanding between the FRC and IFoA. AM reported that the FRC is working closely with the IFoA to ensure the two policies are joined up and undertook to respond to the request of the Council and present the information requested in due course.

5. Minutes of the previous meeting and rolling actions.

- 5.1 The minutes of the meeting held on 7 May 2016 were approved for publication.
- 5.2 The rolling action log was noted.

6. Forward agenda

6.1 The forward agenda was noted.

7. Any other business

7.1 The Chair thanked Faye Dyce on behalf of herself and the Council for her contributions to the work of the FRC, particularly in respect of her work on AS TM1 and the establishment of the JFAR, and wished her well for the future.

8. Date of next meeting

8.1 The next meeting of the Actuarial Council will be held on Tuesday 20 September 2016.