

**Minutes of a meeting of the Actuarial Council held on
Tuesday 11 October 2016 at 125 London Wall London E2Y 5AS**

Present:

Olivia Dickson	Chair of Council
Martin Burke	
Angela Darlington	
David Hindley	
Joanne Livingstone	(by telephone)
Martin Miles	

Observer:

Oliver Pearson	HM Treasury Observer (deputising for Umair Choudry, by telephone)
Des Hudson	IFoA Observer

In attendance:

Hazel Beveridge	Project Director, Actuarial Policy Team
Dawn Dickson	Director of Professional Oversight
Paul George	Executive Director, Corporate Governance & Reporting
Robert Inglis	Project Director, Actuarial Policy Team
Melanie McLaren	Executive Director, Audit
Susanne Minocha	Council Secretary
Ann Muldoon	Director, Actuarial Policy Team

Introductions and apologies for absence

The Chair noted that this was a special meeting of the Actuarial Council and apologies had been received from Council members Rosemary Beaver, Ashok Gupta, Howard Jacobs and Dominic Veney.

1. Oral update on actuarial regulation consultation

- 1.1 PG gave an oral update on the FRC's actuarial regulation consultation. At the FRC Strategy Away Day the Board had discussed proposals for the consultation and concluded that a strengthening of monitoring by the IFoA may negate the need for a public consultation and that potential monitoring arrangements should be explored further with the IFoA before the Board reached a firm view on the need for a public consultation.
- 1.2 More detailed proposals on monitoring arrangements would be presented to the FRC Board meeting in December.
- 1.3 As the IFoA was briefing its Council during the week following the meeting, it was likely that DH would be able to report further to Council before Christmas.

- 1.4 The Chair noted that the Board had considered a number of salient matters including the risk to the public interest of maintaining the existing regulatory framework, the difficulty of presenting the consultation in a way that practitioners would understand, and the risk that the Board might consult on a range of options none of which were in practice implementable.
- 1.5 Council considered the above, noting that:
- it was extremely difficult to make an evidence based judgment of the effectiveness of FRC oversight or FRC's standards without monitoring of actuarial work; and
 - the IFoA is concerned that there is a risk that too much monitoring could result in some members leaving the profession. It was hoped that it would prove possible to find a proportionate level of monitoring.

2. TAS Consultation

- 2.1 It was noted that Council was being asked for a preliminary decision, as all the papers would be represented in November before going to the Board for approval in December.
- 2.2 It was noted that in places the feedback statements stated that "there may be guidance" and this should be made more certain.

TAS 100 and Framework

- 2.3 It was reported that an IFoA working group was preparing TAS 100 guidance and was aiming to produce a draft which Council could consider in November 2016.
- 2.4 Internal FRC discussions were being held in relation to the areas of integrated risk management to work on in 2017. These would be worked on with the JFAR.
- 2.5 It was anticipated that there would be more guidance in the future on matters such as the calculation of the s.75 debt for pension schemes.
- 2.6 The Chair asked for clarity of what guidance will be drafted by the IFoA before the TASs are published and what will be produced later.
- 2.7 Members of Council did not consider that a consultation on the IFoA's TAS 100 guidance was necessary. The TAS 100 guidance would be published close to the publication of the revised TASs and would include high level case studies. It would be supported by a series of seminars and more detailed case studies which are currently being worked on with specialist groups. It was anticipated that there would be references to the case studies in the guidance.

Feedback on covering consultation paper questions

- 2.8 Council considered a draft of the feedback statement on the covering consultation paper questions.
- 2.9 IFoA feedback on the review draft of the framework was that the guidance should not be in the framework document. Council was content for the guidance on the application of the TASs to be taken out of the framework subject to the IFoA including similar material in its TAS 100 guidance.

2.10 RI reported that feedback from IFoA and some other respondents was that the use of the words “material” and “materiality” in the TAS framework and the glossary were confusing. RI referred to the changes to definitions proposed to the TASs, Framework and Glossary set out in the paper and asked Council if it was content that the changes represented clarification and simplification. Following discussion Council:

- agreed that the sub-headings “materiality, proportionality and disclosure” be removed from each of the TASs;
- agreed the proposed modification of the wording in the Framework and Glossary to ensure consistency”;
- did not agree to the proposed modification of the wording concerning departures in each of the TASs; and
- asked the executive to look at what text were used elsewhere in auditing and other standards in relation to “materiality”.

2.11 It was noted that FRC standards use “shall” while IFoA standards use “must”. It was noted that the executive proposed to continue to use “shall” for consistency with other FRC standards. Council supported this approach.

Proposed changes to Glossary

2.12 RI reported that feedback on the risk assessment process described in the consultation was very supportive. However some respondents asked how emerging risks would be dealt with. RI noted that a response to this is included in the feedback statement and also noted that TAS 100 will apply to all technical actuarial work and so would cover emerging areas.

2.13 Subject to comments on the definition of material Council was content with the amendments to the Glossary.

TAS 200 – Insurance

2.14 It was noted that the executive was discussing points raised in the September meeting on the draft of TAS 200 with insurance practitioner members of the Council and would present a final version of TAS 200 at the Council meeting in November for advice to Board on its publication.

TAS 300 - Pensions

2.15 Council supported the proposal to have transitional arrangements for pension scheme funding exercises, as it was recognised that this was a large piece of work where the completion date might not be known.

2.16 The executive was asked to consider further whether early adoption should be allowed just for scheme funding exercises or more widely.

Scope

2.17 Following the discussion of the Council in September, the executive presented wording to cover the inclusion of work for employers on scheme funding, scheme modifications and bulk transfers in the scope of TAS 300, with which Council was content.

- 2.18 Council considered whether the risk assessment rating for s75 debt on employer calculations in the consultation was correct having considered some feedback. It was noted that:
- members' benefits could be affected by the calculations;
 - tPR financial support directions were made in accordance with s.75 debt;
 - the s.75 debt apportionment when a participating employer leaves a multi-employer scheme could affect member security;
 - there is a wider public interest concern that the right level of s.75 debt is recovered for schemes entering the ppf;
 - legislation requires the s.75 debt to be calculated using an estimate of the cost of buying-out from an insurance company - this cost depends on the individual circumstances of a scheme and for some smaller firms it is difficult to estimate without getting a market quote; and
 - there was a considerable judgment for the actuary which guidance might mitigate.
- 2.19 In view of these considerations it was agreed that the risk to the public interest of actuarial work associated with the calculation of Section 75 debt met the threshold of representing a high degree of risk to the public interest, that the risk assessment matrix should be updated accordingly and that as a consequence s.75 debt should be in the scope of TAS 300. It was noted that the executive had not identified any specific provisions relevant to s.75 debt calculations but the core provisions of TAS 300 would become applicable. It was considered that subsequent guidance from the FRC or IFoA on the calculation might be helpful.

Changes to core provisions

- 2.20 It was suggested that the wording "to the extent possible" in core provision 3 should be amended to "where appropriate".
- 2.21 Council considered and supported the revised wording to core provision 4 "communications including the derivations of material assumptions used in the technical actuarial work and any limitations in the data used to derive those assumptions".

Specific Provisions – funding and finance assumptions

- 2.22 Council was content with the proposed changes to provisions 7, 8 and 13.

Funding and financing – risk assessment and future evolution of the scheme

- 2.23 RI reported that the FRC had received responses suggesting alternative wording to clarify provision 14. Council was content with the suggested updated wording.

Factors for individual calculations

- 2.24 Council noted that duplicated text had been removed.

Incentive exercises, scheme modifications and bulk transfers

- 2.25 Council was content with the changes made to the wording.

Feedback Statement and revised draft TAS 300

- 2.26 A draft Feedback Statement together with a revised draft TAS 300 was included with the meeting papers. Council supported these drafts in principle and noted that further work on detail would continue.

TAS 400 – Funeral Plan Trusts

- 2.27 It was noted that Council will be asked for its advice to the Board on publication of the updated draft TAS 400 at its meeting in November 2016.

Next steps - Project Plan

- 2.28 It was noted that a full suite of revised TASs together with feedback statements would be presented to Council for its advice at its November meeting. The Codes and Standards Committee will be asked for its recommendation to the Board at its November meeting.

3. Minutes of the previous meeting and rolling actions.

- 3.1 The Chairman confirmed that the minutes of the meeting held on 20 September 2016 would be carried over to the next meeting.

- 3.2 The Chairman confirmed that the rolling action log would also be carried over to the next meeting.

4. Any other business

- 4.1 There was no other business.

5. Date of next meeting

- 5.1 The next meeting of the Actuarial Council will be held on Tuesday 8 November 2016.