Institute and Faculty of Actuaries

Stephen Haddrill
Chief Executive Officer
Financial Reporting Council
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17 February 2017

Dear Stephen

Re: IFoA response to FRC Budget and Levy Proposals 2017/18

Thank you for giving the Institute and Faculty of Actuaries (IFoA) an opportunity to comment on the Financial Reporting Council's (FRC's) plan, budget and levy proposals for 2017/18.

The IFoA has been pleased to support the development of the new TAS framework. Indeed, we have very much welcomed the opportunity to work collaboratively with your staff, and have produced guidance and case studies designed to assist our members' application of the FRC's new general standard, TAS 100. We have also welcomed the opportunity to contribute to, and the contribution from, the Joint Forum on Actuarial Regulation (JFAR). In 2016 the IFoA completed work undertaken on behalf of JFAR on "Group think". The IFoA's Risk Outlook report and periodic "Risk Alerts" are intended to complement and inform the work of the JFAR in relation to public interest risk.

Looking ahead to the FRC's proposed actuarial priorities for 2017/18, the IFoA is committed to bringing our current constructive dialogue about monitoring to a mutually satisfactory and positive conclusion. We see this as taking place via a monitoring regime which is meaningful but at the same time proportionate, sensible and practicable. We believe that such a solution is possible within the current framework. The new monitoring regime will require a sustained period of regulatory stability to establish, and to mitigate the risk of cost and uncertainty associated with frequent regulatory change.

We also look forward to further effective collaboration on the development of international model standards, in the public interest.

We welcome additionally the current review of the FRC's oversight role. We believe that credible independent oversight is important. We also believe that such oversight is most effective when it is outcomes-focused and there is a transparent distinction between the roles of regulator and oversight body. We hope that the current review will help to clarify further our respective roles, and enhance the current oversight relationship, to mutual benefit.

In addition to these general observations, I have set out below some comments in relation to the FRC's specific consultation questions.

We look forward to working with the FRC in 2017/18, in furtherance of our mutual commitment to the public interest.

Yours sincerely

Derek Cribb
Chief Executive
Institute and Faculty of Actuaries

RESPONSES TO SPECIFIC CONSULTATION QUESTIONS

1. Please see above by way of general comments on the FRC's proposed priorities and work programme for 2017/18.

2. In relation to indicators, we consider that those proposed in relation to promoting high quality actuarial work are sensible. The second and third of these will clearly require further consideration as to how they are to be measured/assessed. In particular, the quality of the IFoA's monitoring proposals seems to us to fall to be assessed by reference fundamentally to the public interest, having regard to both effectiveness and appropriateness, including their proportionality and practical efficacy. We would propose that how any new monitoring regime is to be assessed can usefully form part of our current ongoing discussions. Regarding the FRC's third indicator in relation to its actuarial work, we would be keen to understand how the FRC proposes to measure the impact of its oversight procedures on the actuarial profession (as distinguished from their impact on the IFoA, as regulator).

3. With a view to maximising the effectiveness of actuarial regulation, while also minimising its administrative and economic impact, we consider that it will be critical to ensure an appropriate balance of effectiveness and proportionality. In particular, we welcome the opportunity to reconsider the oversight / regulator relationship between the FRC and IFoA, in order that this might be more clearly defined, effective but also operate at the right level, such that we are each prioritising our regulatory resource appropriately and not risking unnecessary duplication. To that end, while we are broadly content with the ongoing division of actuarial responsibilities between the FRC and IFoA, we do think that the distinction between regulation and oversight is not as clearly defined at it might be. One solution which we have previously mooted is that the IFoA should resume responsibility for technical standards, under the independent oversight of the FRC. We recognise and accept that this is not the direction of travel envisaged in your draft proposals and are broadly content, as indicated, with the current division of responsibilities. It may be that the current oversight review is an opportunity nonetheless to sharpen a little the distinction between regulation and oversight, in order that the roles of the IFoA and the FRC are transparently clear, not only for those of us directly involved, but to wider stakeholders and the public. In relation to the TASs, we have as noted recently produced guidance to support TAS 100 and this is a role (producing supporting technical guidance), which the IFoA is happy in principle to continue to undertake.

More generally, we do think that it is important that there is now a period, following the conclusion of our current monitoring discussions and the implementation of any proposals agreed as a result, of sustained stability in actuarial regulation, in the interests of the public and profession.

4. We do not have any specific comments in relation to risks to the quality of corporate governance and reporting.

5. We have the following comment on the FRC's proposed budget:

We note the 100% increase in budget for actuarial oversight, from £0.1m to £0.2m. We wonder how and to what extent this takes account of the current oversight review, which we would hope might not only generate benefits in terms of effectiveness, but also of efficacy?

6. We have the following comments on the FRC's proposed levy rates;-

1. We support the proposal to exempt smaller pension schemes from requiring to pay the FRC pension levy.

2. We note the proposal that the IFoA's contribution will increase by 2.5%, as compared to its current 10% share of the FRC's funding in respect of its work on actuarial standards and regulation. It would be helpful to understand the basis on which this increase is necessary in relation to the FRC's actuarial work, recognising that the new TAS Framework is all but complete and that we are in the process, as noted, of a review of the oversight relationship. Disciplinary costs in relation to actuaries we note are static.

3. On a point of detail, we note that the table of proposed levies in section 4 appears to indicate that the IFoA's contribution will in fact be static at £0.2m for 2017/18. It would be helpful therefore if the FRC could please clarify the proposed position.