

**Institute and Faculty of Actuaries**

**Regulatory Board**

**Noting report**

<b>Subject</b>	IFoA Executive Update
<b>Regulatory Board meeting</b>	21 February 2023
<b>International Issues considered?</b>	Yes
<b>Author</b>	Executive Team
<b>Reviewed by</b>	Emma Gilpin, Head of Regulatory Policy
<b>Purpose</b>	Noting

**A: INTRODUCTION**

1. This paper provides an update on the work of the IFoA Executive Team since the last meeting of the Board (in November 2022) and highlights key issues and developments for the Board to note.
2. **PLEASE NOTE:** Board Members are asked to let the Board Secretary (hannah.macleod@actuaries.org.uk) know **at least three days in advance** if there are aspects of the update paper that they would like to discuss, so that appropriate time can be allocated in the agenda and the appropriate member of the Executive team can arrange to attend the meeting. We would also be happy to answer any specific questions on the below topics via email.

**B: KEY DEVELOPMENTS AND UPDATES**

3. Following approval of the revised Disciplinary Scheme, consideration was given to the need for **consequential amendments to the Actuaries' Code**. Some areas were identified that required change (in particular, the provisions on reporting convictions and adverse findings). Proposals were approved by the Board by email and a consultation on the proposed changes to the Code was launched on 16 January.
4. Following the Board's approval in November, the consultation on proposals for changes to the **Actuaries Code to introduce requirements on Diversity, Equity and Inclusion (DEI)** launched on 16 January. The consultation has been promoted through an all-member email, social media, newsletters and The Actuary magazine. The first consultation webinar was held on 6 February with around 75 attendees and another is scheduled for 29 March.
5. **DEI workshops** have been arranged for the Board and QAS Committee in February which aim to support Board/Committee members in their DEI-related work and decisions. These are being run by an external provider and are designed to focus on recognising good practice in respect of DEI. These will be in two parts, with the first having taken place on 7 February and the second part scheduled for 27 February.
6. Although slightly delayed, work is continuing on drafting of the **Sustainability and Climate Change Guidance**. An initial draft of the guidance has been produced, and we are now developing

case studies with assistance from the Climate Change Regulatory Working Party. The guidance is expected to be published in the first half of 2023.

7. Following the Board's decision to approve the final proposals for new **CDC Scheme Actuary PC**, (following consultation), notice of this has now been given to members and a Consultation Feedback report has been published. The new requirements are due to come into effect on 1 March and the PC team have been updating their processes and publishing new forms to accommodate the new PC.
8. Work is underway on the implementation of the **new Disciplinary Scheme**. It is expected that it will come into force in August 2023
9. Following the recent consideration by the Board of proposals for a revised **Actuarial Profession Standard (APS) Z1 on Funeral Plans**, a further discussion took place with the Board in January regarding Practising Certificate considerations. Following the Board's decision not to require a PC for this work, the consultation on the agreed proposals was launched on 6 February and will run until 8 May 2023. The consultation has been publicised in the general newsletter (published on 6 February) and featured on the homepage of the IFoA website.
10. The **new Practising Certificates (PC) Scheme** came into effect on 1 December. Over 330 applications have gone through the new process so far, including 15 Initial applications and 114 Full Renewal applications. Members have adapted well to the new Scheme, however early learning from applications received suggests the example applications on the IFoA website could be modified to assist applicants further and work to update the examples will be carried out on that over the coming months.
11. The **Reflective Practice Discussion (RPD) programme** has now been operating for more than 14 months and as of 7 February, the IFoA has met with 278 members to carry out RPDs. Overall feedback remains positive, 35% of members that we have met with have participated in an optional survey to provide feedback on the IFoA led RPD session. 100% of responding members state that they have benefitted from the IFoA led RPD, with an average rating of 4 (out of a possible 5). A post-implementation review of the CPD Scheme, which was implemented in 2020, is in its early stages and will look at the effectiveness of the new Scheme overall. Feedback from RPDs will be used to help inform the review, as well as feedback gathered through surveys and roundtable discussions with various stakeholders. The findings of the review, along with recommendations, will be provided to the Board at its July meeting.
12. Work continues to move forward with the launch of the new **UKPM**. The FRC have reviewed the core reading for the UKPM for the second time and have raised some questions and issues. The Education Actuaries continue to discuss those with the FRC. 1<sup>st</sup> March remains the target date for publication of example case studies, release of updated core reading documentation and confirmation of the process for booking. The next stage is to identify remaining volunteers required (mainly from the GI community) to assist with the facilitation of the case-study based workshops.
13. The programme of **future thematic review topics** for 2023 and 2024, approved by Regulatory Board in September 2022 was published in December 2022 (as a reminder the topics were Data Science, Pensions on Divorce, Cyber Risk and Pension Scheme Design).
14. The **FRC** has recently announced that it has commissioned the Government Actuary's Department (GAD) to carry out **a research exercise to look at the use of artificial intelligence and machine learning in actuarial modelling in the UK**. Given the potential overlap with the IFoA's proposed thematic review into data science during Q1/Q2 2023, the AMS team is reflecting upon the scope of their review and will liaise with the FRC and GAD to avoid unnecessary duplication in terms of scope and timing. Further updates will be provided to the Board on this.

15. The **AMS Equity Release Mortgages review** was published on 7 December 2022 and work to promote the review has continued including an all-member webinar held in January with nearly 100 attendees.
16. The **Corporate Pensions review** is well-advanced and now in the reporting phase. Interviews have been carried out with a selection of participating actuaries, and both bespoke feedback and the overall public report are expected during March and April. An out-of-cycle Board meeting will take place to discuss the key findings and any Board response.
17. The **QAS DEI Specialist Review** has now concluded and the draft overall findings report has been received. The final version will be shared with QAS Accredited firms after the March QAS Committee meeting. The Specialist will attend that Meeting to speak to their report.
18. [REDACTED]
19. The **Joint Forum on Actuarial Regulation (JFAR)** met in December 2022, with the IFoA represented by Ben Kemp and the Board's Chair. Discussion focused on Liability Driven Investments (LDI) and the 2022 Risk Perspective update (see below). There was also a proposal from the FRC that the JFAR should be disbanded, with the different regulator members having bi-lateral meetings instead with scope for one-off meetings being arranged as needed. While there was some resistance to this proposal, including from the IFoA, it was agreed that this would be the last JFAR meeting, although there would still be an annual meeting of the JFAR members. The IFoA is currently looking at an engagement plan for the different JFAR regulators., with input from the Council-led Regulatory Strategy Steering Group (upon which Ben Kemp and the Chair sit) and from the IFoA's Policy and Public Affairs team. This is due to be considered at a meeting of the Group on 15 February.
20. The **JFAR Risk Perspective 2022** was published in December 2022. It is understood that this will be the last such document produced by JFAR but that the FRC have indicated their Actuarial Policy team may produce such a document in the future.
21. The **FRC has launched a consultation on a revised Technical Actuarial Standard (TAS) 400**, which is their technical standard relating to work on funeral plans. This consultation is open until 12 April and a draft response will be shared with the Board out-of-meeting.
22. The FRC have also indicated that they will publish a response to their **consultation on a revised TAS 100 and proposed additional guidance** (that took place in June 2022) in late February. Board members will recall that the IFoA responded to that consultation and raised concerns about the TAS 100 and the proposal to introduce guidance.
23. There has still been no indication of when legislation will be published in relation to the introduction of the new statutory regulator the **Audit, Reporting and Governance Authority (ARGA)**. It is unclear what impact there will be (if any) of recent changes to the structure of the former Department for Business Energy and Industrial Strategy (BEIS), which had responsibility for this review. The Regulatory Strategy Steering Group continues to lead on this work, with support from external public affairs consultants. We also continue to have discussion with the FRC's Actuarial Policy Team (leading on transition to ARGA) to raise some of the issues and challenges we have identified and to propose practical ways to ensure an effective transition.

24. The **FRC's CEO, Sir Jon Thompson, has resigned from his role** and will carry out his 6 month notice period on a part time basis. Sarah Rapson (Executive Director with responsibility for supervision – including professional oversight) is to take up role as deputy CEO during that period.
25. The **FRC** has recently concluded **oversight monitoring reviews** for different areas of the IFoA's regulatory work. This includes: the CPD Reflective Practice Discussion process; the QAS accreditation; disciplinary process (light touch recognising new scheme due); and education processes. The oversight team have shared their initial findings and will set those out in the Private Oversight Report for 22/23 (draft expected in spring 2023).
26. The FRC has published its **Public Oversight Report for 21/22** and issued the final version of its **Private Oversight Report for 21/22**. Copies of the reports, together with the IFoA's response are provided within the noting papers.
27. Work is ongoing in respect of changes to the IFoA's **CRM system**, which is due to be introduced over the summer. This will have particular relevance for more process-based regulatory functions, including: QAS processes for accreditation/reaccreditation and annual returns; DPB licensing processes; PC applications and renewals. It is also proposed that the new professional and regulatory support services will use the new system. Significant work on user testing and training is currently being undertaken by IFoA executive staff in relation to this project.
28. [REDACTED]

**C: KEY PLANNED ACTIVITIES FOR NEXT PERIOD (UP TO NEXT BOARD MEETING)**

29. In addition to work mentioned above, over the next period, we anticipate the following key activities:
  - i. Continued engagement on proposed reform of actuarial regulation by UK Government.
  - ii. Work to progress changes to the structure of Committees and Board reporting to the Regulatory Board (as agreed in principle at the Board's Strategy Day in September 2022)
  - iii. Work to begin on drafting non-mandatory guidance relating to DEI (including to support the anticipated Actuaries' Code requirements).
  - iv. Work to commence on the next AMS thematic review in relation to data science (subject to discussions about overlap with FRC/GAD work).
  - v. Completion of the Corporate Pensions thematic review.
  - vi. Begin implementation of new regulatory support process.
  - vii. Work to progress the planned review of APS X2: Review of Actuarial Work, and its accompanying guidance.
  - viii. Picking up again the possible interaction between QAS and PCs.
  - ix. Procurement of specialist reviewer for next QAS specialist review (on development and learning).
  - x. Begin work on review of DPB Handbook and processes.
  - xi. Expect draft FRC Private Oversight Report for discussion