



Regulation Board

2 February 2021, Time: 10:00 – 14:00

Via VC

Attending:	Neil Buckley, Chair Ben Kemp Edwin Sheaf Helen Brown Sue Lewis Frank Devlin Marcia Cantor-Grable Matt Saker Melanie Puri Nicola Bevan Shane O'Dea Simon Martin	Apologies:	N/A
Executive Staff:	Emma Gilpin Leisha Watson (Secretary to the Board) Gina Thomas (note taking) Stephanie Snowden (for item 6) Hemisha Patel (for item 6) Judith Joy (for item 10) Alan Marshall (for item 11)		
Guests:	Simon Eagle, Chair of CDC Working Party (for item 10) Robin Finer, Head of Competition Economics, FCA (for item 11) John Charles, GI Standards and Consultations Committee (for item 11) Steven Graham, IFoA Technical Policy Manager (for item 11) James Rakow, GI Standards and Consultations Committee (for item 11)		

Item	Title
1.	Welcome and Apologies
1.1	The Chair welcomed everyone to the meeting, noting the upcoming scheduled attendance of external guests for agenda items 10 and 11. The Chair welcomed the Board's newest member Simon Martin who introduced himself. The Board expressed sincere condolences to the family of Mark Stocker who sadly passed away in January.
2.	Declaration of Conflicts of Interest
2.1	Helen Brown and Matt Saker declared potential conflict of interests for agenda item 11. The Board noted these and agreed that both HB and MS could participate in the discussion for item 11. No further conflicts of interest were noted.
3.	Minutes and Actions



Item	Title
3.1	The Minutes of the Board meeting on 17 November 2020 were approved, subject to amendments of the first bullet point in paragraph 7 to change from <i>profits</i> to <i>surplus</i> .
3.2	The actions were noted.
4.	Update from the Chair
4.1	<p>The Chair's summary of recent activities was noted.</p> <p>The Chair recently met with the FRC who recognised the work being done by the Board and the Executive. The FRC Annual Oversight Report is expected to be presented in draft by the middle of February and will be shared with the Board.</p> <p>The Chair was asked if there was scope for a joint meeting with the FRC's new Actuarial Advisory Group (replacing Actuarial Council) and the Regulation Board and/or if meetings with the representatives of the FRC could be added to the induction process for Board members. It was noted that the Board will discuss the new ways of working of the new Regulatory Board at the May meeting, which could cover this.</p> <p>Actions:</p> <ul style="list-style-type: none"> Further consideration to be given to ways in which the Board might interact with the FRC in discussions about future ways of working at a later meeting.
5.	Update from the Executive
5.1	<p>The Executive summary of recent activities in paper 4 was noted. It was noted in particular that the Board will be updated in May on the CPD Reflective Practice Discussions pilot.</p> <p>The Board supported the new format and brevity of the note. If Board members wish to discuss any items at the end of the agenda that are for noting, it was requested that they inform the Chair and Secretary of the Board in advance of the meeting, to allow time to be allocated and ensure that the right Executive are in attendance to answer any questions.</p>
6.	Practising Certificate (PC) Scheme Review
	<p>The Executive introduced paper 5 and provided the Board with an overview of the proposals to go out to consultation. The proposals are based on the steer provided by the Board at their January workshop. Since the workshop took place, the proposals have been tested with various practitioners and regulators. It was noted that there has been a broadly positive reaction to the proposals so far.</p> <p>[redacted]</p>
7.	Update on Regulatory Governance changes
	<p>The Executive introduced paper 6 for noting. The Board noted, in particular, that they will have an opportunity to have a full discussion on their new ways of working at the May meeting.</p>



Item	Title
	<p>The Board will take on the public interest regulatory functions of the Life Long Learning Board (LLB) at the end of February. A proposal around the relationship with the Board of Examiners is being presented to Management Board (MB) on 16 February.</p> <p>The Board went on to discuss the education regulatory public interest aspects of the LLB including the process, setting and marking qualifications, as well as the exam standard setting. The Chair noted the importance of the Board understanding how the exams are marked and how the pass marks are set.</p> <p>The Board agreed to have a more detailed discussion about the operational and strategic aspects in relation to the LLB at the May meeting.</p>
8.	Regulatory Vision Statement
	[redacted]
9.	Horizon Scanning Register
	<p>The Chair introduced paper 8 seeking approval for the content and format of the Board's horizon scanning register.</p> <p>The Board approved the new format of the document and discussed:</p> <ul style="list-style-type: none"> the need to distinguish between <i>important</i> and <i>urgent</i> risks whether the risks should be more detailed and focused as well as outsourcing risks to other IFoA Boards which might mitigate their overall status if the wording around the COVID-19 risk should be further focused on the long-term impact on the individual's work rather than being an operational risk of the actuary being unwell. <p>The Board approved paper 8 and agreed to revisit the process by which the register is managed in the context of the new Regulatory Board.</p> <p>Actions:</p> <ul style="list-style-type: none"> The Board to revisit the process for management of the horizon scanning register in the context of the new Regulatory Board.
10.	Collective Defined Contribution Pensions (CDC) Briefing



Item	Title
	<p>The Chair welcomed Simon Eagle (SE), Chair of the IFoA's CDC Working Party and invited him to speak to paper 9. SE provided a high level summary on the current status of the CDC proposals and what the next steps are.</p> <p>The Board's discussion included:</p> <ul style="list-style-type: none"> • There is legislation to allow CDC schemes as occupational schemes in the UK which has now passed through parliament and is awaiting royal assent • CDC schemes will need Scheme Actuaries (SAs) who will be key in the running of the scheme. In the Bill, SAs need to be a fellow of the IFoA. • CDC Schemes aim to provide cost effective annual income in retirement for workforces where the employer isn't providing a DB scheme. CDC is one big fund providing pensions for a large number of people, with fixed contributions and variable pensions being paid out. The members share risks between them so that the scheme can take on more investment risks. • SE advised that CDCs are a large fund, more akin to a DB scheme where it pays pensions to a large number of people who are all pooled. But DB pays promise to pension levels whereas CDC pays variable pension levels. • It was noted that there are no guarantees of pension level. For example, under the Royal Mail design, the way in which pensions vary is the change in the annual increase rate. • There is particular importance in terms of communications around CDC pensions to members of the pension scheme. The pension members will need clear communications as it runs on, every year. • The transparency of CDC Schemes, which could involve the assumptions being published each year. Therefore, if the scheme is run badly, then this will have to be justified. • It is a very costly and timely exercise to set up a CDC scheme. Therefore, it is likely that there will be only small numbers of them set up. There is hope that CDC 'master trusts' will be formed which will allow employers an easier route to set up a CDC scheme. • Some life actuaries expressed a view that a CDC Scheme was similar to a with profits annuity fund. <p>The Board noted the upcoming timeline for the CDC proposals. The regulations are being drafted by DWP and a formal consultation is expected in the spring time. The aim is that the regulations will be in place this year so that employers can open their own schemes at end of the year.</p> <p>The Board expressed their thanks to Simon for his briefing.</p> <p>The Chair noted that the Board's consideration of any steps to be taken in terms of IFoA regulation on CDC Pension Schemes is included in the Forward Agenda.</p>
11.	Deep Dive on General Insurance Pricing
	<p>The Chair welcomed Robin Finer, John Charles, Steven Graham and James Rakow to the meeting for the deep dive discussion on the role of actuaries in GI Pricing.</p> <p>RF provided the Board with high level comments of the work of the FCA and their next steps. RF advised that the FCA are keen to keep an eye on the impact of the proposed remedies in their</p>



Item	Title
	<p>report which will include ongoing monitoring from day one and a full evaluation of the impact within two years of implementation. The FCA consultation closed on 25 January, receiving around 100 responses. RF advised that there is broad support for the actions proposed and only some disagreement in the detail and time proposed for implementation.</p> <p>The Board's discussion included the following:</p> <ul style="list-style-type: none"> • Big data and individualised risk pricing: RF discussed that individualised risk pricing happens to some extent already in insurance. The FCA are saying to apply pricing algorithms/models but they should not discriminate by tenure. • The impact of negotiations on price between the customer and the provider. The FCA are focusing on the offer from the provider itself. • The regulation of actuaries and in particular, if there is anything that the IFoA could have done differently. The actions of the FCA in this area bring questions of GI pricing back to actuaries. There may be a need to look at IFoA standards and guidance to ensure they are supportive and robust enough for actuaries working in this area, whilst recognising that this is not the sole domain of actuaries. RF advised that a potential role in complying with the rules for actuaries is around the assessment of whether there is any discrimination by tenure in the pricing model. <p>RF advised the Board that the FCA are planning to issue a policy statement, including rules, by the end of June, with the currently stated aim of implementation four months later.</p> <p>The Board noted that the initial conclusions from the AMS GI thematic review will be presented to the Board at its May meeting. It is expected that this will include recommendations on any standards or guidance to be introduced as well as, potentially, recommendations on education and lifelong learning.</p>
12.	For noting only
	<p>12.1 The Board noted the Annual Report of the Professional Skills Sub-Committee.</p> <p>BK asked the Board for approval to extend the tenure the Chair of the Sub-Committee and one volunteer member, which currently are both outside the prescribed 6 year maximum terms applying to IFoA appointments.</p> <p>Approval was provided for an extension to the tenures but on the condition that this was limited to 18 months. The Board noted the importance of the maximum term rule which should only have very limited exceptions. The Board were advised that this is case-specific, with the group developing content rather than being a decision-making body.</p> <p>The Board noted paper 12.</p>
13.	Standing items



Item	Title
13.1	The Forward Agenda for 2021/2022 was noted.
13.2	The Board noted the Board members tenure paper.
14.	AOB
	<p>The Board noted a need to understand the process going forward within the IFoA in relation to policy matters and consultations. This is in the context of the abolition of the Public Policy and Affairs Board (PPAB) and how the new Regulatory Board will work. This will be discussed by the Board at the May meeting.</p> <p>The Chair referred to his email sent earlier in the week advising on the extension of Melanie Puri's term on the Board. The Chair then referred to the end of the terms for two Board members, Shane O'Dea and Nicola Bevan, where this would be their last meeting.</p> <p>The Chair thanked both Shane and Nicola on behalf of the Board for their positive contributions and impact on the Board's work. The Board, the Chair and the Executive wished them both well.</p> <p>No further business was discussed.</p>
12.	Dates of Future Meetings
	<p>5 May 2021 – Bluejeans (1000-1430) 27 July 2021 - TBC (1000-1430) 29 September 2021 – Edinburgh (1000-1430) 10 November 2021 - London (1000-1430)</p>