



Regulation Board

17 November 2020, Time: 10:00 – 13:45

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	Apologies:	Shane O'Dea
Executive Staff:	Emma Gilpin Leisha Watson (Secretary) Gina Thomas (note taking) Alan Marshall (item 7) David Gordon (item 7) Catherine Burtle (for item 6) (until 11.00am) Kirsten Mavor (observing)		
Observers:	Nick Spencer, Chair of the Sustainability Board (item 8) Wendy Walford, Green Finance Task and Finish Group Member (item 8)		

Item	Title
1.	Welcome and Apologies
1.1	<p>The Chair welcomed everyone to the meeting and welcomed Leisha Watson (LW) as the new secretary to the Board.</p> <p>The Chair extended a special welcome to Helen Brown (HB) and Sue Lewis (SL) as new lay members of the Board. HB and SL provided the Board with their backgrounds, with other Board member's introducing themselves.</p> <p>Shane O'Dea was unable to attend the meeting due to an urgent matter.</p>
2.	Declaration of Conflicts of Interest
2.1	There were no declarations of interest raised at the beginning on the business of the Board.
3.	Minutes and Actions
3.1	The Minutes of the Board's meeting on 14 May 2020 were approved, subject to picking up a typo that was flagged by one member of the Board.
3.2	The actions were noted. Actions:



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	The Chair asked for the completed actions to be removed from the actions list.
4.	Note from the Chair
4.1	<p>The Chair's summary of recent activities was noted.</p> <p>The Chair advised the Board on his recent engagement with the FRC and actuaries' involved in funeral plan trusts. A further meeting is to be scheduled with the FCA on their plans and timeline for transition to FCA supervision. The Chair advised that a Risk Alert on the transitional risks before FCA supervision comes into force will be circulated to the Board for approval offline.</p> <p>The Chair updated on a meeting he had attended with the FRC alongside the IFoA President and Andy Rear, another member of Council, to discuss, in particular, the future of actuarial regulation.</p> <p>The Board noted the new FRC appointments: Director of Actuarial Policy Vanessa Leung and Executive Director for Regulatory Standards Mark Babington (who was now a permanent appointment).</p> <p>The Board were advised that the IFoA Council are meeting next week to discuss the regulatory governance proposals.</p>
5.	Note from the Executive
5.1	<p>The Board was invited to comment on the update on the recent work of the IFoA Executive Team, as summarised in paper 4.</p> <p>Some highlights from the report were: the COVID Taskforce, GI Pricing Deep Dive and the IFoA specific data science guidance.</p> <p>It was questioned why there were substantive matters for approval or discussion in the executive note and a suggestion from members that it was made clearer what was for information/noting or approval. The Board felt that there were too many attachments in the note. The Chair noted the difficulty in managing Board's time and focusing on strategic level discussions. It may also be a culmination of the Board not meeting since July.</p> <p>The Board were reminded that the matters within the executive report should be for noting only, however there may be a few items within this that should have been for discussion within the main agenda. The Board are invited to flag beforehand if there is anything within the report that they wish to discuss at the meeting.</p> <p><i>Annual Report of the DPB Board</i></p> <p>The Board noted this report and there was a suggestion that it was added to the horizon scanning register. [REDACTED]</p> <p><i>Annual Report of the PCC</i></p>



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	<p>The Board noted this report and Melanie Puri (MP) offered to speak to the Practising Certificate Committee (PCC) about the Reviewing Actuary role, if helpful.</p> <p><i>Professional Skills update</i> The Board noted this update.</p> <p><i>CPD audit report</i> The Board noted this report and asked what the status was of the ongoing Board discussions about the KPIs for the CPD scheme review. The Chair confirmed that he will be speaking with the Executive and will update the Board accordingly.</p> <p><i>PC Review</i> The Executive introduced the noting paper which provided the Board with the high level direction of the Practising Certificate (PC) review. They summarised that there is a move away from the current PC Scheme focus on technical experience and that further proposals are due to be brought to the Board in February. However, there were issues with the current executive resource while recruitment for a temporary regulatory lawyer was ongoing.</p> <p>[REDACTED]</p> <p>The Board requested an opportunity to direct the review before the next meeting in February. They also requested a summary or reminder of the aim of the review. They asked for a workshop to be arranged to allow Board members to share any additional thoughts on the review.</p> <p><i>Update on Covid-19 Taskforce</i> The Board noted a point raised by a member that Covid 19 will impact:</p> <ul style="list-style-type: none">- the assumptions that actuaries make,- access to historical data; and- decision support technologies. <p>The Board questioned how the different views on the taskforce are managed and noted that this will be very challenging. It is also important that one view, out of many, doesn't become a 'sound bite' which represents the IFoA.</p> <p>The Board requested that a member of the task force attend the next meeting, if possible, to talk to its work.</p> <p>There was some discussion about the Covid 19 Risk Alert that was approved and issued in April. It was suggested that this Risk Alert may need to be updated and that this could be discussed at the next meeting if a Task Force member attended.</p> <p><i>Proposals for February risk Deep Dive on GI Pricing</i> The Board noted this paper.</p>



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	<p>A member suggested that this review could also focus on the role of actuaries within the senior manager's regime.</p> <p>It was queried how the Board will input into the IFoA's response to the FCA's consultation on proposed changes to its handbook, related to its reporting on GI Home and Motor pricing practices. The Chair advised that he has a meeting with the IFoA Head of Policy soon to discuss how the Board can input into consultations.</p> <p><i>AMS Thematic Review Programme – 2021 topic selection</i></p> <p>The Board noted the decision made on the 27 October call for the future reviews and the indicative timeline. The Board has the option of discussing a further narrow topic for a review. They also noted that the Financial Reporting Council (FRC) were very complimentary about the work of the review team.</p> <p><i>IFoA specific ethical guidance on data science</i></p> <p>The Board noted the email sent on the guidance prior to the meeting and queried why this paper was only noted in the executive paper, without a substantive discussion.</p> <p>The Board were reminded that there was a substantive discussion on the guidance at the July meeting, where the guidance was approved subject to the inclusion of case-studies and any comments from the FRC.</p> <p>The Executive clarified that the case-studies had now been added. It was queried why this guidance has been produced and the Board were reminded of their earlier action to the Executive to produce IFoA specific data science guidance, following the high level guidance produced jointly with the Royal Statistical Society (RSS).</p> <p>There were further points raised about some of the presentation of the guide and case study one. It was agreed that Board members would send any further points on the guide by email, with the Chair having final approval offline.</p> <p><i>Update on IAA, AAE and International Standards</i></p> <p>It was queried what changes will need to be made to ESAPS following Brexit and noted that this is not yet known.</p> <p>Actions</p> <ul style="list-style-type: none">• Executive to arrange a 1 hour 30 minute Board workshop on the PC Review• Executive to seek a member of the Covid Taskforce to attend the next meeting• Executive to refine the data science guidance following the Board's comments and the Chair to provide final approval offline.• Executive and Chair to discuss how best to organise the executive update paper
6.	Emerging pension funds



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	<p>The Board were advised that Catherine Burtle (CB) had to leave the meeting at 11am and was unable to return. As this is her last week, she will not be able to come along to the next Board meeting to speak to the paper. It was agreed to postpone the discussion until the next meeting and to find someone else to speak to the paper, if possible.</p> <p>It was suggested that a simple guide on CDC pensions would also be helpful for the Board.</p> <p>Action</p> <ul style="list-style-type: none"> • Discussion to be postponed until the February Board meeting, to coincide with the PC review proposals and update from the CDC Working Party • Executive to arrange an alternative person to speak on emerging pension funds
7.	<p>Outputs of the AMS Thematic Review</p> <p>The Executive introduced paper 7 and provided an overview of the outputs of the pension's thematic review. In particular, they summarised for the Board the key recommendations of the review team and an anticipation of publishing the report next month (around 8 December). The recommendations themselves focus on pointing out existing regulations and standards that are not being followed as fully as we would expect.</p> <ul style="list-style-type: none"> • [REDACTED] <p>The Executive clarified to the Board that they have had discussions with a sub-set of Scheme Actuaries and have sent formal feedback to all participating organisations, where they highlighted specific provisions of the TASs that they did not believe were being fully complied with. They also intend to host seminars with organisations, post publication of their report.</p> <p>The Board supported the recommendations and noted the very high quality of the work. They provided a steer that they should be forthright in communicating where there are issues identified. In particular, the concerns relating to communication about commutation rates, while recognising it is not always the actuary's direct responsibility. Additionally, there may be ethical issues to highlight in relation to the Actuaries' Code.</p> <p>It was noted that it was not for the Board to debate the findings within the report itself, but to agree what to do with it. If the recommendation is to provide guidance, then the Board can comment and approve, if appropriate.</p> <p>Decision</p> <ul style="list-style-type: none"> • The Board supported the recommendations of the report <p>Actions</p> <ul style="list-style-type: none"> • The Chair and Executive review team to have a discussion offline about the next steps • Executive to share the full report and communication plan with the Board, before it is published • Board members to provide any comments on the communication of the findings to the review team offline
8.	<p>Regulation of climate change and sustainability risk (Deep Dive)</p>



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8.1	<p>The Chair welcomed the Chair of the Sustainability Board, Nick Spencer (NS) and member of the Green Finance Task and Finish Group, Wendy Walford (WW) to speak to paper 7.</p> <p>NS introduced the paper and invited any questions on the Council's Climate Change taskforce.</p> <p>The Board's discussion included the following:</p> <ul style="list-style-type: none">• It was queried whether the task force were focussed on climate change or the 17 sustainability goals. NS clarified that the specific mandate of the task force is to look at climate change related risks. The Green Finance Education Charter refers to climate change in the context of a more sustainable economy;• The distinction between members based in different countries, particularly developing nations. It was agreed that any action should focus on the whole membership and should not be UK centric; and• The clear risk to the financial system which is going to influence the risk factors that we are already exposed to (such as interest rates, credit risk and mortality). There is a need to encourage members to realise that they need to be thinking about these risks and how it can be factored in, so that they are meeting their duty of care and providing sound advice. This ties in with why the group feel it should be recognised within the Actuaries' Code.
8.2	<p>NS advised the Board of the options presented in the paper, with their preference being an additional high level principle added to the Actuaries' Code.</p> <p>The Board discussed the advantages and disadvantages of all options presented and the challenges of enforcement. It was recognised that there may not just be one answer.</p> <p>The Board provided a steer and asked the group to draw up skeletons frameworks of all the options presented. This would help the Board decide where the obligations best fit.</p> <p>Actions:</p> <ul style="list-style-type: none">• The Green Finance Task and finish Group to draft skeleton frameworks for a possible Actuaries' Code Principle and APS.
9.	Horizon Scanning Register
	<p>The Board considered paper 8 and were firstly asked to note the updated register and approve the definition and process document.</p> <p>It was suggested that some broad definitions be provided within the process document on the high, medium and low risks. It was noted that this is included in the risk matrix within the register itself and could also be added to the process document, if helpful. It was suggested that slightly</p>



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	<p>more detail on the risk matrix, which provided finer and more gradual risks, would help with prioritization and categorization of the risks.</p> <p>The Board were also asked to provide a steer on</p> <ul style="list-style-type: none">• Whether all of the risks listed are appropriate for a register of this nature• Whether there is anything further, in addition to its programme of deep dives, that might assist the Board in relation to the register• Which risks the Board would like to focus on over the coming year, in addition to those in relation to which a deep dive is already planned. <p>The Board's discussion included the following:</p> <ul style="list-style-type: none">• Whether all of the risks related to the public interest or if some are organisational and reputational risks for the IFoA itself. It was noted that reputation can inform some of the risks;• If the risks should be focused and prioritised based on the time span and proximity;• The GI reserving risk is currently on the register, but life reserving risk is not. Both of these risks are also highly regulated by the PRA;• Ensuring we have consulted with relevant experts and defining what criteria there is for how the Board are defining the risks and prioritising;• The Board's knowledge of the risks and how to ensure they have a common understanding of the top risks. The possibility of briefing papers was discussed for each of the top tier risks. The Chair suggested that as the top tier risks are identified, the Board can decide how best to ensure that they understand the risks, with executive resource in mind;• The concern around having risks that are red on the register, that the Board are unable to influence or action;• If the actions should be focused on the Regulation Board, rather than the Practice Boards or other parties; and• It was suggested that the UK specific and international risks are separated on the register. <p>The Board discussed a concern around spending too much time refining the process for the register and adding complexities with too much granularity, rather than making use of the risk deep dives. It was agreed that some of the risk descriptions be refined so that they are clearly defined to the role of the Board, rather than more general risks. This would allow for a nuanced assessment of the risks.</p>



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	<p>It was queried what value a deep dive on the implications for actuaries from TPR's proposed 'fast track' DB scheme funding route would have and why this is on the list for a deep dive.</p> <p>Decision:</p> <ul style="list-style-type: none">• The Board approved the definition and process document, subject to the further changes being made to the risk matrix <p>Action:</p> <ul style="list-style-type: none">• The Board's horizon scanning sub-group to make further changes to refine the definition and process document• The sub-group to arrange a further meeting to discuss the Board's steer on the risks and update at the next meeting• Board members to send suggestions on how to prioritise the risks for the sub-group
10.	Standing items
10.1	Forward Agenda for 2021 The forward agenda was noted. Action: <ul style="list-style-type: none">• Emerging pension funds to be added for discussion at the next meeting
10.2	Board members tenure The paper was noted.
11.	AOB
	<i>DPB Board</i> <ul style="list-style-type: none">• [REDACTED]
12.	Dates of future meetings 2021
	2 February 2021 – By Video-conference (1000-1330) 5 May 2021 – TBC London (1000-1430) 28 July 2021 – TBC London (1000-1430) 29 September 2021 – TBC Edinburgh (1000-1430) 10 November 2021 – TBC London (1000-1430)