

INSTITUTE AND FACULTY OF ACTUARIES COUNCIL MEETING

Friday 15 December 2023, 10.00-12.00 GMT
By videoconference

Council Members Present:

Kalpana Shah (President and Chair)

Nico Aspinall	Dan Georgescu	Melanie Puri	Katie Sokolowski
Oliver Bettis	Simon Jones	Alan Rae	Kartina Tahir Thomson
Cherry Chan	Patrick Kelliher	Matt Saker	Sandy Trust
Kudzai Chigiji	Yan Liu	Hilary Salt	Peter Tompkins
Charles Cowling	Janet Moss	Hitesh Shah	Mark Williams
Matthew Edwards	Mukami Njeru	Sunil Sharma	Cynthia Yuan
Richard Galbraith	Matthew Pearlman	Malcolm Slee	

In Attendance:

Grahame Stott	Chair of IFoA's Management Board
Trevor Spires	Chair of IFoA's Audit & Risk Committee and Independent Non-Executive Member of Management Board
Ben Kemp	IFoA, Interim Chief Executive Officer
Kate Shasha	IFoA, Director of Strategy
Peter Walker	IFoA, Director of Marketing and Public Affairs
James Harrigan	IFoA, Corporate Secretary
Ruby Fitzpatrick	IFoA, Assistant Corporate Secretary

1. Introduction, Apologies, Register of Interests

1.1 The Chair welcomed everyone to the meeting. Apologies were received from Council members Hannah Long (who appointed Matt Saker as her proxy) and Masimba Zata (who appointed Kartina Tahir Thomson as his proxy).

2. Governance Changes – Formal reconsideration of the IFoA's proposed governance reforms

2.1 The Chair opened this item by confirming that the purpose of the meeting was for Council to vote and make a decision on this stage of the IFoA's governance proposals, bearing in mind

- a) Council's previous discussions on the matter, notably at its meetings in June, September and November 2023 and various other informal sessions in between,
- b) The objections received from 194 members to the original governance proposals, and all of the feedback received during the subsequent member engagement campaign,
- c) The importance of moving on and being seen to make progress, for the good of the IFoA and the profession, and
- d) That the proposals put forward for consideration here would be a 'trial period', wherein Council would continue to have opportunity to refine the new governance arrangements before these were presented for consultation with members, and a formal member vote, in due course.

2.2 The Chair explained to Council that the intention was to vote on the governance proposals as a package, recognising that the different parts of the proposals work together and that it would be undesirable to end up with a 'piecemeal' outcome. The Chair asked for Council's support for the package, accepting that while it might not provide each member's ideal outcome it was, when considered overall, a reasonable and proportionate response to the challenges Council/the IFoA had faced and demonstrated that Council had listened and responded to the feedback received.

2.3 The Chair then explained to Council the order of proceedings for this item, including details of how the voting process would work on the specified governance proposals (and additional supporting proposals), and what the next steps would be in terms of communicating the outcome to members and (in the event of the proposals being passed) the process and timing for initiating the formal notice/objections period for members, and for overseeing the implementation of the changes.

2.4 With that introduction, the Chair invited Council members to share their views on the proposals. The key points and themes arising from the ensuing discussion are as summarised below:

- a) **Need for change (governance and culture):** Several members spoke in favour of the proposals on the basis that the IFoA's current governance was holding it back, by perpetuating the issues that were leading to a lack of trust across the organisation and so inhibiting the cultural transformation the IFoA needs to go through. It was argued that the proposed changes, though not a panacea for all of the IFoA's challenges, were nonetheless a clear step forward for the organisation. The moves toward implementing a more professional board, and a longer Presidential term (so long as properly supported), were called out as being key to ensuring that that IFoA Board could be entrusted with managing the day-to-day workings of the IFoA, thus freeing Council to focus on bigger picture considerations.

Other Council members spoke of the need to identify as precisely as possible what the IFoA needed to achieve through its cultural transformation and how this would be done. It was noted that there had been much talk of why changes were being made but less about what the consequences of those changes would be. It was suggested that Council should look to define and document what the 'success measures' of these changes will (or should) look like, particularly the immediate and short-term accomplishments needed, to empower future Councils to look back in due course at what has been achieved in relation to those measures.

Action

- b) **Doing what is best for the members (and ensuring this is communicated effectively):** Several Council members expressed their firm view that the governance changes were ultimately the right thing to do for the IFoA's members, both in terms of professionalising its governance arrangements and (through enabling Council to free itself from its oversight responsibilities as a result) enabling Council members to focus on making a real difference to the organisation and the profession more generally. Some members spoke of colleagues and other actuaries in their network encouraging Council to get on with these changes, in recognition that things may not work out perfectly first time but should still be tried all the same. Alongside this, the importance of keeping IFoA members properly informed of and engaged with the changes – including where challenged on the merits of the changes even if they are ultimately adopted – was also emphasised.

There was considerable support for, and excitement expressed about, the ongoing work of the Council Working Group on the future of Council, and the potential for positive engagement with members as that work progressed

- c) **Process followed/opportunity to review/reconsider further:** Several Council members spoke positively about the engagement with members on the governance proposals during the previous few months, and of how the changes under consideration at this meeting showed a good balance between listening to members and amending the proposal without abandoning the core principles of what was originally proposed.

One note of caution expressed alongside that support was around ensuring that the IFoA Board's requirement to *have regard for* Council's views was strong enough to be effective, particularly under the intended longer-term arrangements when Council's powers over the Board would become more limited (other than to remove the board as a whole). In response to this, it was suggested that having well-defined Terms of Reference for both the IFoA Board and Council, with clear expectations set on both sides, should create a virtuous cycle of effective communication, positive relationship-building, and improved culture, all of which should lead to Council being assured that its voice is heard (and thus, being less inclined to take any action against the Board).

- d) **Self-Regulation:** The importance of IFoA retaining its self-regulatory powers was highlighted as a key outcome to be achieved, and it was argued that failure to pass the proposed changes could put this at risk – a risk that, it was suggested, had been heightened were it to be perceived that the IFoA had in any way 'slipped back' from the position it had taken in June 2023 when considering the original governance proposals.

2.5 Some Council members spoke in opposition to the proposed changes, arguing (amongst other concerns) that the proposed new governance structure was too vague and lacking detail on how it would fit together in practice, citing a lack of distinction between what the proposed IFoA Board would provide that the current Management Board did not, and expressing concerns about the structure and reporting lines of the intended nominations/appointments committees and of how to deal with 'rogue' members of the IFoA Board. These concerns were acknowledged and in respect of the point made about 'rogue' members it was highlighted that amendments to the IFoA Board's Terms of Reference sought to reflect some of the past discussion on how to deal with this, but with recognition that this could (as needed) continue to be refined in the coming months.

2.6 At the conclusion of the discussion Council members were asked to vote in support of proposals to:

- a) Adopt the principles listed at (i) to (v) below, and
- b) Agree the proposed amendments to Regulations 2, 3, 4, 5, 6, 10, 11, 12 and 13 (as appended to these minutes), to give effect to those principles.
- (i) *that the Chair of the Management Body (to be known as the IFoA Board) is an independent non-executive director (iNED)*

and that the composition of the IFoA Board be changed to:

- *5 member non-executive directors (mNEDs), one of whom is the President of the IFoA*

- 3 independent non-executive directors (iNEDs), one of whom is the Chair of the IFoA Board
- IFoA Chief Executive Officer

iNED being someone who is not a member of the IFoA and does not have a material or pecuniary relationship with the IFoA or related persons and

mNED being someone who is a Fellow or Associate of the IFoA but (other than the President) is not a member of the Council

An interim or acting Chair can be selected by the IFoA Board from one of its non-executive directors (iNEDs and mNEDs).

- (ii) *that an appropriately constituted Committee of the IFoA Board will in future be responsible for recommending candidates for non-executive vacancies to the IFoA Board (other than the President, who will be an ex-officio member of the Board, as of right). Appointments will be made following an appropriately objective skills- and competency-based selection process, and each appointment will be subject to consultation with and ratification by Council on appointment and every 3 years thereafter*
- (iii) *that Council shall reserve the right, in exceptional circumstances, to remove either the IFoA Board Chair or the Board in its entirety (other than President or Chief Executive)*
- (iv) *that the Term served by any elected President be changed to two years; and*
- (v) *the removal of the role of the Immediate Past President upon the appointment of the first President with a two-year term (expected June 2025).*

2.7 By a majority of 27 votes in favour to three against, Council approved the proposed adoption of the principles and the related amendments to the Regulations.

2.8 Council members were then asked to approve (in combination) three further requests, for the purposes of enabling the launch of the new IFoA Board:

- (i) The updated indicative Terms of Reference for the IFoA Board, pending any further amendments to be made following the recommendations of the Council Working Group (and subject to correcting the version provided to Council to reflect that there would be four independent member non-executive directors (in addition to the President) on the Board, not five plus the President as mistakenly stated in the paper),
- (ii) The transitional Governance Protocol, and
- (iii) A comprehensive review of the IFoA's Governance Manual (and the Scheme of Delegations contained therein), with the assistance of external legal advisors and in consultation with Management Board, to ensure that it is consistent with IFoA Constitution and all necessary consequential amendments are made.

2.9 Ben Kemp explained to Council that its support of the indicative Terms of Reference would be helpful for the purposes of the upcoming search to find and appoint the Chair of the Board. There was some brief discussion around giving the IFoA Board responsibility for setting the strategy of the IFoA (around the definition of 'strategy', and which strategic powers Council should delegate and which it should retain), to which the

point was made that the new Board would be significantly undermined if it did not have responsibility for the strategy, as it would thus not be running the organisation and Council would consequently be unable to change its focus to vision and the members.

- 2.10 It was suggested that there needed to be more clarity in due course on the distinction between strategy and vision (for example, where there might be disagreement about what might be considered a 3-5 year issue versus a 15-20 year issue). It was broadly agreed that this needed further discussion in order to ensure that the essential clear lines of accountability and responsibility were in place.
- 2.11 On the proposed review of the Governance Manual, it was agreed that Council should receive the report of the review in its capacity as both the 'owner' of the work commissioned and as the body that would be required to approve any proposed changes arising from it.

Action

- 2.12 At the end of the discussion on these matters, **Council approved the three requests by a majority of 28 votes in favour to two votes against.**

3. Governance Changes – Member Engagement

- 3.1 The information contained in the paper for this item was noted by Council and the points raised therein informed the discussion of the revised governance proposals as set out above.

4. Nominations Committee – Terms of Reference

- 4.1 Matt Saker (in his capacity as Chair of the Nominations Committee) presented this item, which asked Council to approve revised amendments to the Committee's Terms of Reference, further to feedback given by Council members at Council's meeting on 30 November 2023 on the amendments proposed at that time.
- 4.2 There was detailed discussion of paragraphs 3 and 4 of the Committee's Terms of Reference, and the proposed amendments therein, regarding the Committee's delegated authority in relation to considering declarations from Council election and President-elect election nominees as part of their respective nominations processes (and, as appropriate and in line with relevant internal guidance, deciding where a nomination should not be allowed to proceed). Having broadly agreed the underlying principles intended to be covered by those principles, Council members then discussed the specific wording of the paragraphs and it was proposed to revise them as follows:

Paragraph 3:

FROM (As proposed in the paper): Considers declarations from Council nominees made as part of their nominations form and/or other relevant information, in line with the Fit and Proper Process and Guidance and, after seeking whatever independent advice it feels is required, decides whether it is appropriate for nominations to proceed.

TO (as agreed in the meeting): Considers declarations from Council nominees made as part of their nominations form and/or other relevant information, and after seeking whatever independent advice it feels is required, decides whether it is appropriate for nominations to proceed, in line with the Fit and Proper Process and Guidance.

Paragraph 4:

FROM (As proposed in the paper): Considers declarations from President-elect nominees made as part of their nominations form and/or other relevant information, in line with the Fit and Proper Process and Guidance and, after seeking whatever independent advice it feels is required, incorporates these considerations into the recommendations made to Council.

TO (as agreed in the meeting): Considers declarations from President-elect nominees made as part of their nominations form and/or other relevant information, and after seeking whatever independent advice it feels is required, incorporates these considerations into the recommendations made to Council, in line with the Fit and Proper Process and Guidance.

- 4.3 There was then brief discussion of whether the Committee's Terms of Reference should be amended to include *equity* alongside diversity and inclusion as matters for consideration when the Committee makes recommendations. The proposed amendment was retained, with emphasis made that the Committee's responsibilities in this regard had been changed from *champions* to *considers*.
- 4.4 In conclusion of the item **Council approved the amendments to the Committee's Terms of Reference, including those set out in paragraph 4.2 above, by a majority of 28 votes in favour to one against, with one member not casting a vote.**

End.