

**INSTITUTE AND FACULTY OF ACTUARIES
SPECIAL COUNCIL MEETING: AMENDMENTS TO REGULATIONS RELATED TO
GOVERNANCE CHANGES
MINUTES**

Friday 1 September 2023, 08.00-10.00 BST
By Videoconference

Council Members Present:

Matt Saker (President and Chair)			
Oliver Bettis	Jennifer Hartley	Danny Quant	Kartina Thomson
Cherry Chan	Patrick Kelliher	* Hilary Salt	Peter Tompkins
Kudzai Chigiji	Yan Liu	Hitesh Shah	Mark Williams
Charles Cowling	Sarah Neil	Kalpana Shah	Cynthia Yuan
Dan Georgescu	Matthew Pearlman	Sunil Sharma	
Dermot Grenham	Louise Pryor	Malcolm Slee	

* Hilary Salt was present from 9am-10am.

In Attendance:

Grahame Stott	Chair of IFoA's Management Board
Stephen Mann	IFoA, Chief Executive Officer
Ben Kemp	IFoA, General Counsel
Peter Walker	IFoA, Director of Marketing and Public Affairs
Trevor Spires	Chair, IFoA's Audit & Risk Committee (and Non-Executive member of Management Board)
James Harrigan	IFoA, Corporate Secretary
Ruby Fitzpatrick	IFoA, Assistant Corporate Secretary

1. Welcome and Apologies

1.1 The Chair welcomed everyone to the meeting, which had been called on an extraordinary basis (in line with Rule 19A of the IFoA's constitution) to consider the 194 notices of objection received from IFoA members to the proposed amendments to the IFoA's Regulations 2-6 and 10-12, which were proposed for introduction to give effect to the changes designed to strengthen and modernise the organisation's governance that Council had voted decisively in favour of at its meeting on 14 June 2023.

1.2 Apologies given by Council members (and proxies nominated) were as follows:

<u>Apology</u>	<u>Proxy</u>
Michelle Darracott	Kalpana Shah
Hannah Long	Matt Saker
Mukami Njeru	Hitesh Shah
Craig Ritchie	Matt Saker
Hilary Salt (after 10am)	Peter Tompkins
Masimba Zata	Hitesh Shah

1.3 The Chair introduced the matter for discussion by acknowledging that this meeting had been called just days before the IFoA's Annual General Meeting was due to take place, and by noting that many of the objections received had called for Council to consider the objections after the AGM had taken place (by which time those members who would be elected onto Council as of the AGM could participate in the reconsideration). The Chair noted the counter-argument that those members currently on Council were, through the experience of having been fully informed of the external-led review of the IFoA's

governance since its inception in late 2022 (and having discussed the review, and its recommendations, on several occasions during 2023), better placed to consider the points raised by the objectors within the full context of the review.

- 1.4 The Chair acknowledged that some members were clearly upset with, and firmly opposed to, the proposed amendments to IFoA's governance. He noted however that those members were not in possession of the full facts of the matter, as Council was through its regular engagement with the review. The Chair contended that while Council should not be stubborn in maintaining the decisions it reached at its meeting in June, it should also require good reason (material information or similar) to move from its original decisions – and that upon review, it appeared that Council had considered all the material points of concern raised by the objectors ahead of reaching its decisions in June.
- 1.5 The Chair positioned the discussion to take place at the meeting as needing to cover three key considerations:
 - a) Whether there was any good reason why Council should not consider the objections at this meeting;
 - b) If the objections were to be considered at this meeting, whether there was any compelling reason(s) for Council to reverse any or all of the decisions it made at its meeting in June; and
 - c) Regardless of how Council might answer points a) and b) above, to consider how the IFoA in general/Council in particular should engage with members to demonstrate that it is listening, wants to hear members' views, and will act on the feedback given.
- 1.6 Ben Kemp then explained to Council its role and obligations in considering the objections, emphasising the requirement to take them seriously and conscientiously, whilst remaining mindful of the decisions it had already taken at its meeting in June 2023 (and had taken in acknowledgement of the risks the IFoA was then facing, and in the light of specialist expert external advice). He pointed to the legal advice prepared for Council on the matter, as appended to the paper to this meeting. He also outlined for Council certain considerations that might become relevant depending on how these matters might progress (and the challenges that could arise in consequence of this).
- 1.7 It was highlighted that the IFoA was not approaching this situation from a risk-free perspective. Council's attention was drawn to the 'key risks' section of the paper to this meeting, which set out in detail the risks that had been drawn to Council's attention at its meeting in 14 June, and which were described as both creating a compelling case for change and having remained unchanged since the decisions taken at that meeting. It was emphasised that, as things stood, the IFoA remained outside of its risk appetite on governance. It was also pointed to the advice received from the specialist expert external adviser in their report – that IFoA's governance was not fit for purpose – and said that there had been no indication of improvement on this front.
- 1.8 A wide range of views and concerns, as summarised below, were expressed during Council's discussion of the substantive considerations.

Timing of the reconsideration

- a) Numerous Council members expressed concern at being asked to formally reconsider the proposed amendments to the Regulations at this meeting, citing the views expressed by objectors that it should be for the Council post-AGM to do this. It was accepted that, from a legal and governance perspective, Council was fully

entitled to carry out a full formal reconsideration of the amendments at this meeting should it choose to (contrary to false suggestions expressed on certain social media channels that it had no remit to do so). However, it was argued that the strength of feeling among some members on this point, and the risk of further alienating those individuals (and potentially other members) by proceeding despite their opposition, posed a greater risk to the organisation (and ultimately to the proposals to modernise IFoA's governance) than pausing the reconsideration.

Purpose of the amendments/communication of same to members

- b) Some Council members emphasised that, from their contact with their fellow IFoA members, the main driver behind their concern with/objection to the amendments to the Regulation was a lack of clarity on the rationale for the changes and the problem(s) the IFoA was trying to address through them. There was broad agreement that, despite positive efforts on several fronts to communicate the reasons for modernising the IFoA's governance as proposed and the benefits this would bring to the organisation, this had ultimately not been received as well as had been intended and had led to challenges that there had been a lack of transparency in trying to bring these changes in.
- c) It was specifically pointed out that little attention had been drawn to the fact that, within the decisions agreed by Council in June, there would be a 'checkpoint' after 18 months under the new arrangements to review how things were going. Similarly, concerns were raised that a lack of clarity about the role of the Nominations Committee was feeding into the concern about the reasons for the governance changes, and also into a sense among some members that the changes ultimately amounted to a loss of control for actuaries for their own profession.

Relevance of the UK Corporate Governance Code

- d) A few members commented that elements of the governance review recommendations – notably, the proposed composition of the Unitary Board, with independent non-executive directors (iNEDs) in the majority – had been agreed on the basis that this would be in line with the expectations of the UK Corporate Governance Code, when alternative governance codes were available for comparison (with one said to suggest that iNEDs should be in the minority) but Council was not made aware of these. This view was challenged by other Council members, who argued that the decisions Council made in June were made on the basis that it was the right and appropriate thing to do in the totality of the situation.

Support for proceeding as previously agreed (and the risks of not doing so)

- e) A couple of Council members spoke strongly in favour of keeping to what Council had agreed in June, noting that the objections had not raised anything new and significant that Council had not previously considered (in the context of its fuller knowledge of the review), and arguing that there had been a degree of orchestration by some individuals that had influenced many of the objections received. It was also argued that any reversal by Council of a decision it made by decisive majority just two and a half months previous, or any refusal by Council to formally reconsider those decision at this time, would reflect poorly on Council's credibility as a decision-making authority.
- f) It was acknowledged that the number of objections received to the proposed amendments to the Regulations was not insignificant, albeit ultimately a relatively small number of members comparative to the membership as a whole, and it was noted that some of those objections had been received from individuals considered

to be senior figures in the profession. It was emphasised that whatever further efforts might be made to communicate the benefits of the changes to members, there will inevitably be some members who will actively oppose them regardless, and that the IFoA should not allow the progress made to date in modernising its governance arrangements to be derailed as a result. Reference was made to the vote in 2010 to merge the Institute of Actuaries and the Faculty of Actuaries, which attracted heated debate at the time but had long since ceased to be contentious, to illustrate this.

1.9 At the conclusion of the discussion, Council agreed to hold a formal vote on the following question:

Having discussed the objections received to the proposed Regulation amendments, does Council favour proceeding to carry out a formal reconsideration of the amendments? (Yes/No)

- ***A 'yes' vote is to proceed to consider making formal amendments to the Regulations changes, agreed further to the decisions taken at the 14 June 2023 Council meeting, now.***
- ***A 'no' vote means that the decision on whether to consider making formal amendments to the Regulations changes, agreed further to the decisions taken at the 14 June 2023 Council meeting, is deferred until after the AGM.***

Council voted 21-7 in favour of 'No' - that the decision on whether to consider making formal amendments to the Regulations changes agreed at the June Council meeting should be deferred until after the AGM.

1.10 It was confirmed that, with no formal reconsideration of the proposed amendments to the Regulations having taken place at this meeting, those proposed amendments remained active (but not formally in place, as it had been specified that the earliest of the amendments would not take effect until 1 March 2024), and would remain active until such time as Council formally decided (by a majority of three-quarters of the whole Council) to amend them.

1.11 It was agreed that a formal communication to members on the decision of the Council at this meeting would be issued at the earliest opportunity.

End.