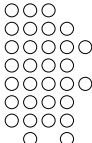


Monitoring Scheme Actuaries

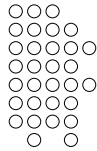
David Martin

Brighton Pensions Convention
June 2005



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Brighton Pensions Convention
June 2005



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Monitoring Scheme Actuaries

- Compliance Review (Peer Review)
- Revalidation of Professional Competence
 - Work Based Skills
 - Practice Modules
 - CPD
 - Practising Certificates
- Disciplinary Procedures

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Monitoring Scheme Actuaries

Compliance Review (Peer Review)

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A 7x5 grid of circles. The first four rows are full. The fifth row has the last circle missing. The sixth row has the first and last circles missing. The seventh row has the first, third, and fifth circles missing.

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Why Compliance Review?

- There have been compliance problems (disciplinary committee)
- To strengthen the credibility of the profession
- FSA
- Public interest awareness (eg lawyers, doctors, accountants)
- IAS standards
- Morris

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Compliance Review Progress

- Discussion Paper / Consultation 1999/2000
- Revised Discussion Paper/Consultation Late 2000
- Implementation deferred for Life Office and General Insurance work
- Pensions won the "Three Horse Race"
- Morris

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Morris Review Conclusions

- TPR to ensure Scheme Actuary advice formally scrutinised by independent experts
- Supports Profession's PR process but notes it's not "independent"
- FRC with TPR and Profession to be satisfied in 2-3 years satisfactory monitoring and independent scrutiny in place
- ICAEW/PRAG considering if pensions liabilities to go in Pens. Sch. accounts.

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Compliance Review

- New Guidance Note – effective soon
- Main focus – review of advice
- Recommended Practice until 31/12/06
- Practice Standard from 1/1/07
- Two Types of Review
 - Type 1 - Peer Review
 - Type 2 - Audit Review

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Profession's Objectives

- Public entitled to good advice
- Public need to be reassured
- Re-enforce existing good practice
- Maintain and strengthen confidence in actuarial advice
- Achieve high quality advice
- Aware review procedures already carried out

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Application

- All pension actuaries – not yet
- Scheme Actuaries – Scheme Actuary work
- Reviewer – Actuary
- PCS, 2.6 - Must be competent
- Reviewer confidential, unless agreed otherwise

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What Advice?

- What? – all written advice
- Verbal advice – confirmed in writing
- Practice Standard for seven GNs
- Caught by Disciplinary Scheme

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Review Principles – Peer Review

- Peer review preferable to audit review—before client acts
- Range of peer reviewers
- Evidence of peer review retained
- Review terminated before conclusion?

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Review Principles – Audit Review

- Audit review – after event
- Period - up to six months - single period
- Last advice no earlier than one month
- Audit reviewer appointed - individual or group
- No restriction - same firm, terms to be agreed
- List of advice - GN, client, date of advice

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Review Principles

- Audit reviewer determines sample
- Completion statement
- Two weeks to report from statement date
- Scheme Actuary writes to accept or dispute - one month from statement date
- Review terminated - re-appoint one month

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Review Principles

- One question – is it compliant?
- Identify if any material issues
 - Inaccurate
 - Inconsistent
- Clear and unambiguous

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Review Principles

- Not checking for accuracy – already checked
- Not checking completeness – but must be clear
- Not review of process or filing
- Not editorial or stylistic – but must be clear
- However nothing to stop this approach
- Accurate, consistent and clear

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Confirmation

- Self regulation
- Attestation by Scheme Actuary
- Renewal practising certificate
- Problem – contact the PAB

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Revalidation of Professional Competence

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Background

- Professional Competence Task Force set up in 2002
 - To review membership and education structures
 - To recommend changes in light of:
 - Professional qualifications and public confidence
 - Work based skills
 - International changes
 - Review of level of “actuary”
 - 2005 education changes

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Proposals already in force



- Demonstration of work based skills
 - All new students from July 2004
- UK practice modules
 - UK GNs, legislation, FSA regulatory requirements
 - From first exams in April 2005

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Revalidation Principles 1



- Need to demonstrate competence to various audiences
- System must be understandable, acceptable, simple to maintain, including for overseas members
- Designed:
 - To keep actuaries, including those in non-traditional areas, in profession
 - Not to deter movements between specialisms
 - To ensure general skills including professionalism maintained by CPD
 - To be affordable to members
- Non-hierarchical

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Revalidation Principles 2



- System will:
 - Be as simple as possible
 - Allow for existing statutory certificates
 - Embrace required knowledge of national regulations, legislation and professional guidance
 - Take account of changes under 2005 Education Strategy
 - Cater for different practice area approaches
 - Maintain credible enforcement mechanism
 - Be consistent with PCS, discipline scheme, peer review
- Cost effective – not adding to net expenditure of profession

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Revalidation proposals 1

- Original Proposal - Provision of two kinds of practising certificate
 - Existing statutory certificate
 - New proposed certificate
- Following discussion & Morris Review
 - Morris supports the Profession's approach
- Conclusion – Concentrate on CPD Requirements

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Revalidation Proposals 2

- CPD mandatory for members – 4 categories
 - 1 with statutory certificates
 - 2 carrying out prescribed tasks*
 - 3 working in other areas
 - 4 “fully retired” members

* Prescribed tasks will be set out in CPD handbook and relate to areas covered by the exam syllabus

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Revalidation Proposals 3

- All in Cat. 1 submit records (as now)
- 10% in Cat. 2 & 3 asked to submit records
- For all of the above, 10% of submitted records subject to rigorous vetting
- All in Cat. 2 & 3 submit records when move to on-line is practicable
- CPD voluntary 1/10/05; mandatory 1/10/06
- Annual declaration (with sub)

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CPD Proposals 1



- Lifelong learning
- Mandatory professionalism courses phased in
- CPD tailored to three roles

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CPD proposals 2



- Cat. 1 - CPD fully prescribed as now
- Cat. 2 - Mixture of prescribed and "chosen"
- Cat. 3 - "Chosen" CPD
- Cat. 4 - No requirement
- Cat. 4 = "fully retired" = No work in financial areas

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Practising Certificates



- Two kinds – statutory and non-statutory
- Non statutory in different practice areas
- May be made compulsory for certain tasks by boards
- Employers encouraged to support
- Ultimate expectation of requirement to hold one for all active actuaries in main practice areas

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Other proposals

- Full membership (ie “actuary”) on associateship
- Fellowship required for statutory roles
- Expect most to continue to Fellowship

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Disciplinary Procedures

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Disciplinary Schemes

Key features of the schemes – 1

- Virtually identical schemes for Faculty and Institute ie effectively one disciplinary process for whole UK profession: easier for complainants, fairer for respondents
- Shared infrastructure – Disciplinary Appointments Committee, Disciplinary Board, Investigating Actuaries and Case Officers, Independent Examiner, Disciplinary Pool and Appeals Tribunal all serve both schemes

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Key features of the schemes - 2

Some changes made to meet Human Rights legislation

- Independence from Councils: separates rule makers and standard setters from operators of schemes and the 'judges'
- Public hearings of Disciplinary Tribunal Panels and Appeal Tribunal Panels: brings transparency and helps fairness
- Separation of investigation from the judicial functions: helps fairness

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Key features of the schemes - 3

Increased involvement of non-actuaries

- Appointments to the committees, panels etc made by the Disciplinary Appointments Committee (DAC) rather than by Faculty or Institute Council
- DAC chaired by Scottish QC
- Governance by a new Disciplinary Board rather than by Faculty or Institute Council: of nine, three are lay members, one of whom chairs
- Lay members of Disciplinary Pool (sit on Interim Orders, Adjudication and Disciplinary Tribunal Panels) selected through open competition

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Key features of the schemes - 4

- Independent Examiner: new right of review for Complainants, which trigger independent lay scrutiny into the procedures applied in their case
- Standard of proof: moved to 'the civil standard as applied by the Courts of England and Wales in relation to disciplinary proceedings cases' from the criminal standard "beyond reasonable doubt"
- New Interim Orders (temporary suspension) protects the public during investigation: for the most serious cases only
- Training given to everyone with roles under the schemes

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Key features of the schemes - 5

- Schemes are more visible: lots of information about the processes and regulations on the website: including a "How to Complain" leaflet.
- Proactive response to public concern possible: an Honorary Secretary may start an investigation in the absence of a complaint
- Investigation once started may go beyond the original matter of the complaint or Hon Sec referral
- Members are liable to disciplinary action under the schemes if they have been 'guilty of misconduct'

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Key features of the schemes - 6

- Misconduct means (rule 1.6)
 - (a) any breach of the bye-laws and/or
 - (b) any conduct by a Member.. in the course of carrying out professional duties or otherwise constituting failure to comply with the standards of behaviour, integrity, competence or professional judgment which other Members or the public might reasonably expect of a Member having regard to any advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the [Faculty/Institute] and to all other relevant circumstances

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Stages of the schemes

Four possible stages, all go through first two:

1. Investigation leading to Case Report
2. Adjudication Panel: expected to resolve most cases
3. Disciplinary Tribunal Panel: serious and/or contested cases
4. Appeal Tribunal Panel

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Two decision-making stages

Adjudication

- First stage – expected to resolve most cases
- Panel meets in private to consider Case Reports, parties not present
- Determinations published

Tribunal

- Normally second stage – for serious and/or contested cases
- Panel meets in public, parties present and may be legally represented
- Determinations published

Monitoring Scheme Actuaries

Questions?
and Feedback