



Institute
and Faculty
of Actuaries

Summary of Consultation Responses

Exposure Draft 36:
Actuarial Profession Standard APS X4: Social
Security Programmes

The Regulation Board

27 November 2019

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Appendix 1 Final version of APS X4

Appendix 2 List of respondents to the consultation

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1. INTRODUCTION

I am pleased to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries' (IFoA) consultation on the introduction of Actuarial Profession Standard X4 (APS X4).

The proposal consulted upon was made to the Regulation Board by the ISAP 2 Working Party (the Working Party) following some months of consideration and debate. The Working Party had been set up by the Regulation Board to consider what material the IFoA should bring into effect to guide and support IFoA Members (Members) carrying out actuarial work in the financial analysis of Social Security Programmes outside the UK. For Members carrying out this work in the UK, the Financial Reporting Council (FRC) have brought into effect Actuarial Statement of Practice 1. Two members of the FRC joined the Working Party which helped the Working Party consider the consistency of the two standards.

The consultation opened on 17 April and closed on 17 July 2019 and three responses were received.

The Working Party has carried out its analysis of the responses and has presented its further recommendations to the Regulation Board. This feedback paper sets out the results of the consultation, including (1) a summary of the responses and (2) the conclusions reached in light of those responses. It also contains the final version of APS X4, as approved by the Regulation Board which will come into force on 27 February 2020.

We are extremely grateful to the respondents for taking the time to consider the consultation. I hope you find this summary of the responses and our decisions on how to deal with them helpful.

Finally, I would like to take this chance to thank the members of the ISAP 2 Working Party being Marcia Cantor-Grable, Laura Llewellyn-Jones, Martin Lunnon, Ann Muldoon, Simon Wasserman and latterly James Pepler, for their time, input and dedication in developing this proposal.

Danny Quant
Chair of the ISAP 2 Working Party
27 November 2019

2. EXPLANATORY NOTE

The IFoA recently consulted upon a proposal to introduce a new Actuarial Profession Standard, namely APS X4. The consultation package can be found on the IFoA's website¹. This document explains the outcome of that consultation process.

Background to the proposals

Regulation Board tasked the Working Party with considering what material should be brought into effect to regulate and support Members carrying out actuarial work on the financial analysis of Social Security Programmes outside of the UK.

¹ <https://www.actuaries.org.uk/upholding-standards/regulatory-communications-and-consultations/closed-consultations>

The Working Party constituted volunteer Members who do this type of work, representatives from the UK's Financial Reporting Council's Actuarial Policy Team, a lay (non-actuary) member of the IFoA's Regulation Board and the IFoA's Executive Regulation Team.

The proposal was to introduce a new Actuarial Profession Standard that brought into the IFoA Standard Framework the provisions of the second version of the model standard International Standard of Actuarial Practice 2 (ISAP 2) adopted by the International Association of Actuaries (IAA) on 1 December 2018².

The standard, known as APS X4, requires Members carrying out actuarial work in the financial analysis of Social Security Programmes to apply the terms of ISAP 2, subject to certain amendments which are detailed in section 5 of this summary. APS X4 only applies to those Members carrying out this type of work outside the UK Geographic Scope³.

In relation to Members carrying out work of this nature that falls within the UK Geographic Scope, the Financial Reporting Council's Actuarial Statement of Recommended Practice 1 applies⁴.

The questions posed in the Consultation Paper sought views on the proposal particularly in relation to the specific provisions of ISAP 2 that were not included in APS X4. Those responding to the consultation were also asked more generally for any comments or suggestions in relation to the standard.

3. THE CONSULTATION PROCESS

The consultation was published on 17 April 2019 and closed on 17 July 2019. Members and other interested parties were invited to comment on the proposals via an online Survey Monkey questionnaire (which was also available to download and submit via email or in hard copy), or by way of a written response to the IFoA.

No consultation meetings were held.

4. RESULTS OF THE CONSULTATION

Three responses were received to the consultation, two via the Survey Monkey questionnaire and one in an email to the IFoA.

The names of those who responded to the consultation are included in Appendix 2. The individual that asked for their details to remain confidential is not included in the list. The detailed

² More information on the IAA and its model standards can be found on the IFoA website <https://www.actuaries.org/iaa/IAA/Publications/ISAPs/IAA/Publications/05ISAPs.aspx?hkey=334b21a7-a3ac-4e0e-8294-3cbc755ab14a>

³ "UK Geographic Scope" refers to work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (regardless of the location or domicile of the person carrying out the work).

⁴ More information on ASORP 1 can be found on the FRC website <https://www.frc.org.uk/actuaries/asorps>

responses to the consultation are set out in Appendix 3 (responses to the Survey Monkey questionnaire) and Appendix 4 (email response).

The feedback to the consultation demonstrates that there is firm support for the proposal.

5. SUMMARY OF RESPONSES AND WORKING PARTY FEEDBACK

This section summarises the responses and provides the feedback from the Working Party to those responses.

General

All respondents agreed it was appropriate to introduce a standard with the objective of applying the terms of ISAP 2 to Members carrying out actuarial work outside of the UK Geographic Scope, and that the APS achieves that objective.

All agreed that the overall requirement for Members to comply with ISAP 2 was appropriate and proportionate and the term “actuarial work” was sufficiently well defined.

Working Party feedback

The Working Party were pleased to receive support for the proposals and that the respondents agreed the requirements of APS X4 were proportionate and appropriate.

Paragraph 1.4, deletion of “Preface”, “Introduction” and “Section 1. General” of ISAP 2

Paragraph 1.4 deletes the opening sections of ISAP 2, which are there to provide information in the context of it being a model standard. The sections cover the background to the IAA and ISAPs, how model standards can be used and why a model standard was required in this field of work. They also contain additional guidance that is already covered by the terms of APS X4, the Actuaries’ Code and other IFoA standards such as APS X1.

Two respondents agreed with all the deletions. One respondent felt that the part explaining the relationship with ISAP 1 should be retained. It sets out how the ISAPs build on each other, and explains that in order to effectively apply ISAP 2, the actuary must also apply ISAP 1.

Working Party feedback

The Working Party considered this point carefully. It was suggested that in order to resolve the respondent’s concern, APS X4 could reference APS X1. However, the IFoA does not consider it good practice to have standards that refer to other standards. It is up to the Member to determine which standards apply in which circumstances according to the nature of the work in question. The Working Party felt that Members are sufficiently aware that APS X1 must be consulted and there is no need to reiterate that in APS X4.

Paragraph 1.5, deletion of paragraph 2.6 of ISAP 2

One respondent agreed with the deletion of paragraph 2.6, one did not agree but gave no reasoning, and the third respondent suggested that different guidance be provided.

Paragraph 2.6 guides the actuary in circumstances where a methodology or assumption is prescribed by law. It suggests the actuary applies the guidance of paragraph 2.8 of ISAP 1, thus treating the situation as though the assumption or methodology was prescribed by the principal.

Paragraph 2.8 of ISAP 1 states that where the actuary is unwilling to support the prescribed assumption or methodology for particular reasons, the actuary should disclose that along with why the methodology or assumption was prescribed. It goes on to state that, if the actuary does not judge the assumption and methodology to be reasonable, they can provide the principal with the results based on such assumptions, but if those results are communicated to another party, the actuary should disclose the source of those assumptions and their opinion of the appropriateness.

By deleting paragraph 2.6 in APS X4, the Member is required instead to continue to apply paragraph 2.9 of ISAP 1.

Paragraph 2.9 of ISAP 1 states that the actuary should disclose in the report that the assumption of methodology was mandated by law and whether it may limit the relevance of the work for other purposes.

Working Party feedback

The Working Party considered at length the views expressed by the respondents. The Working Party had deleted paragraph 2.6 on the basis that the guidance of paragraph 2.8 of ISAP 1 might put the Member in a difficult position as it could conflict with their obligation under the Actuaries' Code to follow legal requirements. The Working Party felt that the guidance as set out in paragraph 2.9 of ISAP 1 is more appropriate, and decided to delete this paragraph as originally proposed.

Paragraph 1.5, deletion of other paragraphs of ISAP 2

Paragraph 1.5 deletes other parts of ISAP 2. The respondents all agreed with the deletions, except the deletion of paragraph 2.5. Paragraph 2.5 of ISAP 2 provides non-mandatory guidance to the actuary where their work is subject to an independent expert review. It had been removed by the Working Party as it did not impose any obligations, except potentially under 2.5.3 which could be interpreted as requiring the actuary to hand over all material if asked to do so. The Working party felt this might put the Member in a difficult position.

The respondents did not think that the effect of this paragraph was as potentially detrimental as the Working Party envisaged. The respondents felt that some guidance in this area would be useful.

Working Party feedback

The Working Party concluded after reflecting upon these comments, that it was still preferable to delete paragraph 2.5 as a Member might feel obliged to hand over information to an independent reviewer. The paragraph is predominantly descriptive, detailing what the review might address and what an independent expert is. It advises the Member should cooperate by providing the material, and be available to discuss it. The Working Party felt it did not add any value, and could create difficulties for the Member instead.

6. CONCLUSIONS AND FINAL PROPOSALS

The Working Party considered all of the comments and suggestions provided during the consultation process and finalised its proposals in light of that feedback, recommending to the Regulation Board that the standard be published in the terms originally proposed.

The consultation asked whether there would be value in guidance to accompany APS X4. However, none of the respondents considered that guidance was necessary.

7. NEXT STEPS

Implementation of APS X4

A period of implementation will be allowed before APS X4 comes into force, to allow Members time to take account of the new requirements. The standard will come into effect on 27 February 2020.

Members are welcome to contact the Regulation Team should they have any queries or concerns regarding the implementation of APS X4.



APS X4: Social Security Programmes

Version: 1.0, effective from 27 February 2020

Purpose: This **APS** adopts the terms of model standard **ISAP 2** for **Members** producing **Actuarial Work** outside the **UK Geographic Scope**. **ISAP 2** sets standards for **Members** to apply whilst performing **financial analyses** of **Social Security Programmes**, or reviewing, advising on, or opining on such analyses, to give **Users** confidence that:

- **Actuarial Work** is carried out professionally and with due care;
- The results are relevant to their needs, are presented clearly and understandably, and are complete; and,
- The assumptions and methodology (including, but not limited to, models and modelling techniques) used are disclosed appropriately.

1. Application of ISAP 2

- 1.1. The requirements set out in this **APS** apply only to **Actuarial Work** that is outside the **UK Geographic Scope**.
- 1.2. **Members** performing **financial analyses** of **Social Security Programmes**, or reviewing, advising on, or opining on such analyses, should comply with **ISAP 2**.
- 1.3. **ISAP 2** should be read together with the **ISAP Glossary**. In the event of any inconsistency between the **ISAP Glossary** and this **APS**, this **APS** prevails.
- 1.4. The sections entitled "Preface", "Introduction" and "Section 1. General" of **ISAP 2** are to be treated as deleted.
- 1.5. Paragraphs 2.5, 2.6, and 3.1.4 of **ISAP 2** are to be treated as deleted.

- 1.6. In applying judgement to the application of this **APS Members** must consider the principles underlying the requirements, along with the spirit and reasoning behind the **APS**.

2. Interpretation and application

- 2.1. A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary and Capacity for Membership Schemes**.
- 2.2. This **APS** uses the word "must" to mean a specific mandatory requirement. It uses the word "should" to indicate that, while the presumption is that **Members** will comply with the provision in question, there may be some circumstances in which **Members** are able to justify non-compliance.
- 2.3. In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.

3. Definitions

Term	Definition
Actuarial Work	Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings, or opinions.
Actuaries' Code	The ethical professional code for Members issued by the Institute and Faculty of Actuaries.
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
Financial analyses	Any formal actuarial analysis as defined by the ISAP Glossary.
IAA	The International Actuarial Association.
IFoA	The Institute and Faculty of Actuaries.
IFoA's Disciplinary and Capacity for Membership Schemes	The currently in force Disciplinary and Capacity for Membership Schemes of the Institute and Faculty of Actuaries, as may be amended from time to time.
ISAP Glossary	The Glossary of Defined Terms Used in International Standards of Actuarial Practice, adopted by the IAA on 01 December 2018.
ISAP 2	The second International Standard of Actuarial Practice adopted by the IAA on 01 December 2018.
Legal Requirement	A requirement of law or regulation, imposed by a body of lawful jurisdiction and directly enforceable by reason of national or local law.
Member	A member of the Institute and Faculty of Actuaries.
Social Security Programme	A programme with particular attributes as defined by the ISAP Glossary.
UK Geographic Scope	Refers to work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation (regardless of the location or domicile of the person carrying out the work).
User	The person, including a corporate entity, for whom the Actuarial Work is produced.

LIST OF RESPONDENTS TO THE CONSULTATION¹

Andrew Chamberlain
Actuarial Partners Consulting
Government Actuary's Department

¹ Where respondents indicated that they wanted their name to remain confidential, their name has not been included in this Appendix.

Q1 Name

Answered: 2 Skipped: 0

#	RESPONSES	DATE
1	<div></div>	7/18/2019 3:37 AM
2	Andrew Chamberlain	7/12/2019 6:27 PM

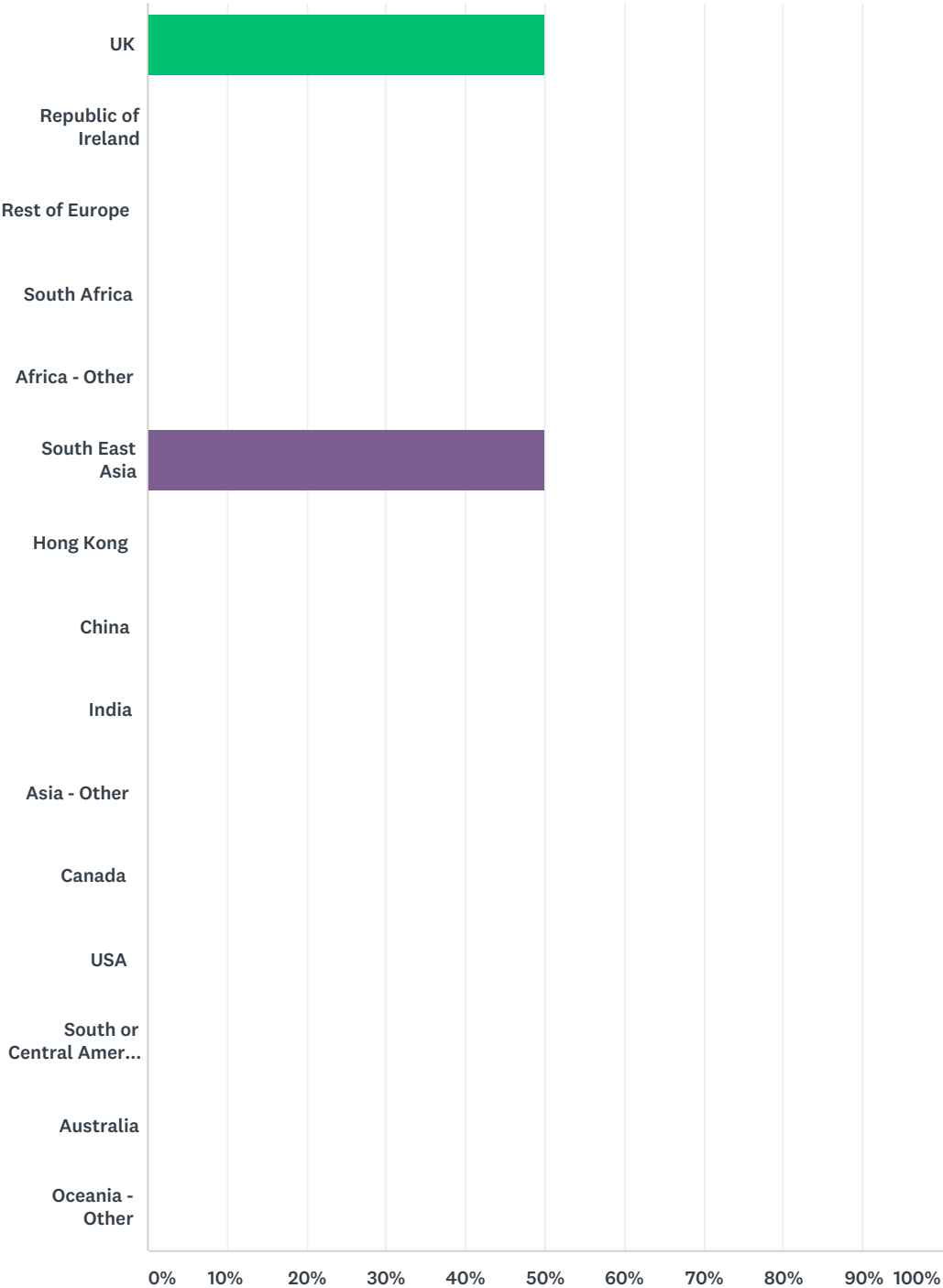
Q2 Position

Answered: 2 Skipped: 0

#	RESPONSES	DATE
1	Partner	7/18/2019 3:37 AM
2	Personal	7/12/2019 6:27 PM

Q3 Region

Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
UK	50.00%	1
Republic of Ireland	0.00%	0
Rest of Europe	0.00%	0

APSx4: Social Security Programs

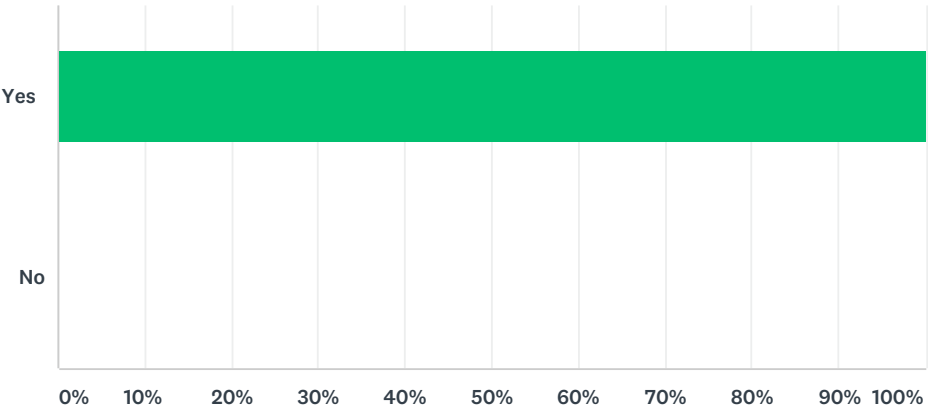
Appendix 3

South Africa	0.00%	0
Africa - Other	0.00%	0
South East Asia	50.00%	1
Hong Kong	0.00%	0
China	0.00%	0
India	0.00%	0
Asia - Other	0.00%	0
Canada	0.00%	0
USA	0.00%	0
South or Central America	0.00%	0
Australia	0.00%	0
Oceania - Other	0.00%	0
TOTAL		2

#	OTHER (PLEASE SPECIFY)	DATE
	There are no responses.	

Q4 Are you a Member of the IFoA?

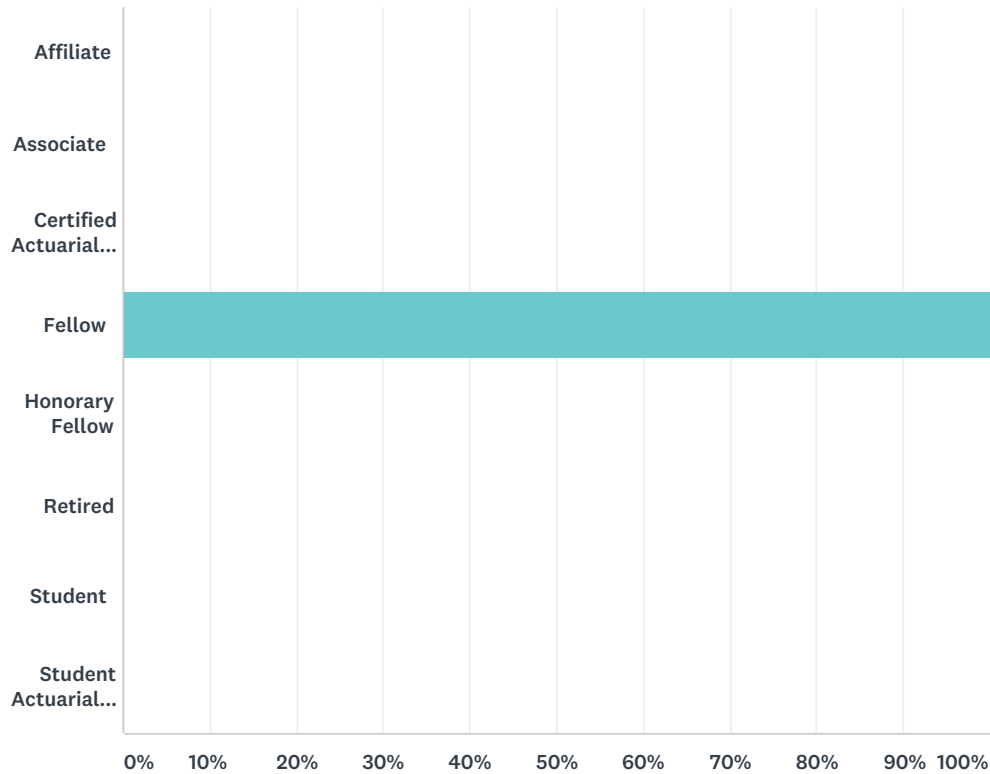
Answered: 2 Skipped: 0



ANSWER CHOICES		RESPONSES	
Yes		100.00%	2
No		0.00%	0
TOTAL			2

Q5 If yes, which category of membership do you hold?

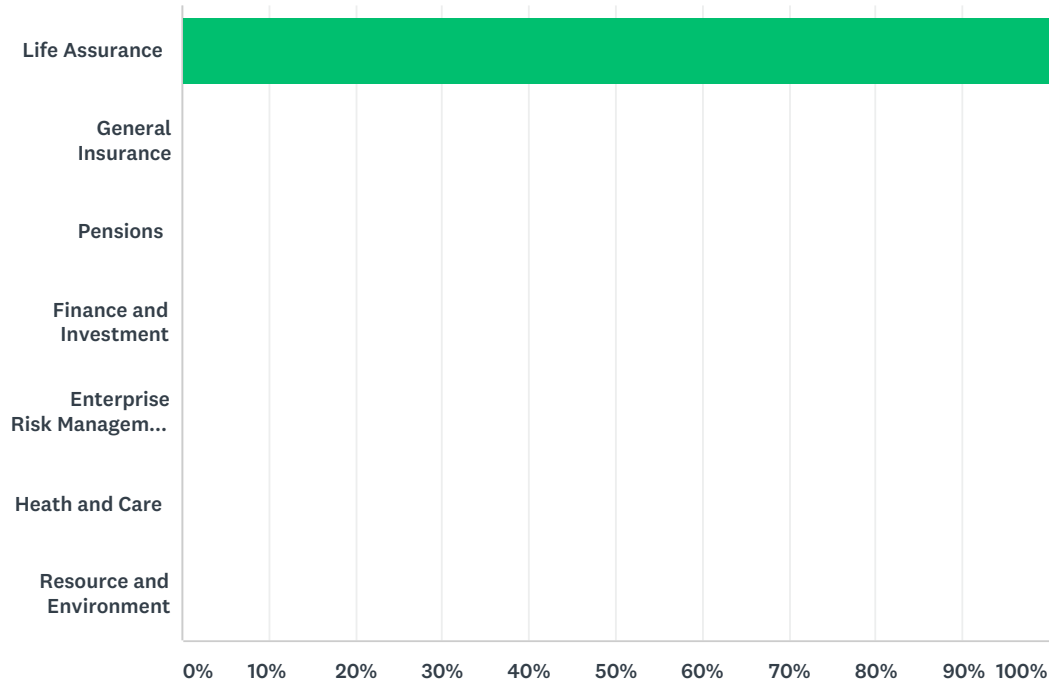
Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
Affiliate	0.00%	0
Associate	0.00%	0
Certified Actuarial Analyst	0.00%	0
Fellow	100.00%	2
Honorary Fellow	0.00%	0
Retired	0.00%	0
Student	0.00%	0
Student Actuarial Analyst	0.00%	0
TOTAL		2

Q6 If you are an actuary, what is your main practice area?

Answered: 2 Skipped: 0

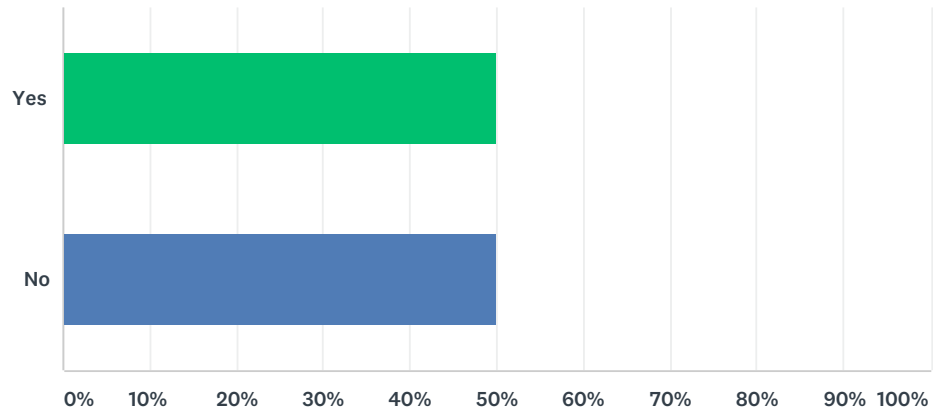


ANSWER CHOICES	RESPONSES	
Life Assurance	100.00%	2
General Insurance	0.00%	0
Pensions	0.00%	0
Finance and Investment	0.00%	0
Enterprise Risk Management	0.00%	0
Health and Care	0.00%	0
Resource and Environment	0.00%	0
TOTAL		2

#	OTHER (PLEASE SPECIFY)	DATE
	There are no responses.	

Q7 Do you want your name to remain confidential?

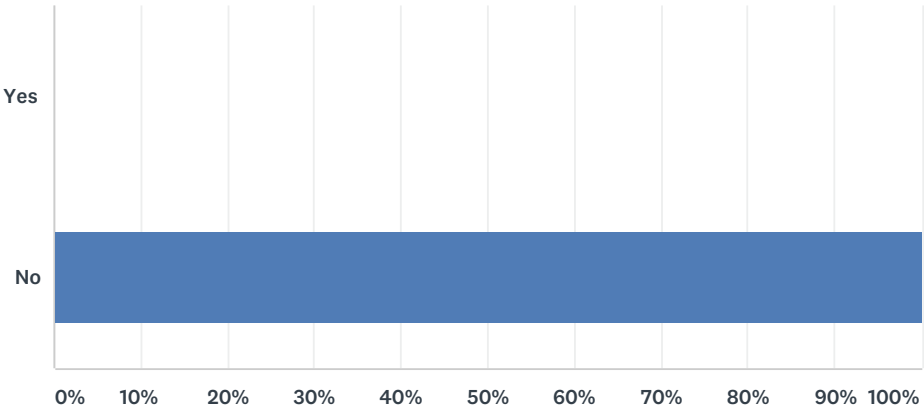
Answered: 2 Skipped: 0



ANSWER CHOICES		RESPONSES	
Yes		50.00%	1
No		50.00%	1
TOTAL			2

Q8 Do you want your comments to remain confidential?

Answered: 2 Skipped: 0



ANSWER CHOICES		RESPONSES	
Yes		0.00%	0
No		100.00%	2
TOTAL			2

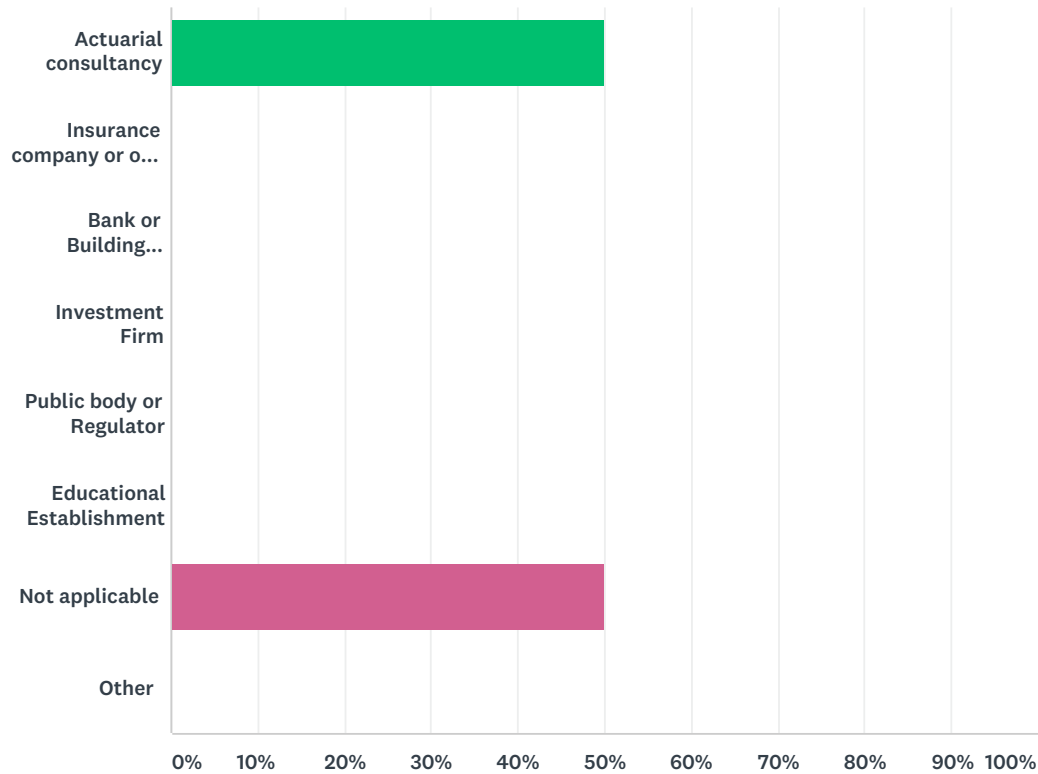
Q9 About your organisation (if applicable)

Answered: 1 Skipped: 1

ANSWER CHOICES		RESPONSES
Name:		100.00% 1
#	NAME:	DATE
1	Actuarial Partners Consulting	7/18/2019 3:37 AM

Q10 Type of organisation (Answer one option only)

Answered: 2 Skipped: 0

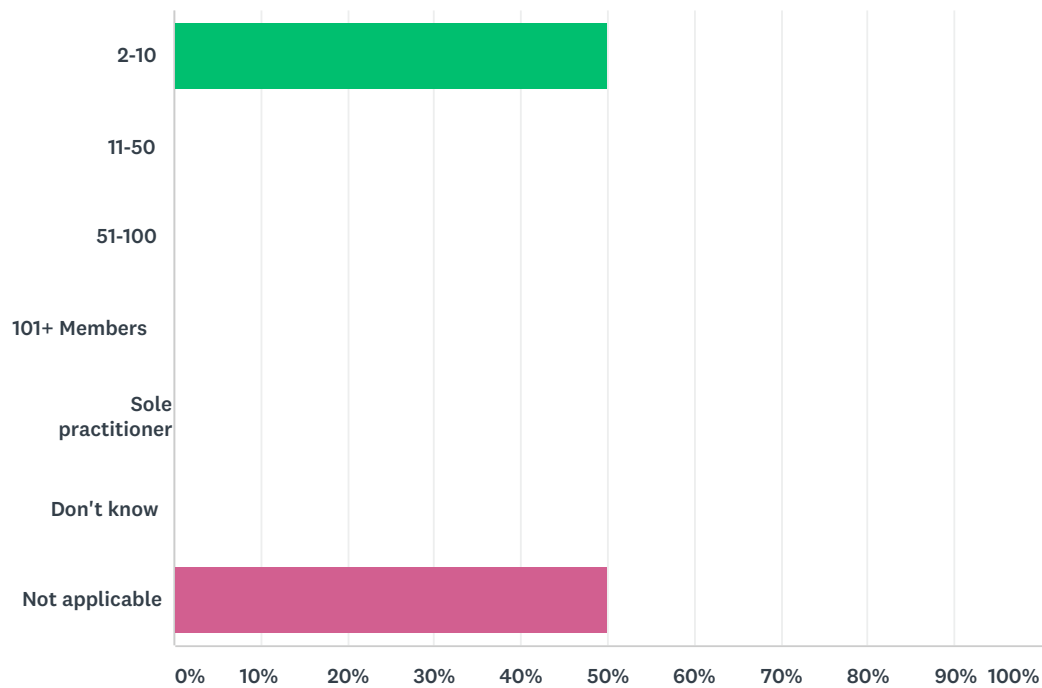


ANSWER CHOICES		RESPONSES	
Actuarial consultancy		50.00%	1
Insurance company or or re-insurer		0.00%	0
Bank or Building Society		0.00%	0
Investment Firm		0.00%	0
Public body or Regulator		0.00%	0
Educational Establishment		0.00%	0
Not applicable		50.00%	1
Other		0.00%	0
TOTAL			2

#	OTHER (PLEASE SPECIFY)	DATE
	There are no responses.	

Q11 How many IFoA Members (if any) does your organisation employ?

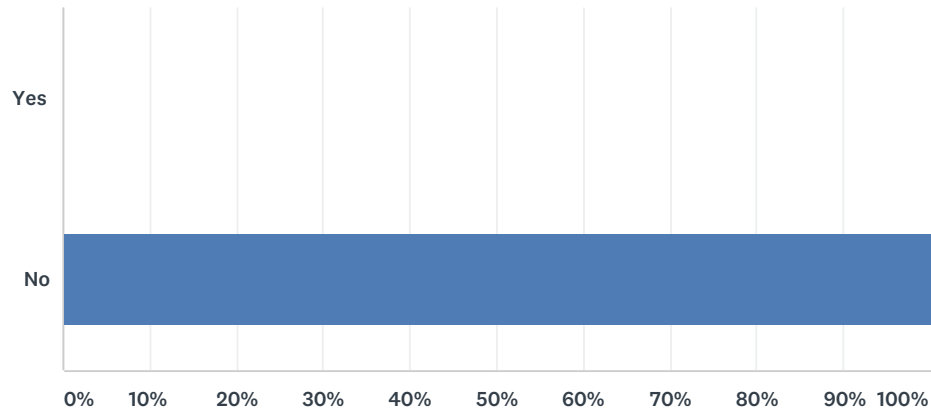
Answered: 2 Skipped: 0



ANSWER CHOICES	RESPONSES	
2-10	50.00%	1
11-50	0.00%	0
51-100	0.00%	0
101+ Members	0.00%	0
Sole practitioner	0.00%	0
Don't know	0.00%	0
Not applicable	50.00%	1
TOTAL		2

Q12 Do you want the name of your organisation to remain confidential?

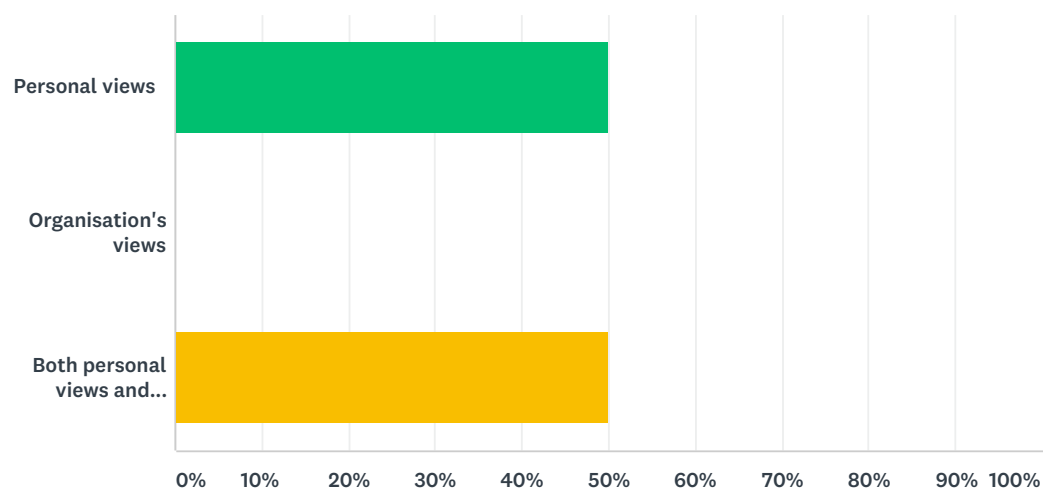
Answered: 2 Skipped: 0



ANSWER CHOICES		RESPONSES	
Yes		0.00%	0
No		100.00%	2
TOTAL			2

Q13 Do these comments represent your own personal views or your organisation's views?

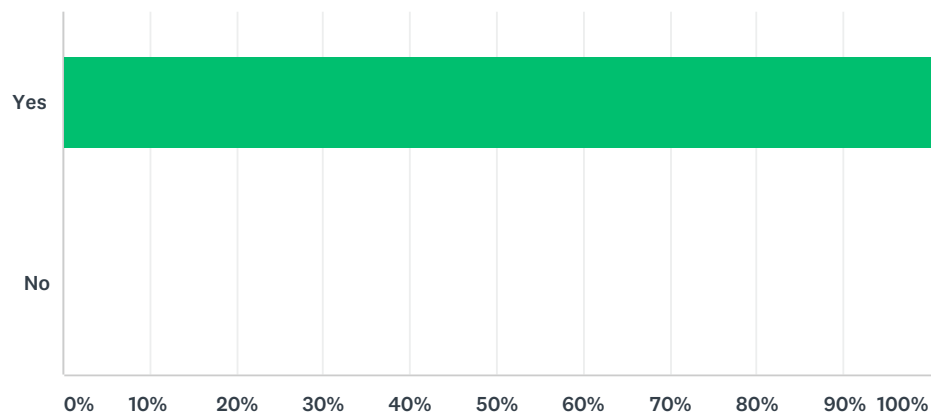
Answered: 2 Skipped: 0



ANSWER CHOICES		RESPONSES	
Personal views		50.00%	1
Organisation's views		0.00%	0
Both personal views and organisation's views		50.00%	1
TOTAL			2

Q14 Do you agree it is appropriate to introduce a standard with the objective of applying the terms of ISAP2 to members carrying out actuarial work outside of the UK Geographic Scope?

Answered: 2 Skipped: 0

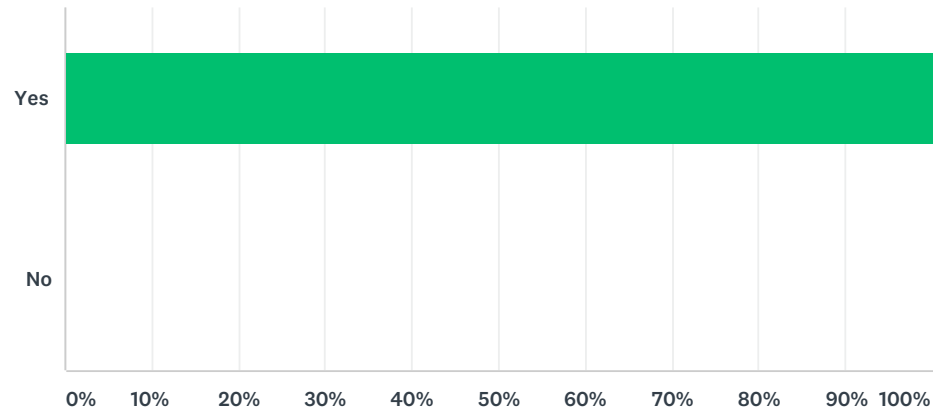


ANSWER CHOICES		RESPONSES	
Yes		100.00%	2
No		0.00%	0
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q15 Do you consider that APS X4 achieves that objective?

Answered: 2 Skipped: 0

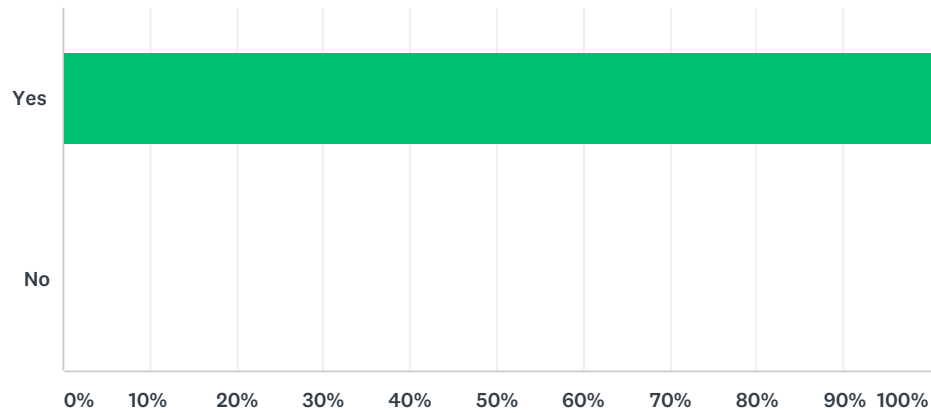


ANSWER CHOICES		RESPONSES	
Yes		100.00%	2
No		0.00%	0
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q16 Do you consider that the overarching requirement for those carrying out work outside the UK Geographic Scope to comply with ISAP2 is appropriate and proportionate?

Answered: 2 Skipped: 0

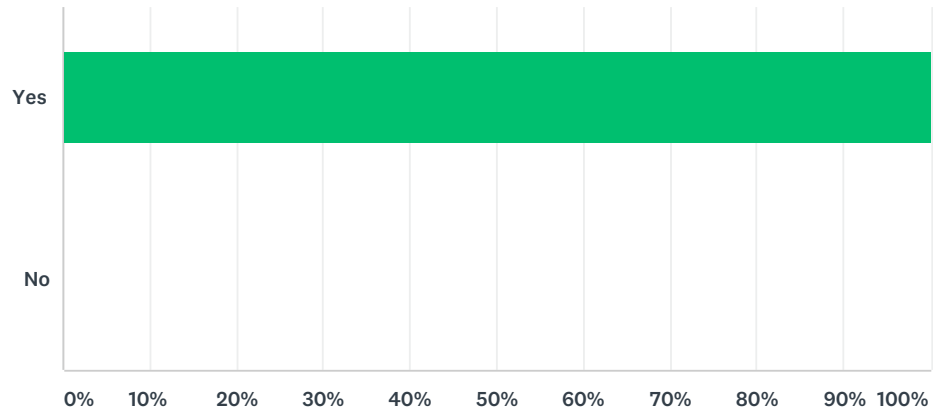


ANSWER CHOICES		RESPONSES	
Yes		100.00%	2
No		0.00%	0
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q17 Do you think the Actuarial Work to which APS X4 applies is sufficiently well defined?If no, how would you amend it?

Answered: 2 Skipped: 0

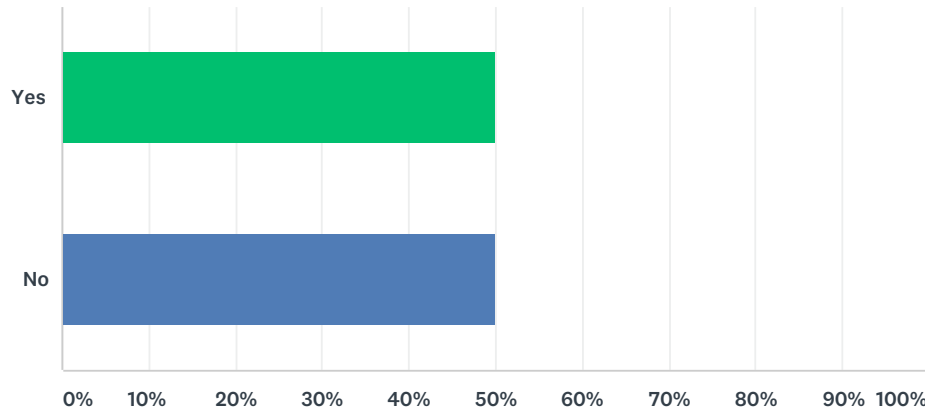


ANSWER CHOICES		RESPONSES	
Yes		100.00%	2
No		0.00%	0
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q18 Do you agree with deletion of particular sections of ISAP2 as detailed in paragraph 1.4 of APS X4?

Answered: 2 Skipped: 0

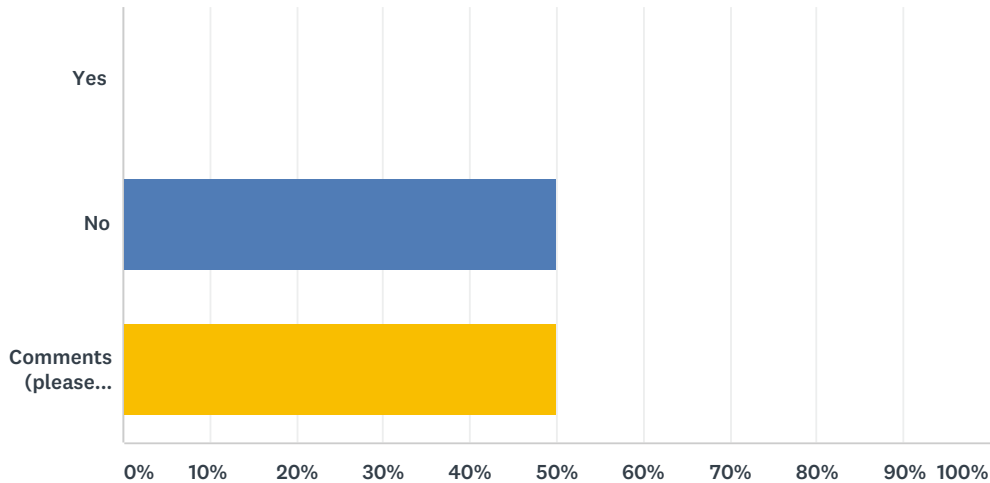


ANSWER CHOICES	RESPONSES
Yes	50.00% 1
No	50.00% 1
TOTAL	2

#	COMMENTS (PLEASE SPECIFY):	DATE
1	At least the final sentence in para 1.4 is required. I feel it is a little dangerous to omit the whole of paragraph 1.4 anyway. i also feel 1.3 is better left in.	7/12/2019 6:27 PM

Q19 Do you agree with the deletion of paragraph 2.6 of ISAP2 as detailed in paragraph 1.5 of APS X4?

Answered: 2 Skipped: 0

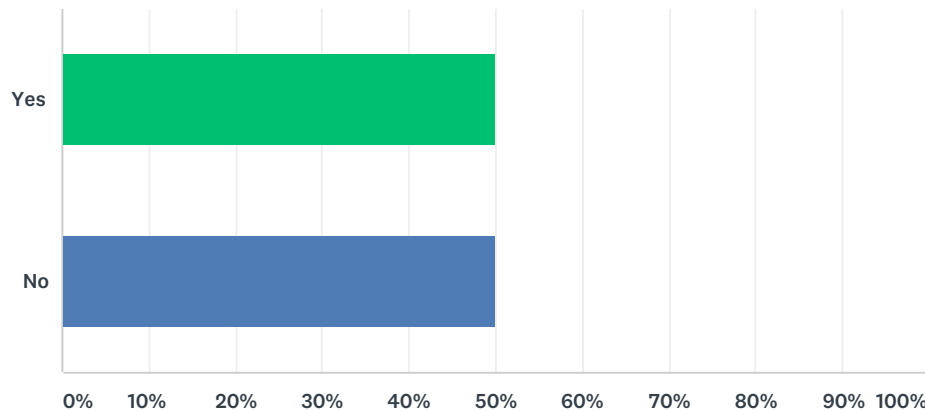


ANSWER CHOICES	RESPONSES
Yes	0.00% 0
No	50.00% 1
Comments (please specify):	50.00% 1
TOTAL	2

#	COMMENTS (PLEASE SPECIFY):	DATE
1	I do not agree on the deletion of para 2.6 where assumption is prescribed by law I would agree that the ISAP2 making reference to ISAP1 2.8 as if the assumption or methodology were prescribed by the principal is not appropriate, but rather than deleting the paragraph – I would draft in requirement of ISAP1 2.9 here. For eg. Assumptions and Methodology Mandated by Law – When an assumption or methodology is mandated by law, the actuary should disclose in any report that the assumption or methodology was mandated by law and whether such assumption or methodology may limit the relevance of the work for other purposes. Note that para 2.6 is also further referenced in an earlier part of the document when discussing methodology (in 2.4).	7/18/2019 3:37 AM

Q20 Do you agree with the deletion of other particular paragraphs as detailed in paragraph 1.5 of APS X4?

Answered: 2 Skipped: 0

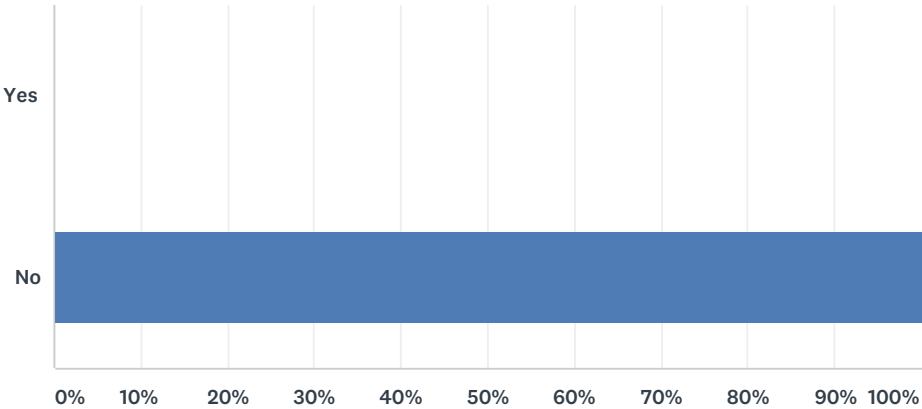


ANSWER CHOICES	RESPONSES
Yes	50.00% 1
No	50.00% 1
TOTAL	2

#	COMMENTS (PLEASE SPECIFY):	DATE
1	I am not sure on the deletion of 2.5 as it provides guidance on the actuary's role in supporting an independent review. However, I do not agree with the guidance which calls for a "handover of data" & "being available for discussion" – firstly due to data privacy & disclosure issues, intellectual capital issues (when analysis are done) and secondly, it does not provide a limitation on a time period – meaning the review can be some years down the line. It also does not consider when the actuary responsible moves to another firm without access to data/ original report. But surely given the importance of social security work some guidance on reasonable support of an independent review would be useful?	7/18/2019 3:37 AM
2	I think para 2.5 was put in for particular circumstances but I don't feel too strongly if it is seen as harmful. Care might be needed as to implications of its deletion.	7/12/2019 6:27 PM

Q21 Do you have any other comments on the requirements and provisions of the Draft APS X4?

Answered: 2 Skipped: 0

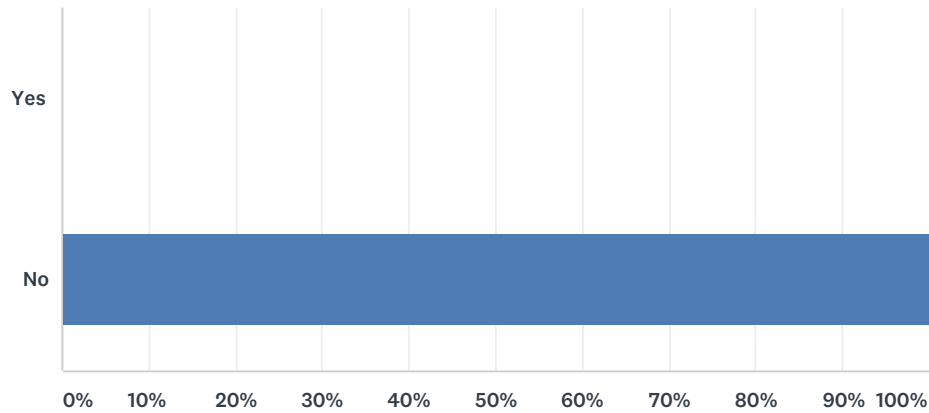


ANSWER CHOICES		RESPONSES	
Yes		0.00%	0
No		100.00%	2
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q22 Do you think it would be helpful to have any guidance and/or training opportunities in this particular area? If so, what should this guidance/training include?

Answered: 2 Skipped: 0

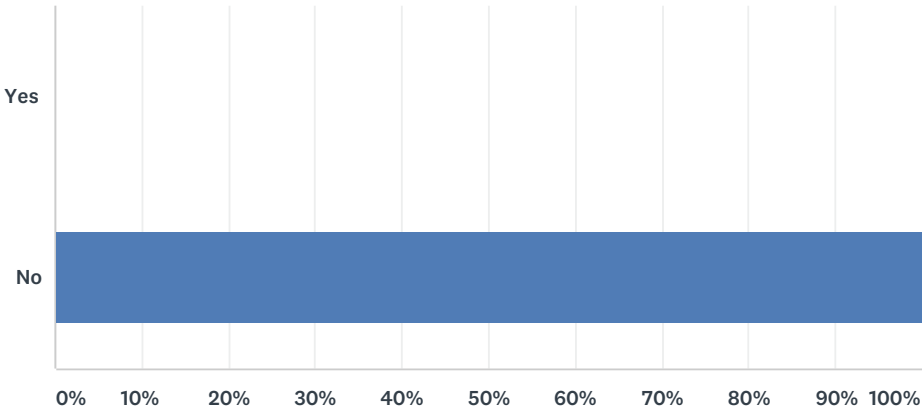


ANSWER CHOICES		RESPONSES	
Yes		0.00%	0
No		100.00%	2
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
1	Not really necessary as the ISAP2 is well set out	7/18/2019 3:37 AM

Q23 Do you anticipate that there would be any practical or resource implications caused by the introductions of these proposals? If yes, what sort of implications do you anticipate?

Answered: 2 Skipped: 0

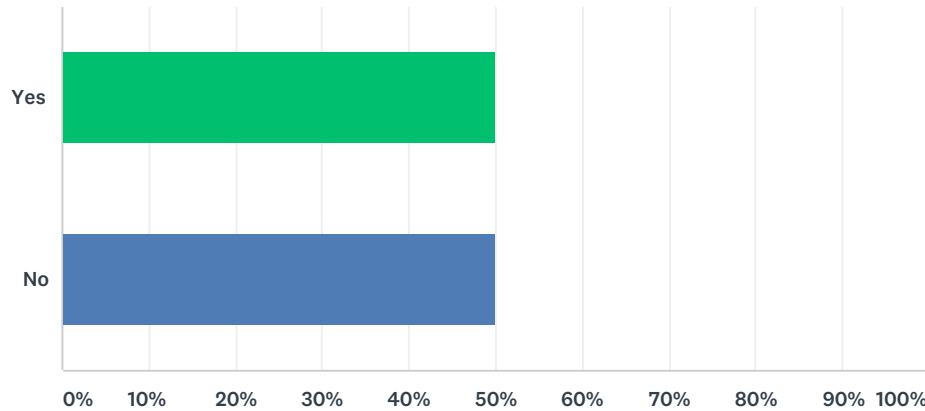


ANSWER CHOICES		RESPONSES	
Yes		0.00%	0
No		100.00%	2
TOTAL			2

#	COMMENTS (PLEASE SPECIFY):	DATE
	There are no responses.	

Q24 Do you have any other general comments or suggestions in relation to the proposals?

Answered: 2 Skipped: 0

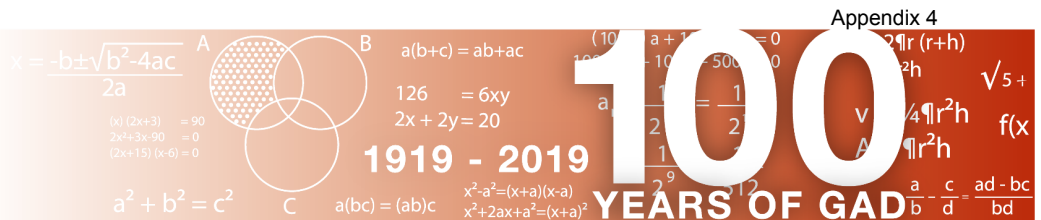


ANSWER CHOICES	RESPONSES	
Yes	50.00%	1
No	50.00%	1
TOTAL		2

#	COMMENTS (PLEASE SPECIFY):	DATE
1	I strongly welcome the proposal, my concerns notwithstanding	7/12/2019 6:27 PM



Government
Actuary's
Department



Danny Quant
Chair of the ISAP 2 Working Party
Institute and Faculty of Actuaries

By email to:
regulation@actuaries.org.uk

16 July 2019

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Dear Danny

Consultation on draft APS X4: Social Security Programmes

I am writing in response to your consultation on APS X4. The Government Actuary's Department (GAD) provided input into the development of the draft statement and we welcome the opportunity to comment further on the IFOA's proposals.

We support the proposals and agree that adopting ISAP 2 with minimal change to the model standard is an appropriate approach. We consider that our current processes are broadly consistent with the proposed requirements. As a result, we believe the introduction of the proposed statement will not require significant changes to our processes but will have the benefit of confirming to users that our work meets appropriate standards.

We have some minor comments on the proposals. I have set these out in the appendix to this letter, as responses to your consultation questions.

We welcome the IFOA's focus on the financial analysis of social security programmes given the importance of this work to the public interest. We hope that our comments are helpful. Please let me know if you would like to discuss this feedback further.

Yours sincerely

Matt Wood
Chief Actuary



Appendix – detailed consultation question responses

Consultation responses

Questions 1-12

The Government Actuary's Department is a UK public body and employs over 100 members of the IFoA. Its largest area of work is pensions but provides advice in all actuarial practice areas. This consultation response represents my views and the views of GAD. I am happy for this response to be made public.

13. Do you agree it is appropriate to introduce a standard with the objective of applying the terms of ISAP2 to members carrying out actuarial work outside of the UK Geographic Scope?

Yes

This is an important area of actuarial work and introducing a standard will help users to be confident that if they commission advice from an actuary it will meet minimum standards.

14. Do you consider that APS X4 achieves that objective?

Yes

15. Do you consider that the overarching requirement for those carrying out work outside the UK Geographic Scope to comply with ISAP2 is appropriate and proportionate?

Yes

16. Do you think the Actuarial Work to which APS X4 applies is sufficiently well defined? If no, how would you amend it?

Yes

17. Do you agree with deletion of particular sections of ISAP2 as detailed in paragraph 1.4 of APS X4?

Yes

18. Do you agree with the deletion of paragraph 2.6 of ISAP2 as detailed in paragraph 1.5 of APS X4?

We are happy with this provision.

19. Do you agree with the deletion of other particular paragraphs as detailed in paragraph 1.5 of APS X4?

We note that paragraph 2.5 of ISAP2 (2018) is to be treated as deleted in the draft APS X4. We are not aware of any circumstances when it would be inappropriate to share data and calculations with an independent reviewer, particularly as this is only required "if the terms of the actuary's engagement so permit". Therefore we are not certain about this rationale for the change. We do appreciate the IFoA's other reasons for not including paragraph 2.5 of ISAP2.

We are happy with the other deletion.

20. Do you have any other comments on the requirements and provisions of the Draft APS X4?

No

21. Do you think it would be helpful to have any guidance and/or training opportunities in this particular area? If so, what should this guidance/training include?

No

22. Do you anticipate that there would be any practical or resource implications caused by the introductions of these proposals? If yes, what sort of implications do you anticipate?

Yes

There will be some additional costs incurred in ensuring compliance with this new standard. We expect that this will be a very small proportion of the total costs of providing this advice. However, the costs would have been smaller had IFoA and FRC managed to co-ordinate their approach to ISAP 2 to produce a single standard/ statement of recommended practice that covered the work in scope for both bodies.

23. Do you have any other general comments or suggestions in relation to the proposals?

We note that the IAA meeting in Washington in May discussed the fact that the UK and Canada had made some changes to ISAP2 before implementing or adopting it¹. IAA are therefore considering amendments to ISAP2 which may then mean that consequential changes are needed to APS X4. APS X4 should specify which version of ISAP 2 it is referring to avoid any confusion if a new version of ISAP 2 is issued.

As mentioned above, it would be desirable if FRC and IFoA could co-ordinate their regulatory approach to ISAP 2 more closely.

For information, GAD's response to the FRC consultation on ASORP1 is published on the FRC website².

¹ https://www.actuaries.org/IAA/Documents/Publications/Newsletters/2019_Washington_Special_Newsletter.pdf

² <https://www.frc.org.uk/getattachment/f164276c-1576-49c6-8d6d-67f8b21ead93/Government-Actuary-s-Department-response;.aspx>