The Actuarial Profession
making financial sense of the future

Exposure Draft 25: APS P2: Compliance review: pensions

Consultation feedback and responses

Professional Regulation Executive Committee

April 2011

Contents

1 Introduction

Sir Philip Mawer, Chairman of the Professional Regulation Executive Committee

I am pleased to introduce the Professional Regulation Executive Committee's (PREC's) responses to the feedback on Exposure Draft 25: Actuarial Profession Standard P2: Compliance Review: Pensions (ED 25: APS P2).

We are extremely grateful for the care and attention shown by respondents in preparing their comments on the Exposure Draft and in attending the consultation meetings held in both London and Edinburgh. The final version of ED 25: APS P2, which was published on 1 March 2011, with an effective date of 1 April 2011, reflects both the value of these contributions and the careful consideration we have given to them when finalising this Actuarial Profession Standard (APS).

Comments from individual respondents are grouped together by topic, with a response following which is designed to address all of the material points raised. We would like to thank the Board for Actuarial Standards (BAS) and the Professional Oversight Board for their useful observations and comments throughout the development of APS P2. Although not listed as official respondents to the consultation, their input was received through informal and formal discussions, and considered alongside the other responses in shaping the final version.

The Profession intends that APS P2 will be the first stage of a process which is expected to result in an extension of mandatory compliance review. Consequently, during the consultation process we took the opportunity to seek initial views from members on various possible developments, even though these have not been incorporated in the version effective from April 2011. Those areas of potential development include:

- extension of compliance review to work done by other pensions actuaries (not Scheme Actuaries);
- extension to a wider range of work (potentially including all work that falls within the scope of the TASs);
- extension to aspects other than reporting (such as documentation);
- the future of Type 2 Reviews; and
- the case for some or all compliance reviews to be independently conducted.

We have received considerable feedback on these issues and the Profession will be taking account of these views when it formally begins looking at the future of compliance review. Further consultation(s) will occur at that time.

I hope you will find this summary of the feedback received, and the accompanying responses to that feedback, both useful and informative. It demonstrates clearly how input from the Profession's members and other interested stakeholders can help to produce guidance which is useful both for members of the Profession and for users of actuarial services.

Sir Philip Mawer

April 2011

2 Explanatory note

The feedback received has contained a number of comments relating to purely grammatical or typographical issues. We have taken those on board and thank those respondents for these comments.

As to the structure of this response document, 8 questions were asked in the first part of the Survey Monkey survey accompanying ED25: APS P2. Each of those questions (bar the first one which asked for name, position, organisation and whether the respondent wanted their name/response to be confidential) is set out in full, along with the substantive comments made by respondents to those questions. As Sir Philip mentioned above, we also received considerable feedback from respondents in relation to the future expansion of APS P2. We will not be publishing that feedback in this paper but will be taking it into account when the Profession formally consults on the future of compliance review in the next 18 months.

Wherever possible, in responding to the feedback to the questions we have drawn together comments with a common or related theme and responded accordingly. Individual comments which could not be considered in this way have been responded to separately.

We have also set out tables listing the responses received in a percentage form. The percentages listed are percentages of the respondents who answered the question, rather than the number of respondents who actually started the survey (41 in total). Some of these comments were confidential and they have not been published in this document. The Working Party, has, however, taken these comments into account in preparing the final version of APS P2.

APS P2 has also been mapped against the Financial Reporting Council's Actuarial Quality Framework and the Actuaries' Code in order to demonstrate our commitment to a cohesive regulatory framework. This mapping appears at Appendix 1. Finally, we wish to express our thanks to all of those who took the time and effort to respond to this consultation.

The Pensions APS Working Party of the Professional Regulation Executive Committee (PREC)

Graham Everness, Chairman

David Everett

Brian Nimmo

Chris Norden

Martin Rawe

3 Responses to ED 25: APS P2

Question 2: Do you have any comments on the use of words like "must", "should" and "might", in general and/or in specific places in the Exposure Draft?

Answer Options	Response Percent	Response Count
Yes	29.4%	10
No	70.6%	24
If yes, please give your comments below		12
answered question		**34**
skipped question		**8**

Feedback comments on ED

Response no.	Response
1.	A reminder of the distinction between "must" and "should" may be helpful. The explanation the panel gave at the London consultation meeting was very helpful to me personally, and I am unsure whether I am alone in forgetting the GN parallel to "mandatory" and "recommended".
2.	Balance appears about right.
3.	The preponderance of "musts", 4 times as many occurrences as "should" and "might" combined, reflects the seriousness which the Profession places upon Peer Reviewing.
4.	I am happy with the use of these words.
5.	We believe that the wording is appropriate in this respect.
6.	I think the wording is appropriate.
7.	The word "should" can be interpreted in two ways: it can either be taken to be a compulsion or an option to do something. I think it should therefore be avoided if possible.
8.	Generally in agreement but could be strengthened in 3.2 by omitting the words "endeavour to". This could be an issue in small firms. However, for example, two actuaries each checking the other's work could be viewed as too close a relationship. In 3.12, "should" in the second last line could be made more specific by substituting "must". In 5.8, if there is a dispute, one would expect the two actuaries to automatically have a discussion so "should" in the first line should be amended to "must".
9.	No real objections, but we need to keep proportionality, materiality and common sense in line with BAS standards (for example, a “must” should only be a “must” if it makes sense/has value to client or other user).
10.	This is helpful to confirm which requirements are mandatory and which are

Response no.	Response
	matters for individual judgement.
11.	Application and Status says all sections are mandatory. Therefore “must” is applicable, e.g. in 3.2.3 - "it is expected that” - says, in effect, "it is mandatory to do what we expect." This would be difficult to enforce if contested. I would replace 3.2.3 with the minimum communication and topics that Mr New and Ms Existing should cover.

Response from Working Party

Response
The Working Party agreed that the distinction between “must” and “should” needed to be made clear and definitions of these terms have therefore been included at the end of the preamble. The Working Party noted that respondents were generally happy with the word “must” for specific mandatory requirements. The word “must” therefore still appears much more frequently then “should” in the document. The Working Party has also accepted the suggestion to omit the words “should endeavour” from paragraph 3.2.

Question 3: Is the requirement for the Reviewer to hold a practising certificate appropriate and/or practicable or inappropriate and/or impracticable?

Answer Options	Response Percent	Response Count
Appropriate and practicable	58.8%	20
Inappropriate and/or impracticable	41.2%	14
Additional comments		29
answered question		**34**
skipped question		**8**

Feedback comments on ED

Response no.	Response
1.	We agree that the requirement is both appropriate and practicable. However we note that the scope of reviewable tasks has now been widened which may cause difficulty where the most experienced person in a subject does not have a practising certificate and can therefore no longer review work.
2.	In practice, we expect that most Reviewers of a Scheme Actuary's work do themselves hold a Scheme Actuary practising certificate. However, we do not consider this to be a necessary requirement to conduct a GN48/APS P2 review, which essentially assesses compliance of the written advice against the underlying professional, technical and regulatory requirements. We believe there are many examples, across firms of all sizes, where current Reviewers are competent, experienced and dependable actuaries who do not, and in some cases do not aspire to, hold a Scheme Actuary Certificate. Such Reviewers typically have built up a thorough understanding of the client, and its history and issues, and in many respects can provide a more pertinent and meaningful review than an "outsider" (in this context meaning a Scheme Actuary with perhaps limited first hand experience of the client). At a practical level, we see this proposal creating significant problems. For example, a large consultancy may focus on big and complex clients. These clients may often expect their Scheme Actuary to be a "wise and grey" senior actuary but necessarily this means that there are far fewer Scheme Actuary appointments available than qualified actuaries within the firm. Small firms may experience similar "supply problems" of Scheme Actuary Certificate holders. This potential difficulty is aggravated by the recent proposals to raise the bar for a Scheme Actuary Certificate (e.g. by confirming that the applicant has sufficient influence to deal with demanding professional situations). We sense it is not the intention that significant numbers of actuaries should be driven into applying for a Scheme Actuary Certificate purely in order to fulfill a Reviewer role, while having no real expectation of taking on a Scheme Actuary appointment in the near future, but this could become an "unintended consequence" of this proposal. As noted above, this proposal is likely to affect a significant number of clients - potentially narrowing the range of Reviewers, adding to costs and delaying the delivery of advice through limited availability of the Reviewer in urgent situations.

Response no.	Response
	Restricting the number of actuaries who can fulfill the role of Reviewer will limit opportunities for some to widen their experience. Under the current requirements, any Reviewer not holding a current Scheme Actuary Certificate is bound under the terms of the Actuaries' Code to be sufficiently competent to perform the task. There appears also to be greater emphasis on on-going hot review of all relevant aspects of advice on a project as they are completed, rather than a formal end of project review (at which point it may be awkward for the Scheme Actuary to correct inappropriate advice). Whilst we welcome this emphasis, it may add to practical difficulties and stress in cases where the Reviewer is necessarily distanced from day-to-day work for the client. There is also the significant point that all firms have devised their own over-arching quality control processes and systems to ensure best advice, minimise reputational risk and manage their professional indemnity exposure. These systems always involve peer review procedures, but tailored to the specifics of their client base. There will typically be appreciable overlap between the GN48/APS P2 requirements and internal quality control systems. Often the internal systems will involve an element of senior independent peer review though this may operate proportionately - e.g. for a sample of work, or for specific high profile projects, rather than for every piece of work. To an extent, the GN48/APS P2 requirements may be viewed as an important element of these processes but may also be seen as unduly constraining due to their prescriptive wording. We would therefore question: • Whether there is a fundamental justification for such a change? • Whether an alternative way of defining the class of Reviewer could be found, e.g. an actuary who has completed the UK Pensions Practice Module, or who has a certain minimum post qualification experience, or, possibly, who is "eligible to apply for a Scheme Actuary Certificate".
3.	We believe that limiting Reviewers to current Scheme Actuaries is too narrow; competency and experience is more important than the (mere) holding of a valid Scheme Actuary Certificate.
4.	Paragraph 2.1 marks a substantial change from GN48 in requiring the Reviewer to hold a current valid Scheme Actuary certificate, whereas currently GN48 required the Reviewer to be satisfied that he or she had the necessary experience to provide advice of the nature covered by the review. For a firm such as ours, which has a central body of expert research actuaries who advise Scheme Actuaries and provide peer review on matters such as the completion of statutory certificates in complex situations, this change would be both significant to the way we work, potentially detrimental to the advice we give and in our view entirely inappropriate. Most of our research actuaries have previously held Scheme Actuary appointments and/or certificates, but have relinquished their certificate partly due to the strict criteria applied by the practising certificates Committee. However, they possess extensive relevant experience of advising on matters fundamental to the Scheme Actuary's role, often in the most complex of cases and we would argue that they are still

Response no.	Response
	qualified to be a Reviewer and are likely to provide just as high a standard of review as a Scheme Actuary. More generally, because of the increasing separation between trustee and corporate advice, previous Scheme Actuaries commonly relinquish that role, and the certificate, to concentrate on corporate consulting. They are often senior members of the Profession, also with extensive relevant experience, and their input as a Reviewer is likely to make a valuable contribution to the Scheme Actuary's work. In our view APS P2 should aim to improve the quality of review, but should not risk undermining existing arrangements which may provide a similar or even higher standard. We note that the new proposed requirement would be acceptable if the criteria for obtaining a Scheme Actuary certificate simply provided for applicants to be fit to carry out the relevant work. However, with the current criteria being focused very firmly on the applicants having direct experience of signing the relevant certificates in practice, we have strong concerns that the proposed GN48 replacement will exclude a number of expert Reviewers who happen not to work directly with trustee clients. We therefore urge the Profession to reconsider this change to ensure that the Scheme Actuary is able to select the person with the most appropriate skills to carry out the review, rather than restricting the pool to those who hold a Scheme Actuary certificate.
5.	ED25 proposes in 2.1 that all Reviewers should have a Scheme Actuary certificate. To date we have always worked on this principle. However, if suggestions put forward in the recent ED regarding the issue of Scheme Actuary certificates are adopted we feel that the combination of these two requirements is unnecessarily restrictive. The current requirement is that the Reviewer should have sufficient experience to complete the work being reviewed and we feel that this is sufficient.
6.	On the principle that a Reviewer should be capable of signing out the work in his own right then this would naturally follow. However, we believe this is perhaps an unnecessary requirement, since the acid test is the competence of the Reviewer to undertake the review.
7.	We have a number of experienced pensions actuaries who do not hold practising certificates but nevertheless are fully familiar with the responsibilities of the Scheme Actuary and are well able to perform a Review of Scheme Actuary work (the cost of obtaining a practising certificate is a relevant factor). A common arrangement is that the Scheme Actuary is supported in his work for a particular pension scheme by a qualified actuary who currently has no need for a practising certificate but is performing Type 1 Reviews on a regular basis. The practical effect of requiring the Reviewer to hold a practising certificate will, in many cases, mean that the Reviewer will not be familiar with the details of the scheme and will therefore take more time to conclude the review - hence increasing the cost, potentially significantly.
8.	We believe that the requirement is unnecessary, given (a) the move to principles-based guidance and (b) the existing requirement in the Actuaries' Code that actuaries act only if they have an appropriate level of competence.

Response no.	Response
	In practice, we expect that the majority of Reviewers will indeed hold a Scheme Actuary certificate but there may be actuaries who are newly-retired or on maternity leave who have recently held such a certificate and would be entirely competent to perform compliance reviews. In these circumstances the explicit requirement appears excessive.
9.	Whilst recognising there are some advantages in using "research actuaries" (or other non-certificate holders who happen to have detailed knowledge of technical standards) as Reviewers, I think there is a trade-off against the practical knowledge and judgement acquired by those doing sufficient client work to retain a practising certificate. On balance, we believe the interests of the Profession are best served by requiring the Reviewer to hold a practising certificate. Firms can then decide whether their research can enhance the review process e.g. by doing what is necessary to hold a practising certificate or by "coaching" Reviewers on the application of Technical Standards. However, this requirement may need to be reconsidered if/when APS P2 is extended to cover other actuarial roles (such as adviser to Local Government Pension Scheme Funds) where there is no practising certificate necessary.
10.	I would question the merits of restricting peer review to those with a Scheme Actuary certificate. A range of peer Reviewers seems the more appropriate thing to focus on, to give a range of views. Selecting someone competent to undertake the review is the most appropriate aspect and I don't believe this is compromised by not requiring the Reviewer to have a Scheme Actuary certificate.
11.	We have always taken the view that for an individual to be able to carry out peer review of Scheme actuary work, that they should be a peer and therefore hold a Scheme Actuary certificate. However, a number of our actuaries who carry out peer review are based in our central technical team and may not hold any Scheme Actuary appointments. In the past questions have been raised by the practising certificates Team as to why they are requesting a Scheme Actuary certificate. So we request some joined up thinking, please.
12.	I do not think Peer Reviewing the work of a Scheme Actuary (SA) should be restricted to those with a SA Certificate. A Peer Reviewer should be someone competent to undertake the task and the Reviewer should feel that they are competent and suitable to do the Review. In our office, we have an Actuary who is not a SA who performs a research function and is, in my opinion, as capable as the other SAs of Peer Reviewing my work. The key thing is to have a range of Peer Reviewers who will spot different things.
13.	On the principle that a Reviewer should be capable of signing out the work in his own right then we believe this is a necessary requirement.
14.	Must retain this. If we don't retain this then can only see problems where Scheme Actuaries are trying to defend their choice of "peer" for a particular piece of work.
15.	No. We would object to the introduction of such a requirement as inappropriate. We believe the present requirement, to have “the experience necessary to provide advice of the nature covered by the review” is both sufficient and appropriate.

Response no.	Response
	In some organisations (including ours) it would reduce the number of suitable and available reviewing actuaries – materially so in some of our offices. This would be in conflict with the encouragement in paragraph 3.2 to use a number of different Reviewers. Further, the annual cost of a Scheme Actuary certificate is significant, and we believe it would be disproportionate for otherwise suitably experienced actuaries to have to go to this expense, and the expense of the consequent extra CPD activities, just to act as Reviewers.
16.	In my opinion, compliance review should (given the importance of this role) be performed by another Actuary holding a practising certificate. Whilst it is appreciated that this might cause some problems for certain smaller firms, the concept of peer review is to maintain standards and this should not be compromised. It is acknowledged that this could create a "cliff-edge" for students/Associates who cannot be a Reviewer but they could informally review work to gain that experience. Perhaps of more concern, in practice, is the lack of a wider pool of Reviewers used by smaller firms such that there is a "house view" where actuarial advice might be narrower than it should be. I am comfortable with the "blanket" approach that the Review must hold a practising certificate.
17.	This should not cause any problems in most organisations but may do in some smaller ones
18.	It is inappropriate. At my former firm, the actuary in the research department acted as a Reviewer even though he did not hold a practising certificate. He was probably one of the better Reviewers due to his experience and knowledge. The only requirement should be that contained in the second sentence of 2.1.
19.	Creates comfort for the trustees and employment for Scheme Actuaries.
20.	Personally, my preference (and my firm's practice) is that Scheme Actuaries do the reviews and I feel comfortable with this “experience” in the scrutiny. I think for smaller firms and for development of support actuaries (who in some cases will, perhaps, be more diligent than their Scheme Actuary colleagues), this may be too high a bar. I would prefer something like the “Reviewer must be suitably experienced to add value in the review process”, this is the fundamental requirement. The Scheme Actuary is just a proxy for this (I guess)?
21.	This could be a problem for smaller consultancies but I still think work should be reviewed by an actuary who can demonstrate an appropriate level of knowledge and experience.
22.	It is likely to add to costs and pressure on Scheme Actuaries without necessarily benefitting the client. My office practice is to require reviews of major advice by another Scheme Actuary but not more routine advice. However, that is more difficult to apply by regulation and so it would be better to leave the requirement as it is currently, but to rely upon professional judgement as to when it is needed.

Response no.	Response
23.	I retired from my long term job in December 2009 and from 1997 to 2009 held a Scheme Actuary certificate. I resigned all my appointments by December 2009 but renewed my Scheme Actuary certificate in December 2009, having completed the required CPD. I now work part time as a consulting actuary with a limited time horizon in employment. I will not therefore be accepting any Scheme Actuary appointments. I have completed the required CPD to apply to renew my Scheme Actuary certificate but have not applied to as I feel it is a waste of my new employer's money. However, I am expecting to review Scheme Actuary work and feel competent to do this. Many actuaries advise employers only, and do not need a Scheme Actuary's certificate. Such actuaries can have as good an understanding of actuarial issues as Scheme Actuaries and are, in my view, competent to review Scheme Actuary work (not, of course, if they are conflicted by working for the employer of the scheme). The only reason I can see for insisting that the Reviewer holds a Scheme Actuary certificate is that instances of incompetence are being discovered due to the lack of the Reviewer holding a Scheme Actuary certificate. Is this the case?
24.	After some pondering, I believe the questions that should be asked are: • Does the Reviewer need to be a Scheme Actuary? • If not, what particular skills, attributes or training does he/she need? In my view, the Reviewer does need to maintain and demonstrate detailed knowledge of ED25 Appendix 1 Documentation to be a qualified actuary (FIA/FFA); possibly to attend an accreditation course; adequate technical experience; the ability to exercise sound judgement. In my view, the Reviewer does not need the self assurance, influencing skills and ability to exercise sound judgement under pressure to the degree needed by a Scheme Actuary. The Reviewer is supported by his/her professional body directly. The level of pressure is different. The Reviewer is carrying out a technical job to support a fellow professional. Scheme Actuaries are an expensive resource and it would be better to avoid putting extra expense onto smaller and possibly ailing group schemes, especially in times of financial hardship. Sample checking by a Scheme Actuary is a possible alternative.
25.	There is a public interest issue here - it may lack credibility outside the Profession if there was a high profile case and it came to light that the Reviewer did not have a Scheme Actuary certificate at the time of the review, even if they would have been capable of having a certificate. While it may have been reasonable not to require this when GN48 was first conceived, we should be looking to raise standards in this area. I question whether the public interest would be better served by requiring the Reviewer to be a practising Scheme Actuary rather than just a certificate holder. Requiring the Reviewer to hold a Scheme Actuary certificate also helps to demonstrate that the Scheme Actuary has selected an appropriate person to act as the Reviewer, since the Reviewer has effectively been vetted by the

Response no.	Response
	Profession as someone who is capable as acting in that role.

Response from Working Party

Response
This was the question that gave rise to the most comment. The Working Party noted that a small majority of respondents viewed the proposed change as both "appropriate and practicable" but nevertheless concluded that a blanket requirement for all Reviewers to be Scheme Actuary certificate holders should not be introduced at this stage, although the Profession may well revisit this point in the future. In the published version of APS P2, the Working Party opted for wording intended to ensure that, if Reviewers are not actually certificate holders, they at least have the experience level (and, after a 6-month transitional period, the CPD record) normally required for obtaining a certificate. A number of respondents referred either explicitly or implicitly to firms' own current peer review arrangements which they considered to be entirely satisfactory and the desirability of continuing with these rather than adding new, different requirements to achieve the same end. As indicated in the Working Party's response on question 8, the intention is (in considering future development of APS P2) to give weight to this principle. The Profession is intending to produce a short statement informing members about the practical implementation of paragraph 2.2.2.

Question 4: Paragraphs 3.3 to 3.10 of the Exposure Draft are the key paragraphs which have been changed to re-iterate the purpose and nature of compliance review in the new principles-based regime of TASs and the Actuaries' Code. Do these give sufficient and appropriate direction on this purpose and nature, including the breadth and depth of what the Reviewer is supposed to cover?

Answer Options	Response Percent	Response Count
Yes	96.8%	30
No	3.2%	1
Additional comments		20
answered question		**31**
skipped question		**11**

Feedback comments on ED

Response no.	Response
1.	Our only comments in respect of the above paragraphs relate to paragraphs 3.8 and 3.9 as follows. In our view, paragraph 3.8 would be better split between Type 1 Reviews (where the Review is influencing the advice that goes to the client) and Type 2 Reviews (where the client has already had the advice, and may well have acted upon it). Under 3.9, a distinction may need to be drawn between review of component reports (which by themselves have limited TAS R compliance requirements) and review of aggregate reports which have far more detailed TAS R compliance requirements. In this context, it should also be clarified that a Review of a component report should be regarded as a complete Review, and that a component report may therefore be subject to several Reviews (possibly even by different Reviewers).
2.	We are generally comfortable with paragraphs 3.3 to 3.10. In 3.3, the words "written work" could be clarified with words such as "including all aggregate reports and associated component reports" (currently the only reference in the document to aggregate and component reports is at the very end, in 6.2). In paragraph 3.8, the word "material" might be added before "breach of the Code". Likewise in 3.9.4, "material" might be added before "non-compliance" (particularly as many of the TAS requirements involve subjective judgement).
3.	We also have some concerns about the change in the scope of the review from the wording in GN48, which requires a determination of whether the advice "complies with the relevant practice standard guidance note and the Actuaries' Code" to the wording in paragraph 3.3 of APS P2, requiring "an assessment of compliance with the relevant legal, regulatory and professional requirements". This change appears to represent a significant widening of the review process. The new wording suggests that the Reviewer will be required to be comfortable with all legal and regulatory aspects of the work which, we would argue, makes the Reviewer more of a technical Reviewer and risks diluting the Review role covered by APS P2. In firms such as ours, the technical check and peer review

Response no.	Response
	are separate exercises and, although there is inevitably some overlap, we strongly believe that having two roles enables the peer Reviewer to concentrate on the client facing aspects of the work, namely whether it is fit for purpose, clearly understandable and suitable to be signed by a member of the Profession. Our concern is that, by extending the Review role, it may be the case that separate technical checking becomes redundant or at least less typical and that errors become more likely as a result. We appreciate that not all firms will currently split the role, but our main concern is that APS P2 should not discourage stronger existing processes. We might also note that if the Review process is to be extended as appears to be the intention, this provides a further argument that central expert actuaries (who may not hold a Scheme Actuary certificate) should be able to take on the Review role, as they may have an even better grasp of all the relevant aspects than a non-expert colleague.
4.	Paragraph 3.3 extends the principal purpose of the Review to cover relevant legal and regulatory requirements (confirmed by 3.4.2) rather than just professional requirements (under GN48, this was just practice standards and the Actuaries' Code). Paragraph 3.10 restricts this to "the extent that might reasonably be expected of a competent actuary carrying out a high-level scrutiny of the work". It is difficult to know exactly what is envisaged by this. Requiring the Reviewer to do a detailed check on compliance with relevant TASs could impose a significant additional requirement on Scheme Actuary advice that does not yet apply to other actuarial advice. Paragraph 3.9 does effectively limit this to TAS R, but nevertheless this could still be a non-trivial additional requirement. Further, such a requirement may discourage actuaries from complying with TASs (and stating that they have done so) for work that is not strictly within scope.
5.	We are not convinced that paragraph 3.5 is entirely necessary.
6.	This helpfully clarifies the focus on the principles (as opposed to a checklist or fine detail) of the Actuaries' Code and TASs.
7.	I believe these give sufficient direction - it is always a difficult compromise between having a meaningful review and being practical to undertake.
8.	Adequate explanation is provided of what the Reviewer is expected to do and what they are not expected to do.
9.	Yes, we believe they give sufficient direction.
10.	Yes, I think that it spells out the things expected of the Reviewer, and just as importantly, those things that are not expected of the Reviewer. I think that the Reviewer should concentrate more on the quality of the actuarial advice given rather than focus on a stylistic review. In particular, the requirement to state that their is no evidence of non-compliance with the relevant TASs.
11.	Yes these paragraphs are clear to the Reviewer on what is and is not expected from the review.

Response no.	Response
12.	This is comprehensive and in plain English.
13.	Para 3.3 sets out clearly the scope and purpose of the review. The only area where they may be a difficulty is in paragraph 3.8 where if the Reviewer "has reason to suspect", he "must comment on this". There could be reason to suspect but no definite conclusions that could be drawn without further investigation. Requiring the Reviewer to put this in his review is a strong statement and discussion with the Scheme Actuary and/or a request for more information may be more appropriate as a first step.
14.	The sections clearly set out what is required from the Reviewer and what they are not expected to cover. It also refers to the relevant documentation that they should consider and also the areas that should be brought to the Scheme Actuary's attention if uncovered from the review.
15.	I have some concerns with 3.4. It might be better for the Reviewer to confirm that he has carried out the review in accordance with the principles of APS P2 and that he must note any examples of non-compliance with relevant TASs and legal and regulatory requirements.
16.	The amount of direction is clear. However, a consequence is that the Reviewer will be expected to make a detailed report back to the Scheme Actuary rather than merely a confirmation that there are no comments. If that is the intention then it will have an impact on client costs. If that is not the intention, then the text could usefully be clearer as to what level of written feedback is required.
17.	These seem reasonable.

Response from Working Party

Response
This question related to the part of ED25: APS P2 that the Working Party had experienced most difficulty in drafting, and so the Working Party was very pleased with the almost unanimous support for the proposed wording. A few amendments have nevertheless been made to improve clarity – but none of these are designed to change the intended meaning. In particular, the paragraph (now 3.10) on compliance with the TASs has been reworded to allay any concerns that it was not clearly supportive of the importance of compliance with the TASs. At least one respondent expressed some concern over potential uncertainty as to the meaning of “written work”. Paragraph 1.1 has been expanded to address this.

Question 5: Do the transitional provisions (section 6 and Appendix 2 of the Exposure Draft) work satisfactorily?

Answer Options	Response Percent	Response Count
Yes	58.1%	18
No	41.9%	13
Additional comments		24
answered question		**31**
skipped question		**11**

Feedback comments on ED

Response no.	Response
1.	If APS P2 comes in from 1 April 2011 as drafted, with the requirement for the Reviewer to hold a Scheme Actuary Certificate, this is likely to cause significant practical difficulties for many schemes where the current Reviewer will no longer be eligible. A longer transitional period particularly for this requirement would be very helpful to firms who have to allocate new review resources to client teams. Moreover, due to the very short lead-in time, 6.2 may catch many component reports that have already been produced for aggregate reports that are delivered after 1 April, including some relating to the new categories of work proposed in Appendix 1.
2.	We also have an associated issue with paragraph 6.2 of the Exposure Draft. A component report delivered prior to 1 April 2011 may have been reviewed by someone who was not a Scheme Actuary, as currently permitted by GN48. Getting that report retrospectively re-reviewed by someone holding a practising certificate would be both time-consuming and pointless; the cost of so doing would also be impossible to justify to the client.
3.	The proposal is for APS P2 to apply to component reports that form part of an aggregate report completed on or after 1 April 2011. This is presumably to match the application of the Pensions TAS. However, we expect that work being carried out and presented to clients now (and some work already presented), having been peer reviewed in accordance with GN48, will become component reports under the Pensions TAS. It would be unreasonable to require such reports to be reviewed under APS P2 also, particularly given the material differences between the two mentioned above. A final version of the Pensions TAS has been available since October 2010, giving Scheme Actuaries time to consider how they present their work to comply with that new standard, but they will have had no such time to reconsider their review arrangements as required under APS P2.
4.	We do have a problem here. An aggregate report is merely a collection of component reports. As we read 6.2 the inference is that if say 6 component reports were delivered prior to 1 April 2011, but the 7th and final report were delivered after 1 April 2011, then not only would there be a requirement that the 7th is subject to an APS P2 review but also that each of the previous 6 reports

Response no.	Response
	would need to be subject to an APS P2 review in spite of then having had a GN48 review at the time of issue. We feel this is an unnecessary duplication with increased costs to the end user.
5.	Component reports issued prior to 1 April 2011 that form part of an aggregate report issued on or after that date appear to be required to be reviewed twice: once under paragraph 6.1 and again under 6.2. There should be no requirement for such a double review.
6.	These seem to apply common sense.
7.	I assume that by "written advice delivered" it is meant delivered to the client. On that basis, then yes, they appear to be workable.
8.	Re advice sent out before 1/4/11 noting that peer review yet to take place: Such peer review takes place after 1/4/11 and this requires substantial changes to be made to initial advice. Is the revised advice then subject to GN48 peer review or should it be APS P2? Re 6.2: does this mean that, when issuing an aggregate report post 31/3/11, you need to peer review all component reports again under APS P2 that had previously been peer reviewed under GN48?
9.	No, we do not agree with the second sentence of paragraph 6.2. The essence of a Type 1 Review is that it is normally carried out before the report is delivered to the client. Therefore Type 1 Reviews under APS P2 can only be carried out after 1 April 2011 in respect of reports to be delivered after that date. However, in reviewing reports prepared after 1 April 2011, it would be appropriate for Reviewing Actuaries to have (further) sight of any relevant component reports already delivered and reviewed (whether under GN48 or APS P2), so that they can be satisfied that the post 1 April 2011 reports which they are reviewing are compliant (in that they need not repeat advice previously delivered).
10.	Yes, all written actuarial advice given from 1 April 2011 will be subject to compliance under APS P2, including written work delivered before 1 April 2011 which forms part of some later work (including an aggregate report derived from previously issued component reports).
11.	These should allow transition from GN48 without causing problems.
12.	If an aggregate report issued before 1 April 2011 has been peer reviewed under GN48, then I think it is excessive to require that it is also peer reviewed under APS P2 if it is a component report of an aggregate report issued after 1 April 2011. So I would suggest: "along with any work delivered prior to 1 April 2011 that forms part of this later work, unless it has already been peer reviewed under GN48".
13.	I am not certain I fully understand 6.2 and maybe it needs extension and clarification.
14.	Clear and covers all bases.
15.	It is obvious when GN48 is no longer appropriate.
16.	Didn't look in detail but did not see an immediate problem.

Response no.	Response
17.	From a practical perspective, it would be easier to implement the new provisions later in the year, say 1 July 2011. This will allow time to review the final guidance and update internal procedures to support our Scheme Actuaries in meeting these requirements.
18.	Paragraph 6.2 is likely to be a problem for component reports already delivered under GN48. It would be better either to have a rather longer lead in time (at least 6 months from publication of the final standard) or to enable compliance through component reports delivered under GN 48 prior to implementation of the new standard.
19.	The deadline is not generous.
20.	It would help for there to be some supporting information about how component reports issued before 1 April 2011 which only form part of an aggregate report after 1 April 2011 would work, e.g. in the context of an actuarial valuation where advice on assumptions may be given before 1 April 2011 but no decisions are to be made on the basis of that advice until an aggregate report is provided after 1 April 2011. Possible changes you could consider: • only requiring aggregate reports to be reviewed under APS P2, which will include any component report. • confirming that nothing issued before the in force date of APS P2 could be subject to an APS P2 review.

Response from Working Party

Response
The main concern expressed in the responses related to the possible impact on work that had already been issued (and reviewed) prior to 1 April 2011. The Working Party has sought to address these concerns by rewording and expanding paragraph 6.2 of APS P2. The Working Party acknowledges that this may still require a fresh review of older work to the extent that the older work forms part of an "aggregate report" completed on or after 1 April, but given the way in which compliance with the TASs is primarily assessed by reference to aggregate rather than component reports, this appears to be unavoidable if a meaningful statement of TAS compliance is to be given in such cases. Nevertheless, the new paragraph 6.2 has tried to clarify that component reports issued before 1 April do not need to be (retrospectively) reviewed against APS P2 themselves, but only need to be considered for APS P2 purposes when viewed as part of a subsequently-completed aggregate report. Some respondents' comments indicated a preference for a longer period before the new APS came into force, but in view of the fact that the Pensions TAS was coming into force on 1 April and the old GN48 was not adequate to cover this, the Working Party did not feel that the implementation date could be deferred. The desirability of adequate notice was however taken into account in the matter of who may be the Reviewer – see question 3. When ED25: APS P2 was released, it was anticipated that all pensions-related GNs adopted by the BAS would be disapplied by 1 April 2011. In the end, GN16 and GN28 have remained in force and consequently, the Working Party has added a new paragraph (6.3) to APS P2 to ensure that these GNs are also covered by post-March compliance reviews.

Question 6: Are there items of work which should be added to the list of work within scope in Appendix 1?

Answer Options	Response Percent	Response Count
Yes	16.7%	5
No	83.7%	25
Additional comments		17
answered question		**30**
skipped question		**12**

Feedback comments on ED

Response no.	Response
1.	We believe that the list of work set out in Appendix 1 is appropriate at the current time.
2.	The list seems appropriate. However, where a certificate is in prescribed form, and noting that the Reviewer is not required to check the figure work, what does a review entail?
3.	This is not technically part of the list but Appendix 1 ends by saying that, if the work is not carried out by a Scheme Actuary, it should not be subject to mandatory compliance review. Why not? How would you explain this to a non-actuary?!
4.	Appendix 1 is already quite long and no immediate gaps spring to mind. Operation of best practice may bring other work into a peer review process anyway.
5.	The list covers all Scheme Actuary work.
6.	All Scheme Actuary work should be peer reviewed. Appendix 1 should just list major items but should include specific comment that APS P2 applies to all Scheme Actuary work. Test would be whether the Scheme Actuary would be happy to send the correspondence if they were not the Scheme Actuary. If the answer is yes, then doesn't fall within APS P2.
7.	Other than wondering if it is necessary for something as straightforward as PPF deficit reduction contribution certificates to be included, we have no comments on this list.
8.	Whilst this may evolve through time, I welcome a comprehensive list of work that is within the mandatory scope of APS P2.
9.	Possibly purchase of annuity contracts such as buy ins.
10.	It looks very comprehensive to me.
11.	The list is comprehensive.
12.	I believe all appropriate items are covered.

Response no.	Response
13.	Within the Scope (for example, some calculations for Trustees to facilitate a sale and purchase decision/clearance application), don't think this is caught. My report was compliant with TAS R and TAS D and was reviewed, indeed this sort of work is often done at pace and is non-standard, so maybe a review is required. Is advice on setting factors included (or intended to be included)? Early Retirement and particularly Cash Commutation have a certain history (and potential for adverse press), so advice in relation may be worthy of review.
14.	The list seems comprehensive.
15.	Not in a position to comment on this.

Response from Working Party

Response
In accordance with the views of the vast majority of respondents, no items have been added to the list of work in scope. To provide clarity, the Working Party considers it preferable to give a comprehensive list of work in scope, rather than simply using a descriptive phrase such as "Reserved Work undertaken by a Scheme Actuary". It confirms that work that is "reserved" as a result of a provision in the scheme rules (rather than in legislation) is not intended to be in scope, and that there are a few items of work (reserved to actuaries under legislation) which are not within scope, such as valuations under sections 156 and 158 of the Pensions Act 2004. At this stage, APS P2 is restricted to work undertaken in the capacity of Scheme Actuary (see paragraph 1.1), although (following the next round of consultation) it is likely that this will be extended in the near future. The wording at the end of Appendix 1 has been slightly amended to help clarify this point. The Profession nevertheless wishes to stress that it discourages any exploitation of this limitation in scope of mandatory compliance review.

Question 7: Are there items of work which should be removed from the list of work within scope in Appendix 1?

Answer Options	Response Percent	Response Count
Yes	25%	7
No	75%	21
Please give reasons for your answer below		12
answered question		**28**
skipped question		**14**

Feedback comments on ED

Response no.	Response
1.	Yes. We are not convinced of the need to include cash equivalent transfer values and cash transfer sums as "in scope". Although these occasionally attract high visibility, there may be confusion in situations where the trustees agree to some enhancement above the statutory cash equivalent. Logically, these should be covered as well. In contrast, other actuarial factors, especially commutation and early retirement, typically have greater financial impact than transfer values since member take-up is so much higher. There is of course no statutory framework for such factors. Work for the Pension Protection Fund is not directed specifically at trustees and sits rather uneasily within Appendix 1.
2.	The purpose of many of the certificates listed in Appendix 1 is not to give advice to the client but to satisfy regulatory requirements. It would be difficult for the Reviewer to say whether the regulatory requirements are met unless he/she is provided with a lot of detail regarding the underlying work.
3.	The list contains several examples of certificates, many of which are in a prescribed form. If we consider an example - the certificate of technical provisions listed at I4 - since the wording is prescribed and certifies that the technical provisions have been calculated in accordance with the Statement of Funding Principles, a review of the certificate would require that all the calculations be checked by the reviewing actuary. Paragraph 3.6 of the ED suggests that this is not envisaged. We suggest that the list of work be restricted to those aspects that would lead to a decision being reached by the client, which would remove most of the certificates listed.
4.	No justification to remove items, in principle.
5.	Peer reviewing the deficit reduction contribution certificate appears to be out of place.
6.	H3 and H5 since they are purely mechanical calculations with no advice required.
7.	Clearly all items are important and complex.
8.	Not in a position to comment on this.

Response no.	Response
9.	I believe they are all relevant.
10.	A2, C3, F2 should come out of scope since the Reviewing Actuary is unlikely to be aware of such matters. The Reviewing Actuary can review what has been advised but not what has not been advised, which is the greater issue.
11.	I am uncomfortable with the very final paragraph (work not performed by the Scheme Actuary is not subject to review). This seems very odd, and also an encouragement for work to be signed off by another actuary where it is not essential for the Scheme Actuary to carry out the work - this is unlikely to be in users interests. I would suggest either: (a) bringing all of the work into scope whenever the advice is provided by a member of the profession, regardless of Scheme Actuary status; or (b) limit the scope of Appendix 1 only to items where legislation or regulation requires the appointed Scheme Actuary to carry out the work (NB this would not extent to where only the pension scheme rules require the Scheme Actuary carry out the work). I would prefer (b) as a way of resolving this anomaly pending the implementation of a wider-ranging review regime.

Response from Working Party

Response
In accordance with the views of three-quarters of respondents, no items have been removed from the list of work in scope. Some respondents mentioned various specific items which they did not think justified or were readily amenable to mandatory compliance review. On considering these, the Working Party concluded that APS P2 as a whole was drafted in a way which enabled an appropriate level of compliance review in these cases. In particular, the Working Party took the view that although some Pensions Protection Fund-related items of work are almost entirely mechanical, this is not always the case and deficit-reduction contribution certificates (for example) can involve significant actuarial judgement, for which a suitable review is important.

Question 8: If you have any other comments on the Exposure Draft, please set them out below.

Feedback comments on ED

Response no.	Response
1.	My comment is simply this: the Application and Status section of both the exposure drafts makes statements about the Actuaries' Code and BAS standards which are in terms and language which is in marked contrast to the way those other documents have been described by their authors. I think the disparity of language is, at best, confusing and, at worst, misleading. The Exposure Drafts of the two APS include the following paragraph: "Any failure by a Member to comply with the Actuaries' Code, or with any other … standards…published by…the Board for Actuarial Standards (BAS) may be liable to consideration under the Actuarial Profession's Disciplinary Scheme (the Disciplinary Scheme). A material breach of the Actuaries' Code, Actuarial Profession Standards or BAS's Technical Actuarial Standards (TASs) is of itself a ground for referral under the Disciplinary Scheme and would amount to strong prima facie evidence of Misconduct, as defined at Rule 1.6 of the Disciplinary Scheme. Contrast that with the language used to describe the Actuaries' Code, in the Code itself, which says: "The Code will be taken into account if a member's conduct is called into question for the purposes of the Actuarial Profession's disciplinary schemes. It is not a set of rules, and conduct that falls short of the Code will not inevitably constitute misconduct. Equally, members will be expected to observe the Code's spirit in their professional conduct." If the Institute and Faculty wishes to the paragraph highlighted in blue above to apply to the Actuaries' Code, it is only fair to members that the statement should made in a document which all members who are subject to the Code can be expected to read, preferably in the Code itself. There are many members who do no actuarial work as such and have no reason to read APS 1 or 2, but they are required to follow the Actuaries' Code. If the paragraph in blue is intended to be binding as a statement of the Code's application, all members are entitled to be made aware of the statement. I myself saw the paragraphs for the first time today (which is why my submission is late). Since I do no work in the field governed by these two APSs, there is no reason why I should be expected to have read them. The paragraph highlighted in blue is also quite different from the language used by BAS to describe the status of TASs, which says (in the Scope & Authority of Technical Standards): Compliance with all relevant TASs is compulsory for Actuaries, except to the extent of any departures permitted or required by paragraphs 23-24 below and disclosed in accordance with the requirements of paragraph 22 [of the Scope & Authority]. So far as I am aware, the Institute and Faculty does not have the power to alter that statement. If the Institute and Faculty thinks that the statement in blue above is merely an observation for the benefit of informing its members, rather than a variation of the status of TASs, I have to say that I find the statement in blue to be a completely inadequate description of the status of TASs. I am not at all sure why the Institute and Faculty feels a need to comment on the status of TASs in its own APSs. If it is going to do so, it really ought to use language which accurately reflects the position

Response no.	Response
	published by BAS.
2.	Paragraph 1.3: we agree that the Reviewer's identity should not be disclosed without their prior agreement. It remains the case that it is not mandatory to disclose the identity of the Reviewer. However, we note in passing that there seems to be no reason for the client not to know the identity of the Reviewer, and indeed arguably such transparency should be encouraged. Paragraph 2.2: the wording of this paragraph may be read as implying that using a Reviewer in the same firm means that a conflict is likely. In our view, the paragraph could be improved by swapping the order of the two sentences and re-wording slightly as follows: "The Scheme Actuary and the Reviewer should be satisfied that their relationship is not such that the review fails to meet the principles of section 3 of the Code. However, for the avoidance of doubt, the Reviewer may be an employee or member of, or partner in, the same or a different firm as the Scheme Actuary." Paragraph 4.2: the new Reviewer should be required to contact the previous Reviewer, before deciding whether to undertake the review. Paragraph 5.3: Type 2 Reviews should, like Type 1 Reviews, cover 100% of the relevant Scheme Actuary work, not just a sample. Paragraph 5.5: Similar comments to paragraph 4.2 above.
3.	We have a deep concern that most of the proposals in Section 2 would, if implemented, represent a decidedly non-trivial extension of the existing GN48 process. Before accepting this considerable extra “infrastructure” we would like to see solid evidence (rather than mere suspicion/wishful thinking) that it would deliver meaningful benefits to the users of actuarial advice, e.g. in terms of lower risk of errors, more effectively communicated advice etc. It would be helpful also to know whether other advice-giving professions, in the UK or overseas, have adopted such an approach and, if they have, whether there has been a demonstrable benefit, and what practical challenges have been encountered. The actuarial profession in the UK is small and resource constrained, is still getting to grips with the TAS regime and is perhaps not best placed to accommodate a new regime unless this has proven benefits. We believe also that most firms’ internal review processes will have evolved significantly in the years since GN48 first appeared. These, coupled with the requirements of the Actuaries’ Code (section 2 in particular), provide a very strong steer to best-of-breed quality assurance which firms will apply proportionately to all their actuarial work. It makes one wonder whether the “scope creep” suggested by the APS P2 proposals might ultimately represent building a large sledgehammer to crack an increasingly shrinking nut! We do wonder whether, in the spirit of the Actuaries’ Code, the Profession could not embrace a more principles-based approach to peer review, focusing primarily on outcomes and risks. This might avoid some of the perceived boiler-plating of existing review systems by a layer of prescriptive requirements which will in some cases not be proportionate and lead to less immediate and more costly actuarial

Response no.	Response
	advice.
4.	We find the “Application and status” section at the bottom of page 1 somewhat confusing. In particular, the boiler-plate wording under “Application and status” states that “All Members of the Institute and Faculty…are required to comply with this Standard in their professional lives, whether or not they are engaged in actuarial work”. It is clear, however, from the title and contents of the Exposure Draft that the target audience relates to actuaries advising (through direct contact) the trustees or other governing bodies of pension schemes. We cannot see, therefore, how it can have application, as implied by the wording described in 2.2 above. Accordingly, the opening paragraph of the “Application and status” section needs to be deleted. There needs to be a comment to the effect that terms in bold are defined in section 7 of the Standard. Paragraph 3.4: we believe that limiting Reviewers to current Scheme Actuaries is too narrow; competency and experience is more important that the (mere) holding of a valid Scheme Actuary Certificate. Paragraph 3.5: we also have an associated issue with paragraph 6.2 of the Exposure Draft. A component report delivered prior to 1 April 2011 may have been reviewed by someone who was not a Scheme Actuary, as currently permitted by GN48. Getting that report retrospectively re-reviewed by someone holding a practising certificate would be both time-consuming and pointless; the cost of so doing would also be impossible to justify to the client. Paragraphs 3.4.1 and 3.4.2 of the APS refer to the review findings having to include comments relating to compliance with relevant TASs and other requirements. This should instead require comments on non-compliance. This would then tie in with paragraphs 3.8-3.10 of the APS. Paragraph 3.9.4: the word “manifest” should be added before “evidence of non-compliance”. This will bring the APS in to line with the interim changes introduced last year by Sir Philip Mawer (in relation to GN48 and “GN9 TAS early adoption”). Paragraph 3.8: we refer to our comments in 3.5 above. Appendix 1: In C2, change “certificate” to “confirmation” (compared with the wording in regulation 42(2) (b) of SI 1996/1172). T his will also require changes to the text in C3. In D (Employer Debt), there should also be references to The Occupational Pension Schemes (Deficiency on Winding Up etc) Regulations 1996 – SI 1996/3128 – as these will still be relevant in the circumstances covered by regulation 1(3)(a), (b) or (c) of SI 2005/678. In paragraph I3, we believe the word “even” needs to be inserted after “BAS”. Final paragraph of Appendix 1: concerns that the statement that if work within the scope of that Appendix is carried out by an actuary who is not a Scheme Actuary, then that work is not subject to mandatory compliance review. We believe the requirement for mandatory review should be based on the nature of the work, not

Response no.	Response
	on the status of the actuary undertaking that work.
5.	Turning to the questions on possible future amendments, we would firstly make the general point that many firms already have their own quality procedures, including peer review, for all work. Therefore, even more so than for the special case of Reserved Work, it is important that any requirements from the profession should so far as possible dovetail with the requirements of a good quality system, and not lead to unnecessary duplication or bureaucracy.
6.	The final paragraph of Appendix 1 is nonsensical. If the work has to be peer reviewed when performed by a Scheme Actuary it should have to be peer reviewed if done by any other actuary.
7.	It would be helpful if an indication was given as to when it was appropriate for a Type 1 or Type 2 Review to be given. Section 5.3 states a Type 2 Reviewer must take a sample of work. However, it may be more appropriate for all work to be reviewed depending on time allowed and work completed.
8.	The Code will be taken into account if a member's conduct is called into question for the purposes of the Actuarial Profession's disciplinary schemes. It is not a set of rules, and conduct that falls short of the Code will not inevitably constitute misconduct. Equally, members will be expected to observe the Code's spirit in their professional conduct.
9.	No real objections (other than who can review), looks broadly in the right place to me.
10.	I do not really understand why all work reviewed under a Type 1 Review has to be reviewed at a time that enables the outcome of the review to influence decisions that flow from the work but only a sample of the work for review under a Type 2 Review will ever actually be reviewed, and then several months after the work has been completed. This looks like a double standard to me and I would prefer everything to be subject to a Type 1 Review.

Response from Working Party

Response
The Working Party accepted the view expressed by at least two respondents that the emphasis of paragraph 1.3 should be changed so that disclosure of the Reviewer's identity did not appear to be actively discouraged, but should only require the Reviewer's permission. The Working Party agreed with the respondent who suggested that it would be better to change the order of the two sentences in paragraph 2.2. The Working Party noted the comments made by at least two respondents that the extension of mandatory compliance review requirements could become a disproportionate burden if it required firms to add to already adequate peer review processes. As further developments to APS P2 are considered (in line with the views sought in this consultation), the desirability of dovetailing any new requirements with firms' existing processes wherever possible will be a significant consideration. The Working Party noted that at least two respondents felt that Type 2 Review (as currently mandated) was an inadequate approach in comparison with Type 1 Review, in particular with

regard to the point that 100% of the work did not necessarily need to be reviewed.

The future of Type 2 Review was one of the subjects of the "second half" of this consultation and will therefore be considered by the Profession shortly. In the meantime, the Working Party comments that the requirement in paragraph 5.3 for the sample to be a "sufficiently broad selection" to allow the review findings to be "regarded as a reliable indication of the findings had all the work been reviewed" could, dependent on the circumstances, mean that 100% or close to 100% of the work does need to be reviewed.

Response from the Standards Review Committee

Response
During the consultation, there were a number of comments about the wording of the "Application and Status" paragraph. In the light of these, the Standards Review Committee (which oversees the standard setting process, including matters of style and format) has amended the paragraph. The change will apply to all APSs. The heading has been changed from "Application and Status" to "General Professional Obligations". The paragraph itself contains references to the Actuaries' Code and the definition of "misconduct" under the Disciplinary Scheme, both to remind members of their professional obligations and to ensure that members of the public are aware of the Profession's regulatory and disciplinary regime and of the consequences for members who fall short of the Profession's standards.

5 List of Respondents

Non-confidential responses to the ED25: APS P2 consultation were received from the following:

Individuals

Geoff Arnold

Simon Carne

Simon Clayson

Cedric De Souza

David Giles

Aideen Grant

Robert Hails

Kevin Hollister

David Kershaw

Bruce MacDonald

Louise Perkins

G Stormont

Kenneth Tindall

Firms/Organisations

Aon Hewitt

Association of Consulting Actuaries (ACA)

Board for Actuarial Standards

Censeo Actuaries & Consultants Ltd

First Actuarial

Hymans Robertson

JLT Benefit Solutions Ltd

KPMG

Lane Clark & Peacock

Legal & General

Mercer

Towers Watson

Xafinity

There were also 7 confidential responses received.

Appendix 1: Mapping the Actuarial Quality Framework and the Actuaries' Code against APS P2

In contrast to the method used for mapping APS P1 against the Actuarial Quality Framework (AQF) and the Actuaries' Code, it was felt that because APS P2 focuses on a specific task (compliance review) as opposed to a whole area (APS P1), a different approach was needed. Therefore, the following mapping exercise features two separate tables:

- In the first table, the left hand column refers to the provisions of the Actuaries' Code which are supported by APS P2;
- In the second table, the left hand column refers to the relevant AQF Drivers which are supported by APS P2;
- All numerical references relate to the paragraph number of either APS P2 or the Actuaries' Code.

References to the Actuaries' Code	APS P2
Whole of the Actuaries' Code	Applied through 3.8 of APS P2
Applies generally to the whole compliance review process Principle 2 - Competence and care: members will perform their professional duties competently and with care.	Applied through 3.4 and 3.6 of APS P2 generally
Applies generally to the whole compliance review process Principle 4 – Compliance: members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure they are not placed in a position where they are unable to comply, and will challenge non-compliance by others.	Applied through 3.4.1 and 3.4.2 of APS P2
Applies generally to the whole compliance review process Principle 5 – Open communication: members will communicate effectively and meet all applicable reporting standards	Applied through 3.4.3 of APS P2
Specific mapping	
Principle 1 – Integrity: members will act honestly and with the highest standards of integrity. 1.1 and 1.2 of the Code	Relates to 1.3 of APS P2

References to the Actuaries' Code	APS P2
Principle 2 - Competence and care: members will perform their professional duties competently and with care. 2.2, 2.4 and 2.7 of the Code	Relate to 2.1 and 2.2 of APS P2
Principle 3 – Impartiality: members will not allow bias, conflict of interest, or undue influence of others to override their professional judgement.	Relates to 2.3 of APS P2
Principle 2 - Competence and care: members will perform their professional duties competently and with care. 2.2 and 2.4 of the Code Principle 3 – Impartiality: members will not allow bias, conflict of interest, or undue influence of others to override their professional judgement.	Relates to 3.2 of APS P2
Principle 3 – Impartiality: members will not allow bias, conflict of interest, or undue influence of others to override their professional judgement. 3.6 of the Code	Relates to 4.2 and 5.6 of APS P2
Principle 4 – Compliance: members will comply with all relevant legal, regulatory and professional requirements, take reasonable steps to ensure they are not placed in a position where they are unable to comply, and will challenge non-compliance by others.	Relates to 3.8 and 3.12 of APS P2
Principle 5 – Open communication: members will communicate effectively and meet all applicable reporting standards	Relates to 3.11, 4.3, 5.1, 5.4, 5.5, 5.7, 5.8 of APS P2

Actuarial Quality Framework	APS P2
• **Working environment for actuaries**	Applies generally to compliance review i.e. the whole of APS P2
• **Technical skills of actuaries**	Applied through 3.4 and 3.6 of APS P2
• **Reliability and usefulness of actuarial methods**	Applied through 3.4.1 of APS P2
• **Communication of actuarial information and advice**	Applied through 3.4.3 of APS P2
• **Ethics and professionalism of actuaries**	Applied through 3.8 of APS P2