



Institute
and Faculty
of Actuaries

APS P2 COMPLIANCE REVIEW: PENSIONS

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Purpose: This **APS** sets out the circumstances in which a **Scheme Actuary** is required to seek a review of his/her written work. It also sets out the requirements governing the conduct of such reviews.

Authority: Institute and Faculty of Actuaries

Target Audience: **Scheme Actuaries** and **Reviewers**

General Professional Obligations:

All Members are reminded of the Status and Purpose preamble to the Actuaries' Code which states that the **Code** will be taken into account if a Member's conduct is called into question for the purposes of the Institute and Faculty of Actuaries' Disciplinary Scheme. Rule 1.6 of the Disciplinary Scheme states that misconduct:

"means any conduct by a Member...in the course of carrying out professional duties or otherwise, constituting failure by that Member to comply with the standards of behaviour, integrity or professional judgement which other Members or the public might reasonably expect of a Member having regard to...any code, standards, advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the Institute and Faculty of Actuaries and/or...the FRC^{*1} (including by the former Board for Actuarial Standards)".

¹ Financial Reporting Council

Members are required to comply with all applicable provisions of Actuarial Profession Standards.

Use of the words “must” and “should”:

This **APS** uses the word “must” to mean a specific mandatory requirement.

In contrast, this **APS** uses the word “should” to indicate that, while the presumption is that **Members** comply with the provision in question, it is recognised that there will be some circumstances in which **Members** are able to justify non-compliance.

1. Introduction

- 1.1. A **Scheme Actuary** must ensure that all written work that he/she provides in his/her capacity as a **Scheme Actuary** which is listed in Appendix 1 is subject to either **Type 1 Review** or **Type 2 Review**. For some items of work in scope, such as certificates, there is a clear point at which the work is provided to the user. For others, such as advice delivered over a period of time, the **Scheme Actuary** will need to make a judgement as to when the accumulated advice becomes a piece of work that is subject to the requirement for a review.
- 1.2. A **Scheme Actuary** must provide an annual attestation in the form set out in Appendix 2. An actuary who ceases to hold a **Scheme Actuary Certificate** remains subject to this **APS** in the year in which cessation occurs, but is not required to provide an attestation at the end of that year.
- 1.3. A **Scheme Actuary** must seek the **Reviewer’s** permission before disclosing the identity of the **Reviewer** to the client.

2. Reviewer’s Attributes

- 2.1. The **Reviewer** must:
 - 2.1.1. have the knowledge and skill commensurate with being able to make a competent assessment of the work of a **Scheme Actuary**; and
 - 2.1.2. also be satisfied that he/she has the experience necessary to provide work of the nature covered by the specific review in question.
- 2.2. The **Reviewer** does not necessarily need to hold a **Scheme Actuary Certificate**. However, the **Reviewer** must:
 - 2.2.1. have sufficient experience to be able to apply for such a certificate with a reasonable expectation of it being granted; and
 - 2.2.2. at some point in the preceding 12 months, have been able to meet the requirements of Category 1 of the **CPD Scheme**.
- 2.3. The **Scheme Actuary** and the **Reviewer** must be satisfied that their relationship is not such that the review fails to meet the principles of section 3 of the **Code**. This does not preclude the **Reviewer** being an employee or member of, or partner in, the same firm as the **Scheme Actuary**.

3. Review Principles

- 3.1. The principles described in this section apply to **Type 1 Reviews** and **Type 2 Reviews**.
- 3.2. The **Scheme Actuary** should use a number of different **Reviewers**.
- 3.3. The principal purpose of a review is to carry out, in respect of the written work delivered to the client, an assessment of compliance with the relevant legal, regulatory and professional requirements.
- 3.4. The findings of the review, to be reported to the **Scheme Actuary** under paragraphs 4.3 or 5.7, must include comments:
 - 3.4.1. relating to compliance with relevant **TASs**;
 - 3.4.2. relating to compliance with relevant legal and regulatory requirements; and
 - 3.4.3. indicating whether or not the **Reviewer** considers that there are aspects of the work that in his/her opinion might be unclear to the recipient.
- 3.5. The review is subject to the considerations in paragraphs 3.6 to 3.10 below.
- 3.6. Subject to paragraph 3.7, if any material inaccuracies or inconsistencies in the work delivered to the client are identified during the course of the review, the **Reviewer** must comment on these in his/her report of findings to the **Scheme Actuary**.
- 3.7. The **Reviewer** is not required to:
 - 3.7.1. test the accuracy or completeness of the analysis that supports the work;
 - 3.7.2. review the process followed by the **Scheme Actuary** in carrying out the work;
 - 3.7.3. review the quality of the documentation and files maintained by the **Scheme Actuary**;
 - 3.7.4. complete an editorial and stylistic review of the work delivered to the client; or
 - 3.7.5. test the accuracy or completeness of the factual information contained in the document subject to any obvious inconsistency or error.
- 3.8. If during the course of the review the **Reviewer** has found reason to suspect non-compliance with the **Code** (or matters which would constitute non-compliance if/when the work is delivered to the client), he/she must comment on this non-compliance in the findings of the review. If any breach of the **Code** (or of other legal, regulatory or professional requirements) is discovered during the review, the **Reviewer** is reminded of the provisions of section 4 of the **Code**; in particular the action to be taken by the **Reviewer** as set out in paragraph 4.4. This does not imply that the **Reviewer** has to gather sufficient information to make a definitive statement that the **Scheme Actuary** has complied with all principles of the **Code**.
- 3.9. For the purpose of complying with paragraphs 3.4.1 and 3.4.2, the **Reviewer** is not required to carry out a detailed check, but is expected to identify non-compliance to the extent that might reasonably be expected of a competent actuary carrying out a high-level scrutiny of the work.
- 3.10. In reviewing compliance with the relevant **TASs**, the **Reviewer** must:
 - 3.10.1. consider those principles in the **TASs** which relate to reporting, but a specific review of compliance with other principles, including those relating to documentation, is not required;
 - 3.10.2. look for evidence that the **Scheme Actuary** is aware of and has sought to comply with the **TASs**. Such evidence might include statements relating to the purpose of the report(s), its/their users and which **TASs** have been complied with;

- 3.10.3. make a judgement as to the extent to which he/she assesses compliance with each individual **TAS** principle and the depth to which he/she considers judgements made by the **Scheme Actuary** on matters such as materiality and proportionality. The **Reviewer's** judgement must have regard to paragraph 3.9 above and must be proportionate to the scope of the work being reviewed and its significance to the users of that work.
- 3.11. The **Scheme Actuary** must provide the **Reviewer** with any information regarding the context of the work that, in the opinion of the **Scheme Actuary**, is necessary in order for the principal purpose of the review (as stated in paragraph 3.3) to be met. The **Reviewer** must request any further information from the **Scheme Actuary** which he/she feels is necessary to carry out the review but he/she does not have a right of access to that information or the **Scheme Actuary's** files. The **Reviewer** must terminate the review if the **Scheme Actuary** will not supply the information which, in the **Reviewer's** opinion, is necessary to complete the review.
- 3.12. If, in carrying out the "principal purpose" mentioned in paragraph 3.3, the **Reviewer** identifies concerns that the work is not compliant with all relevant provisions and, after consultation, the **Scheme Actuary** and the **Reviewer** disagree, the **Scheme Actuary** must seek guidance from another appropriately experienced actuary and notify that other actuary of the details of the disagreement. Where the firm that either employs the **Scheme Actuary**, or in which the **Scheme Actuary** is a partner or member, has designated a senior actuary, the **Scheme Actuary** should seek guidance from the senior actuary or such other actuaries as the firm may have nominated for this purpose.

4. **Type 1 Review**

- 4.1. Where a **Type 1 Review** is undertaken, it must be carried out at a time that enables the outcome of the review to influence the decisions that flow from the work.
- 4.2. The **Scheme Actuary** or **Type 1 Reviewer** may terminate the review at any time prior to its conclusion. The **Scheme Actuary** must notify the subsequent **Type 1 Reviewer** that there had been an earlier terminated review. The subsequent **Type 1 Reviewer** must satisfy himself/herself that there are no professional reasons to refuse to undertake the review.
- 4.3. The **Type 1 Reviewer** must communicate his/her findings to the **Scheme Actuary** and must provide evidence for the **Scheme Actuary** recording that he/she has performed the role of a **Type 1 Reviewer** in accordance with this **APS**. The evidence need not include the review findings but must identify the documents delivered, or intended for delivery, to the client which contain the work covered by the review. Evidence of **Type 1 Review** must be retained by the **Scheme Actuary**.

5. **Type 2 Review**

- 5.1. If a **Scheme Actuary** decides that parts of or all of his/her work is to be subject to **Type 2 Review**, the **Type 2 Review** must cover written work delivered over a single period not exceeding six months. A **Type 2 Reviewer** must be appointed and a **List of Type 2 Work** provided to the **Type 2 Reviewer**, within one month of the end of the period being covered by the **Type 2 Review**. The **List of Type 2 Work** must include, for each piece of work, an adequate description of that work (consistent with the list of work types covered by this **APS** given in Appendix 1), the client's name and the date that the work was delivered to the client.

- 5.2. **Type 2 Review** may involve a group of **Scheme Actuaries** collectively submitting work for review to an individual **Type 2 Reviewer** or a team of **Type 2 Reviewers**. For the purpose of this **APS**, references to **Type 2 Reviewer** apply to an individual or a group.
- 5.3. The **Type 2 Reviewer** must select a sample of the **Scheme Actuary's** work. The sample must contain a sufficiently broad selection of the work types within the **List of Type 2 Work** for the **Type 2 Reviewer** to be of the opinion that the findings can be regarded as a reliable indication of the findings had all the work been reviewed. Responsibility for sample selection is the **Type 2 Reviewer's** alone, although the sample may be determined after consultation with the **Scheme Actuary**.
- 5.4. At the outset of the review, the **Type 2 Reviewer** may resign an appointment having received the **List of Type 2 Work** and must notify the **Scheme Actuary** in writing as soon as possible. In such circumstances, the **Scheme Actuary** must appoint another **Type 2 Reviewer** within one month of the date of resignation.
- 5.5. Once the review is under way, the **Scheme Actuary** or **Type 2 Reviewer** may terminate the **Type 2 Review**. In such circumstances, the **Type 2 Reviewer** must notify the **Scheme Actuary** in writing as soon as possible. The **Scheme Actuary** must appoint another **Type 2 Reviewer** within one month of the date of resignation and disclose to the new **Type 2 Reviewer** that there had been a previously terminated **Type 2 Review**.
- 5.6. If under paragraph 5.5, a **Scheme Actuary** appoints a new **Type 2 Reviewer**, this subsequent **Type 2 Reviewer** must satisfy himself/herself that there are no professional reasons why the appointment cannot be accepted.
- 5.7. Within three months of the date the **Type 2 Reviewer** receives the **List of Type 2 Work**, the **Type 2 Reviewer** must provide a statement confirming that the sample has been selected from the **List of Type 2 Work** and recording that the **Type 2 Review** has been undertaken. This statement is evidence of review and must be retained by the **Scheme Actuary**. The **Type 2 Reviewer** must also provide a written report of findings, addressed to the **Scheme Actuary**, within two weeks of the date the **Type 2 Reviewer** provides the statement that the **Type 2 Review** has been undertaken.
- 5.8. After sending the written report of findings, the **Reviewer** should discuss the report with the **Scheme Actuary** to identify if any findings are disputed and determine whether agreement can be reached. Within one month of receiving the written report of findings, the **Scheme Actuary** must write to the **Type 2 Reviewer** stating either that the results are accepted, or listing those aspects that are still disputed, in which case the provisions of paragraph 3.12 apply.

6. Definitions

Term	Definition
APS	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries
APS P1	The APS entitled “Duties and Responsibilities of Members Undertaking Work in Relation to Pension Schemes”
Code	The Actuaries’ Code
CPD Scheme	Continuing Professional Development Scheme issued by the Institute and Faculty of Actuaries from time to time
List of Type 2 Work	The list of all the work to be covered by the Type 2 Review
Reviewer	Either the Type 1 Reviewer or the Type 2 Reviewer
Scheme Actuary	An actuary appointed under section 47(1)(b) of the Pensions Act 1995
Scheme Actuary Certificate	The certificate provided to a Scheme Actuary following a successful application for such a certificate pursuant to the criteria set down from time to time by the Practising Certificates Committee of the Institute and Faculty of Actuaries
TASs	Technical Actuarial Standards issued by the Financial Reporting Council
Type 1 Review	Review of work undertaken by a Scheme Actuary as set out at section 4 of this APS
Type 2 Review	Review of work undertaken by a Scheme Actuary as set out at section 5 of this APS
Type 1 Reviewer	A Fellow of the Institute and Faculty of Actuaries responsible for Type 1 Review provided in relation to work covered by this APS
Type 2 Reviewer	A Fellow of the Institute and Faculty of Actuaries responsible for Type 2 Review provided in relation to work covered by this APS

Appendix 1

Work covered

The following work is a comprehensive list of the work within the mandatory scope of this **APS**:

A Bulk transfers without consent

Section 73 of the Pension Schemes Act 1993 and Regulation 12(3) of The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 (SI 1991/167)

A1 The certificate required under Regulation 12(3)

A2 In connection with the certificate in A1, drawing the trustees' attention to any other matters as required by paragraph 4.4 of **APS P1**

B Cash equivalent transfer values and cash transfer sums

The Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847)

The Occupational Pension Schemes (Early Leavers: Cash Transfer Sums and Contribution Refunds) Regulations 2006 (SI 2006/33)

B1 Advice to trustees on economic, financial and demographic assumptions

B2 Provision of an insufficiency report (including taking certain decisions in relation to the calculations, such as the sub-division of liabilities)

C Contracting-out

Section 12A of the Pension Schemes Act 1993 and The Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)

C1 Reference scheme test certificate under Regulation 6(3)(b)

C2 Scheme rule change confirmation under Regulation 42(2)(b)

C3 In connection with the certificate in C1 or the confirmation in C2, drawing the trustees' attention to any other matters as required by paragraph 4.4 of **APS P1**

D Employer debt

Sections 75 and 75A of the Pensions Act 1995 and the Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678)

D1 Provision of the certificates set out in Schedules 1, 1C and 1D of the above Regulations

E GMP conversion

Section 24C of the Pension Schemes Act 1993 and Regulation 69A of the Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)

E1 Providing advice on appropriate assumptions to test actuarial equivalence

E2 The calculation of pre and post conversion benefits and the provision of the actuarial certificate confirming actuarial equivalence

F	Modification of subsisting rights
	<i>Section 67C of the Pensions Act 1995 and Regulation 5 of The Occupational Pension Schemes (Modification of Schemes) Regulations 2006 (SI 2006/759)</i>
F1	Providing the actuarial equivalence statement
F2	In connection with the statement in F1, drawing the trustees' attention to any other matters as required by paragraph 4.4 of APS P1
G	Payment of surplus to the employer in an ongoing scheme
	<i>Section 37 of the Pensions Act 1995 and The Occupational Pension Schemes (Payments to Employer) Regulations 2006 (SI 2006/802)</i>
G1	The calculation and certification of liabilities
H	Pension Protection Fund
	<i>Sections 143, 152, 158 and 179 of the Pensions Act 2004</i>
	<i>The Pension Protection Fund (Valuation) Regulations 2005 (SI 2005/672)</i>
H1	PPF levy – Section 179 valuations, actuarial certification of deficit reduction contributions, block transfer certification, confirmation in relation to planned deficit reduction contributions when seeking acceptance of a type C(ii) Contingent Asset.
H2	PPF entry – Section 143 valuations or funding estimates for funding determinations by the PPF under Section 143(2)(a), Section 152 valuations or funding estimates for funding assessments by the PPF under Section 152, Section 158 (closed scheme) valuations.
I	Scheme funding
	<i>Part 3 of the Pensions Act 2004 and The Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)</i>
I1	Actuarial valuations subject to Part 3 or revisions to funding documentation between valuations, including provision of advice on: <ul style="list-style-type: none"> • methods and assumptions; • preparing or revising the statement of funding principles; • preparing or revising a recovery plan; • preparing or revising a schedule of contributions; and • modification of future accrual.
I2	Setting the assumptions and methodology for the solvency estimate and delivering this estimate
I3	Producing the formal written report of the actuarial valuation required by Section 224
I4	Certification of the technical provisions
I5	Certification of the schedule of contributions
I6	Producing the annual actuarial report

J**Winding-up**

Section 73 of the Pensions Act 1995 and The Occupational Pension Schemes (Winding Up) Regulations 1996 (SI 1996/3126) and The Occupational Pension Schemes (Winding Up etc.) Regulations 2005 (SI 2005/706)

Regulation 18 of The Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)

- J1 The calculation and certification of liabilities of different categories of member to determine how assets must be apportioned
- J2 The actuary's annual estimate of solvency required for a scheme that started to wind up on or after 30 December 2005

In a few situations (primarily H2, F1 and F2 in the table above) it is possible for the work to be carried out by an actuary other than the **Scheme Actuary**. Where the work is carried out by such an actuary, it is not subject to mandatory compliance review.

Appendix 2

Attestation by the Scheme Actuary

To the Secretary of the Practising Certificates Committee of the Institute and Faculty of Actuaries:

I certify (*delete A or B as appropriate*):

A. that for all written work I have given during the last 12 months in my capacity as a Scheme Actuary which is subject to review in accordance with APS P2, either:

- a review has been completed; or
- a review has been initiated; or
- a review is not yet due;

and that any reviews outstanding at the date of the immediately preceding attestation have now been completed.

B. that I have provided no written work during the last 12 months in the capacity of Scheme Actuary which is subject to the requirements of APS P2.

Signature:

Name:

(in capitals)

Name of employer:

Address:

(if applicable)

Date: