



The Actuarial Profession

making financial sense of the future

Consultation paper
Revised CPD Scheme proposals

**Professional Regulation
Executive Committee**

Closing Date: 10 May 2010

March 2010

Part One - Introduction

Sir Philip Mawer, Chairman of the Professional Regulation Executive Committee

As Chairman of the Professional Regulation Executive Committee¹ of the Actuarial Profession, I am writing to consult you about proposed changes to the Continuing Professional Development (CPD) Scheme of the Profession which, if approved, will come into effect from 1st July 2010. The proposed changes should be viewed as adjustments and refinements of the existing CPD Scheme whilst a more fundamental review - including consideration of skill sets and the introduction of outputs-based CPD - is undertaken with a view to the introduction, after further consultation, of new arrangements in 2012. This is just one of a number of areas the Committee is examining, in consultation with the Professional Oversight Board of the Financial Reporting Council, as part of the Committee's responsibility for ensuring, on behalf of the Profession, the effective ethical regulation of the Profession's members.

1. The Actuarial Profession's Approach to CPD

Actuaries pride themselves on their learning, not only at the point of entry to the Profession but throughout their careers. They acknowledge that one quality that marks a profession is acceptance of a responsibility, in the public interest, to keep competence up-to-date throughout professional life.

Acceptance of that obligation is now embodied in the principle, set out in the Actuaries' Code, that: "Members will keep their competence up-to-date". The Code also obliges actuaries not to act unless they have an appropriate level of relevant knowledge and skill, or are acting on the advice of someone who has that level of relevant knowledge and skill. These obligations fall on all actuaries, whether they are in paid or unpaid work and working full or part time.

In recent years, the Profession has given practical expression to this obligation by requiring those members who are Fully Regulated by the Profession to undertake a set minimum amount of CPD.

2. Deficiencies in the present CPD Scheme

Two issues have emerged however during the operation of the present scheme.

- The level at which the minimum number hours is set is lower than that required by a number of other professions. We have therefore already introduced changes to requirements for members holding Practising Certificates and will consider this point further in a subsequent wider review to which we refer later.
- As a result of the way in which the present Scheme has been framed, some actuaries have elected to place themselves in Category 3 of the Scheme, despite being employed in fields where it is generally considered to be in the public interest for them to be subject to a more structured regime of CPD. There are currently 1,110 members in Category 3, a number of whom hold roles which would be regarded by the FSA and others as roles of significant responsibility or influence, such as that of Non-Executive Director.

This latter issue in particular is a serious weakness in the assurance of continuing competence which the CPD Scheme is intended to provide to clients, employers and others. The deficiencies are a serious concern to the Profession.

3. Consequent changes to the Scheme: Category 1

As mentioned above, the Profession responded to the first of these deficiencies by, last autumn, doubling the minimum CPD requirement for Practising Certificate holders (members in Category 1 of the current CPD Scheme). The proposals on which we are now consulting do not involve any further change to CPD arrangements in respect of Category 1.

¹ A short note on the responsibilities and objectives of the Committee is attached at Appendix A.

4. Proposed changes to the Scheme: Categories 2, 3 and 4

The attached draft Scheme proposes changes to Categories 2, 3 and 4 of the current Scheme, which address the second of the two deficiencies identified above. In sum they, and the rationale for them, are:-

- We propose to remove those members who act in an unpaid capacity from the scope of the CPD Scheme. They will continue to be subject, like all other actuaries, to the provisions of the Actuaries' Code set out earlier, but they will not be within the scope of the formal CPD Scheme requirements.
- The formal CPD Scheme will in future apply to all actuaries who are Practising Certificate holders (Category 1) and to members in paid employment who undertake more than 20 hours paid work a year in a professional capacity (new Category 2).
- All actuaries in the new Category 2 will be required to undertake a minimum of fifteen hours verifiable CPD a year, of which up to five may be private reading. As part of this they will be required to attend a professionalism course at least every ten years, although there are transitional arrangements for those moving to Category 2 who were formerly in Category 3. Guidance on what will constitute verifiable CPD is given in the attached draft Scheme.
- The current distinction between technical and professional CPD (which has been found to be increasingly artificial for actuaries who do not hold a Practising Certificate) will not apply to actuaries in the new Category 2.
- There will be no Category 3 or Category 4 in the new Scheme.
- We also propose to 'pro rata' the requirements for those who have been absent from work, for whatever reason, for more than eight consecutive months in any CPD year.

5. Proposed Exemptions

It will be open to any actuary who falls within the new Category 2 to make a case for their exemption from the Scheme on the grounds that their actuarial training and experience, in the widest interpretation, and their membership of the Profession, make no contribution to their employment. However, such exemptions will be given only in exceptional cases, such as to those employed in purely manual labour or in the performing arts. Exemptions will not be granted to those in Non-Executive Director or Trustee roles or in senior roles more generally.

In addition, exemptions will be considered in any case in which a member can demonstrate that there are exceptional circumstances, such as serious ill health, which prevent the member from complying with the requirements of the Scheme.

6. Effect of the Proposed Changes

These changes will not impact significantly on those in Category 2 of the current Scheme. However, their effect will be to bring many members in Category 3 of the current Scheme within the scope of the more formal CPD requirements. As a transitional relaxation, any member who moves from Category 3 to Category 2 as a result of these changes will not be required to attend the Professionalism Event for Experienced Actuaries, which is currently required at least every 10 years, until 30th June 2013 at the latest.

7. Access to CPD

The Profession is aware of concerns expressed by some members about the quantity of, and ease of access to, verifiable CPD. Whilst we would emphasise that verifiable CPD encompasses a wide range of events and not just those organised by the Profession itself, we propose that up to five hours of the new Category 2 requirement may be met through relevant

private reading, provided that a verifiable record of this reading is maintained. (We give guidance in the attached draft Scheme on how such a verifiable record might be kept.)

We have also considered whether, as an alternative to the proposition embodied in the attached draft, to allow those who wish to do so to opt for a minimum verifiable CPD requirement of thirty hours CPD, all to be in the form of verifiable private reading. We shall be interested to receive comments on whether or not the new Scheme should offer this as an alternative option to fifteen hours verifiable CPD (of which up to five may be private reading).

If such an option were to be allowed, we think it should also be possible for members to meet the minimum requirement of CPD through an appropriate mix of attendance at events and private reading at any point between ten hours attendance at events plus five hours private reading on the one hand and thirty hours private reading on the other. So if a member chose not to undertake ten hours of verifiable attendance at events, they would be able to substitute two and a half hours of verifiable private reading for each one hour of attendance at events as demonstrated in the following table:

Number of hours of attendance at events	Additional number of hours of private reading
10	5
9	7.5
8	10
7	12.5
6	15
5	17.5
4	20
3	22.5
2	25
1	27.5
0	30

We have also considered whether there should be a maximum number of hours which can be claimed by private reading and would welcome your views on this specifically.

8. Possible Further Developments

CPD requirements and practice are continually evolving. Once the present consultation has been completed, we intend to move on to consider other possible changes, not only in the way the CPD Scheme is framed but in the range of CPD opportunities provided and recognised by the Profession. We shall consult further on those when the time comes. The proposals on which we now seek your views are therefore not the end of the story – but then the experience of learning is just as continuing a one for the Profession as it is for its members.

9. Responses to this Consultation

We shall welcome views on whether the proposals we have set out are fit for purpose.

When commenting it would be helpful if, in addition to your overall comments on the proposed Scheme, you would give your views on the following specific questions:

1. Do you agree with the new definition of Category 2?
2. Should we include five hours of private reading within the minimum fifteen hours requirement for Category 2?
3. Do you agree that, as an alternative to the CPD requirements detailed in the attached Scheme, members should have an option of complying with the Scheme by completing 30 hours private reading?
4. Do you agree with the suggestion of offering a scale with a balance between private reading and attendance at events?
5. If you agree with the proposal in Question 4, do you consider that there should be a limit of, say, twenty hours, which can be claimed by private reading?
6. What are your views with regard to the 'pro rata' arrangements for those Category 2 actuaries working for only part of the year?



Anita Lawes

March 2010

Professional Regulation Executive Committee

The Actuarial Profession's Professional Regulation Executive Committee, which reports to the Management Board, comprises a Lay Chairman, two additional Lay Members, Volunteer Actuaries and the Profession's Head of Professional Regulation. Its purpose is to help ensure the confidence of the public and other stakeholders in actuaries and their work by:

- developing and maintaining the Profession's quality framework and supporting systems and structures;
- promoting the observance of high standards by members of the Profession; and
- building and sustaining productive and mutually respectful relationships with the Profession's regulatory and other stakeholders.

It seeks to ensure that the system of regulation it develops is both strategic and proportionate, complementing the highly regulated environment in which actuaries already work. In accordance with better regulation principles², its hallmarks will include:

- Transparency – clear expectations and procedures in support of high standards;
- Accountability – a ready acceptance throughout the Profession of individual and collective responsibility for promoting and observing high standards;
- Proportionality – procedures which are appropriate to the risks posed;
- Consistency – in the rules and standards expected and how they are applied; and
- Targeting – procedures which are focussed on the problem they are intended to address, enforceable and cost-effective as a solution.

Key responsibilities include:

1. authorising the Profession's ethical code and any Actuarial Profession Standards;
2. developing and applying membership rules;
3. setting CPD requirements for membership categories;
4. considering the implications of its international obligations for the development of the United Kingdom Profession's regulatory arrangements;
5. setting rules and criteria for the issue of Practising Certificates and the rules for reserved role holders, and overseeing the administration of the Practising Certificates regime;
6. managing the activity of the DPB; and
7. maintaining a liaison with other regulators and Government on matters of regulation of individual actuaries.

² Sir Philip Hampton review 2005 – 'Reducing administrative burdens: effective inspection and enforcement'

Part Two – How will this Consultation work?

The Consultation Paper seeks to gather views on the revised CPD Scheme set out in Part Three. Once we have received and analysed the responses to this paper, we will finalise the CPD Scheme for 2010/11 with an implementation date of 1 July 2010.

Please address any comments you have on this Consultation paper, to:

consultations@actuaries.org.uk

or send them by post to:

Fiona Goddard
Professional Regulation Practice Manager
The Actuarial Profession
Maclaurin House
18 Dublin Street
EDINBURGH EH1 3PP

When you reply, please give your contact details and say what is the nature of your interest in these issues. Please also indicate if you wish any of the information you supply to be treated confidentially. If you do not so indicate, we intend to make responses to this paper available on our website at www.actuaries.org.uk

We would appreciate if you could forward any comments you have to this address by 10 May 2010.

**CPD SCHEME
2010/11**

draft

INTRODUCTION

Actuaries pride themselves on their learning, not only at the point of entry to the Profession but throughout their careers. They acknowledge that one quality that marks a profession is acceptance of a responsibility, in the public interest, to keep competence up-to-date throughout professional life.

Acceptance of that obligation is embodied in the principle, set out in the Actuaries' Code, that: "Members will keep their competence up-to-date". The Code also obliges actuaries not to act unless they have an appropriate level of relevant knowledge and skill, or are acting on the advice of someone who has that level of relevant knowledge and skill. These obligations fall on all actuaries, whether they are in paid or unpaid work and working full or part time.

Since 1996, the Profession has given practical expression to this obligation by requiring most of its members to undertake a set minimum amount of Continuing Professional Development (CPD). It has also kept the operation of the CPD Scheme under regular review. In the light of recent experience, it has decided to introduce an important change to the Scheme, which will bring the great majority of working members into the scope of the CPD requirements. This will address the very real issue that many members who, under the existing regime, are not required to complete any specific amount of CPD, despite holding positions of significant responsibility and influence; in many cases based on their membership of the Profession.

The Profession has therefore redefined the Categories into which members fall for CPD purposes. From 1st July 2010, there will be only two CPD categories: –

- **Category 1: All members holding a UK Practising Certificate, and**
- **Category 2: All other members in paid work** (with some exceptions which are explained in detail below).

These changes will not impact significantly on those members in Category 2 of the present CPD Scheme. However, their effect will be to bring many members in Category 3 of that Scheme within the scope of the more formal CPD requirements. As a transitional relaxation any member who moves from Category 3 to Category 2 as a result of these changes, will only be required to attend the Professionalism Event for Experienced Actuaries before the end of June 2013 rather than meet the current requirement of attending at least every 10 years.

You will find full details of all the requirements in the following paragraphs. It is important to note that any failure by a Fellow or Associate to comply with the CPD Scheme may of itself be a ground for referral under the Disciplinary Schemes. Therefore, if you have any questions on any aspect of the Scheme and, in particular how it affects your own circumstances please do not hesitate to contact the Profession at cpd_feedback@actuaries.org.uk and we will be happy to try to assist.

Sir Philip Mawer
Chairman, Professional Regulation Executive Committee

2. REQUIREMENTS OF THE CONTINUING PROFESSIONAL DEVELOPMENT (CPD) SCHEME

Note: All words in red italics are defined in Appendix A

2.1 APPLICATION

All Fellows and Associates, who are in paid work and are Fully Regulated by the UK Actuarial Profession, must demonstrate that they have undertaken appropriate and sufficient CPD in accordance with the specific requirements of each member's Category as detailed below. It follows from this, that members who are not paid for the work they do, such as those who act as Pension Trustees on a pro bono basis, will not be required to meet the terms of this Scheme, although they remain subject to the requirements of the Actuaries' Code as set out in the introduction to this Scheme. For the avoidance of doubt, members who are only *partially regulated* by the UK Profession are also not within the scope of this Scheme.

2.2 CATEGORIES

2.2.1 Continuing Professional Development Categories

Fully Regulated Fellows and Associate members in paid work fall into one of two categories for the purpose of determining the amount of CPD they are required to complete to satisfy the Profession's requirements.

The categories are:

- **Category 1:** all members who hold a Practising Certificate issued by the Profession, and
- **Category 2:** all other members in paid work (subject to some limited exemptions as detailed in paragraph 2.2.2 below).

The member's record on the Profession's website will be automatically updated to show each member as either Category 1 or Category 2. Any member, who is not in paid work, and therefore does not fall within the CPD Scheme, must ensure that this is recorded in their on-line CPD Record in the members' section of the Profession's website.

2.2.2 Exemptions

Members in Category 2 (all those in paid work and not holding a Practising Certificate) may be entitled to exemption from the full requirements of the CPD Scheme if, in general terms, the Profession decides, in its sole discretion, that there is no public interest in requiring that member to complete a programme of continuing development. All requests for exemptions must be submitted in writing (either by e-mail or hard copy) to the membership team on cpd_feedback@actuaries.org.uk as soon as possible in each CPD year and in any event by the 30th April immediately preceding the end of the CPD year in which the exemption is claimed at the latest.

Exemptions will only be granted where the member can show that either:

(1) their actuarial training and experience, in the widest interpretation, and their membership of the Profession, make no contribution to their paid work. Such exemptions will be given only in exceptional cases, such as to those employed in purely manual labour or in the performing arts. Exemptions will not be granted to those in Non-Executive Director or Trustee roles or in senior roles more generally;

or

(2) they have not been in paid employment over the course of the CPD year for a total of more than twenty hours per annum;

or

(3) there are exceptional circumstances such as serious ill health, which prevent the member from complying with the requirements of this Scheme.

3. CATEGORY SPECIFIC REQUIREMENTS

(Words in red italics are defined in Appendix A)

- 3.1.1 The CPD year for Category 1 members is the year leading up to the Practising Certificate application date.
- 3.1.2 In that year, each member in Category 1 must undertake no less than 30 hours of *verifiable* CPD.
- 3.1.3 Of those 30 hours:
- a minimum of 20 hours (at least 10 of which should be *external*) must be technically relevant
 - a minimum of six hours must relate to *professionalism*.
- 3.1.4 Members in Category 1 can claim up to 15 hours for *service to the Profession*.
- 3.1.5 Additionally, members in Category 1 must attend a *Professionalism Event* at least once every 10 years-which attendance may count towards their annual CPD.
- 3.1.6 Members in Category 1 must record their CPD activity for each CPD year online in the member's section of the Profession's website prior to submitting their Practising Certificate application.
- 3.1.7 The Profession may also require members in Category 1 to attend additional specific Professionalism Events.

NOTE:

Members applying for their first Practising Certificate may be required to undertake additional hours of CPD in the year prior to the date of their Practising Certificate Application. Members considering applying for their first Certificate should therefore ensure that they are familiar with the Practising Certificate criteria on the Profession's website.

3.2 CATEGORY 2 REQUIREMENTS

- 3.2.1 The CPD year for members in Category 2 will be 1 July until 30 June.
- 3.2.2 In each CPD year, members in Category 2 must undertake no less than fifteen hours of *verifiable* CPD of which up to five hours can be achieved by *private reading*.
- 3.2.3 The fifteen hours must comprise learning on a mixture of skills which are technically and professionally relevant to the member's particular role. However, it is important to note that there are no specific numbers of hours in each area which must be completed and it is up to the individual member to assess the appropriate mix for their role.
- 3.2.4 Members in Category 2 may claim up to eight hours for *service to the Profession*.

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- 3.2.5 Additionally, members in Category 2 must attend a *Professionalism Event* every 10 years - which attendance may count towards their annual CPD. However, members who were in Category 3 for the CPD year 2009/2010 and who have moved to Category 2 as a result of changes to the requirements of the Scheme, will have until 30 June 2013 to meet this requirement.
- 3.2.6 Members absent from work for more than eight consecutive months in any one CPD year will be required to undertake a minimum of four hours of CPD activity in respect of that CPD year. All of the four hours may be obtained by private reading or by attending events or a mixture of the two. Members wishing to take advantage of this provision must inform the Profession in writing by 30th April immediately preceding the end of the relevant CPD year of the number of months worked.
- 3.2.7 Members working overseas, not performing a role where they are required to comply with UK legislation, and who are Fully Regulated by the UK Profession, may satisfy this Scheme's requirements by complying with one of the recognised IAA body's CPD Schemes. Schemes which have been so recognised are listed in Appendix B. Such members must notify the Profession of the name of the Association with whose Scheme they are complying and confirm by 30th June each year that they have indeed complied with that Association's Scheme in the CPD section of their on-line record on the Profession's website.

4. THE REQUIREMENT TO KEEP CPD RECORDS

- 4.1 With the exception of those members holding Practising Certificates, members must verify that their CPD Category is correctly recorded on the Profession's website by 30th April immediately preceding the end of the relevant CPD year.
- 4.2 Members must record on-line details of all qualifying CPD activity on the member's section of the Profession's website at www.actuaries.org.uk by 31st July immediately after the end of the relevant CPD year.
- 4.3 Members in Category 2 who record hours of private reading as part of the CPD record must also record the learning outcome which they have achieved as a result of the reading.
- 4.4 Members must ensure that they retain sufficient records to be able to prove their participation in the CPD events or the periods of private or reading listed in their records to the Profession if requested. More details can be found on the Profession's website.
- 4.5 The Profession reserves the right to require sight of such documentation as it deems sufficient to support any application for exemptions from the Scheme or to support any claim by a member that they are not within the scope of the CPD Scheme.

5. CONSEQUENCES OF FAILURE TO COMPLY

- 5.1 Failure by a Fellow or Associate to comply with the CPD Scheme may result in disciplinary action being taken which may result in a finding of misconduct.

APPENDIX A

Definitions for the purposes of the CPD Scheme:

“External”

means any training or development opportunity which involves interaction with other individuals who are not within the member’s normal every day working environments.

“Partially regulated”

means that the member is not working in the UK and has submitted a Certificate of Eligibility for Partial Regulation to the UK Actuarial Profession. Full details can be found on the Profession’s website.

“Private Reading”

means private study or personal reading of any professional or technical journals or books or other reading which is relevant to the member’s role. For the avoidance of doubt, this does not include the reading of any daily or weekly national or local newspapers, nor does it include the reading of *The Actuary* magazine.

“Professionalism Event”

means an event dedicated to learning on professionalism skills organised by the Profession.

“Professionalism skills”

means those skills which are required- no matter what role you are carrying out. This includes knowledge of the Actuaries’ Code and skills which are required to ensure delivery of a satisfactory outcome to your customer/client – whoever that may be. This may include topics such as business skills, management, staff development and IT.

“Service to the Profession”

means, in essence, time you have given up to help the Profession help our members. This can be done, for example, by being a volunteer member of one of our committees or presenting at one of our events. If you would like more information on how best you can contribute (and earn CPD hours) please see our website at www.actuaries.org.uk

“Technical skills”

means those skills which are specific to your area of work (contrast this with professionalism skills which are broadly applicable across a range of roles).

More details on technical skills including details of the technical courses offered by the Profession can be found on the website at www.actuaries.org.uk

“Verifiable”

means that members must be able to provide written evidence of participation in the CPD activity to the Profession’s satisfaction if, and when, this is requested.

More details of what is suitable evidence of participation can be found on the CPD pages of the website at www.actuaries.org.uk

APPENDIX B

CPD Schemes recognised by the UK Profession

- Institute of Actuaries of Australia
- Society of Actuaries in Ireland
- Actuarial Society of South Africa
- Canadian Institute of Actuaries
- New Zealand Society of Actuaries

Professionalism Events for Experienced Actuaries, recognised by the UK Profession

- Society of Actuaries in Ireland
- Singapore Actuarial Society