



Institute
and Faculty
of Actuaries

Regulatory Round Up and Professional Skills

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CHIPS – Bristol
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Regulatory Round up

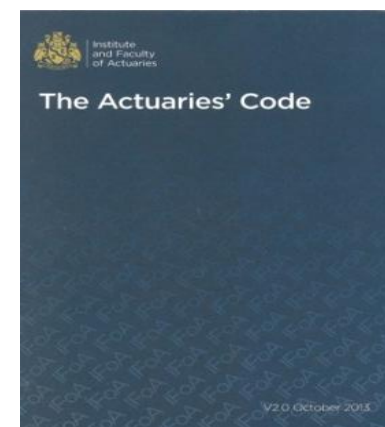


What's happening?

- Review of Actuaries' Code
- Review of Practising Certificates Regime
- APS X2 – 1 year on
- QAS update
- Risk Alerts – commutation factors
- DWP review of actuarial certification of no-consent DC bulk transfers

Review of the Actuaries' Code

- Follows 'light-touch' review of 2013
- Terms of reference include consideration of:
 - Whether the Code remains fit for purpose in light of experience since 2009.
 - Whether the Code appropriately reflects the international nature of the IFoA's membership.
 - How the Code interacts and fits with the FRC's revised framework of technical standards.
- Full consultation in early 2017
- Revised Code expected late 2017
- Likely to come into force 2018



What might change? Initial thinking...

- Might be more and/or reworded principles
- Hopefully clearer structure
- Simplification of language
- Substantive provisions won't change unless there is good, evidence based reason to do so

... will be full consultation whatever is proposed!

The whole Practising Certificate Regime is under review.....

Terms of Reference include consideration of:-

- Purpose of the PC regime
- Classification of Certificates
- Criteria
- Process
- Attestations

Watch this space!!!



APS X2: Review of Actuarial Work – 1 year on

- In force for just over a year
- General feedback positive
- Principles based approach welcomed
- Roundtable for employers of scheme actuaries
- Proposed post implementation review
- Part of the QAS assessment process



Commonly asked questions

- Extent of definition of Actuarial Work
 - APS X2 and review of 'review' work
 - Scope for agreeing non-compliance with client
 - Review by a non-actuary
 - Review by a non PC holder
 - Application to a junior actuary acting under supervision
 - Requirements to record whether review has been applied
-

Quality Assurance Scheme - update

- First accreditations announced in April
- Currently 26 organisations accredited
 - Mainly actuarial consultancy firms (different practice areas)
 - Accountancy firms
 - One public sector employer
 - An actuarial software provider
- Represents coverage of employers of approx. 25% of the IFoA's UK membership



Quality Assurance Scheme - update

- Some users of actuarial services requiring it as part of their tender process – expect that to increase
- Currently developing plans for future development of the QAS including links with IFoA regulatory requirements such as CPD and Practising Certificates
- Next Senior Quality Assurance Representatives Forum scheduled for November 2016
- Initial work to explore potential pilot of the QAS outside of the UK

Technical Actuarial Standards Framework Consultation Update

Robert Inglis

October/November 2016



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TAS review update

Overview of changes to the TAS framework

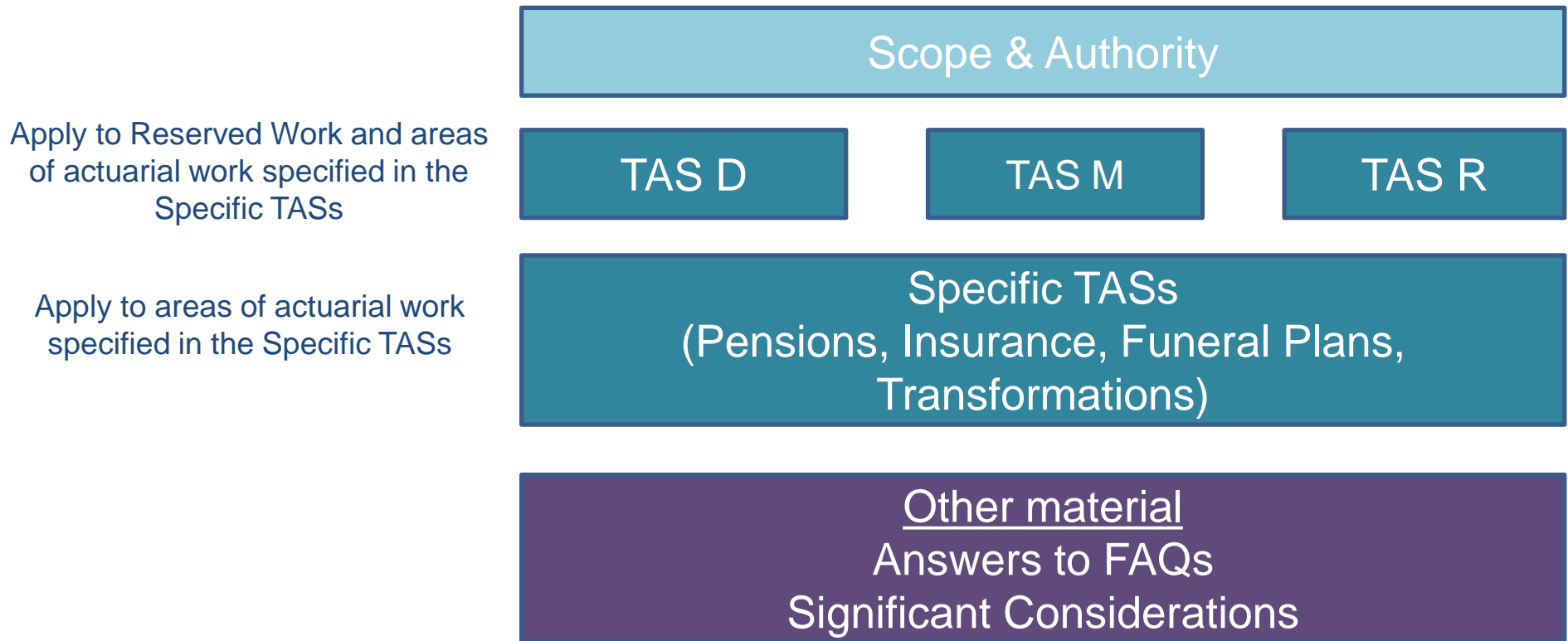
Consultation: Specific TASs



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Overview of Changes to the TAS Framework

Current Technical Standards Framework



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Proposed Framework

November 2014 consultation

Applies to **all** technical actuarial work

Framework for FRC Actuarial Standards

TAS 100

Apply to areas of technical actuarial work specified in the Specific TASs

TASs 200, 300 etc
(Pensions, Insurance, Funeral Plan Trusts,
Other)

Risk
assessment
process

SORPs (IFoA)

Guidance



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Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information

Users: Those people whose decisions a communication is intended (at the time it is provided) to assist



TAS 100

High-level outcome-focused principles

Judgement

Data

Assumptions

Modelling

Communications

Documentation



Supporting provisions

Applies to all technical actuarial work

Based on existing Generic TASs

No guidance



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Consultation: Specific TASs

General Feedback

Topic	Feedback
Level of engagement	TAS 200: Insurance - 17 TAS 300: Pensions - 20 TAS 400: Funeral Plans - 4 Outreach events - 25
Overall feedback	Improvement on existing regime Design principles Scope
Specific Questions	Risk Assessment Transition



Scope of TAS 300 compared with current Pensions TAS

Retained	New	Removed
Funding/financing Factors Incentive exercises Scheme modifications Bulk transfers	None	Some Reserved Work eg PPF levy Directors' pensions disclosure Financial statements Sponsor funding advice

Note : All work now subject to TAS 100



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TAS 300 Provisions

“Neutral estimate”	<ul style="list-style-type: none">• Replaced by provision requiring indication of prudence
Assumptions	<ul style="list-style-type: none">• Allowance (if any) made for covenant
Risk assessment and future evolution	<ul style="list-style-type: none">• Information to enable governing body understand material risks to funding and evolution• Information to support governing body in managing funding/covenant/investment risk
Reports of record	<ul style="list-style-type: none">• Enable informed reader understand financial position• Detail in Appendix A



TAS 300 feedback

Scope	Employer advice on funding should be in scope Employer advice on bulk transfers and scheme modifications should be in scope S75 debt on employer should be in scope
Core provisions	Too specific
IRM	Mixed feedback on references to employer covenant and investment risk
Scheme funding report	Should not be in TAS 300
Other	Clarification and defined terms



Timescale

October 2016:
finalising drafts



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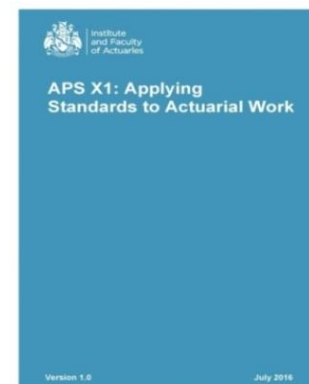
If you are carrying out non-UK work, you...

- Might face some practical issues
 - Language barriers
 - Cultural differences
 - Complex international corporate structures
 - Competing standards
- May wonder if you are required to apply UK standards and what is meant by 'UK geographic scope'
- May wonder if you can choose to apply them or to agree which standards to apply with the user
- May wonder where international standards fit in to all of this



New standard on applying standards

- New Actuarial Profession Standard - APS X1
- Final version being refined – expected publication later this year
- Due to come into force at same time as new TASs (estimated 1 July 2017) but early adoption will be encouraged
- Detailed guide (with case studies)
- Replaces the non-mandatory Standards Decision Tree
- Aims to set out:
 - How IFoA standards, international standards and the FRC’s technical standards apply to IFoA members;
 - How members carrying out work overseas should determine which standards to apply



Risks

What are the risks to the public interest which arise from actuarial activity?



Risks Alerts



Commutation Factors

- Consider the frequency of providing advice about commutation factors. Actuaries should be aware of trends in market conditions that could affect commutation factors.
 - Consider the timing of advice about commutation factors. For example, where the Technical Provisions include an allowance for commutation that is based on current factors Scheme Actuaries should consider including commutation factor advice as part of their initial funding valuation advice, rather than defer advice until after the conclusion of the valuation.
 - Communicate clearly to the client the consequences of changing, or retaining, commutation factors.
 - Consider the consistency of commutation factors with Cash Equivalent Transfer Values, particularly for members close to retirement age.
 - Record advice provided, particularly if the client decides to use alternative commutation factors.
 - Consider the impact of the Pensions Technical Actuarial Standard when providing advice on commutation factors.
-

JFAR Review – ‘Group Think’

Why?

- Identified in JFAR’s ‘A risk perspective’ paper as an issue of public interest.
- Identified as a risk that could result in poor conduct or systematic business failures.
- Led to JFAR review of Group Think in 2015.
- Defined as *“the tendency for one’s own judgment to be influenced by the apparent consensus view of assumptions, methods, processes or approaches leading to a reduction in the variety of ideas in the market.”*

JFAR Review – ‘Group Think’ cont.

- Conclusions of the JFAR review:
 - a) The risk is a public interest issue;
 - b) It is not specific to the actuarial community;
 - c) It is best addressed with a “joined up approach”, making it suitable for the JFAR to consider;
 - d) Regulators themselves have the potential to impact the propensity to Group Think in their choice to pursue rules based or principles based approaches; and that
 - e) Raising awareness is the key to addressing the risk.

What other risks can you foresee?



‘As we agreed previously’





Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenters.