



Institute
and Faculty
of Actuaries

Consultation

Proposals for changes to the Regulatory
Framework to reflect CDC Pension Schemes

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Foreword

Neil Buckley, Chair of Regulatory Board



I would like to invite you to participate in this consultation on proposals for changes to the Institute and Faculty of Actuaries' (IFoA's) regulatory framework to reflect the introduction of Collective Defined Contribution (CDC) pension schemes in the UK.

CDC pension schemes were introduced into the UK pensions landscape through the Pensions Scheme Act 2021 with an expectation that actuaries will play an important role in providing advice to CDC schemes. As such there is a need to consider the professional obligations that

should apply to members carrying out work in this area.

In 2019 the (then) Regulation Board set up a CDC Pension Schemes Regulatory Working Party to consider the different professional regulation changes that might be required as a result of the new legislation. This consultation paper sets out the outcome of that review and proposes the introduction of a new CDC Scheme Actuary Practising Certificate (PC) and a revised Actuarial Profession Standard (APS) P1: 'Duties and Responsibilities of Members undertaking work in relation to pension schemes. The rationale for these proposals is set out in section two, below.

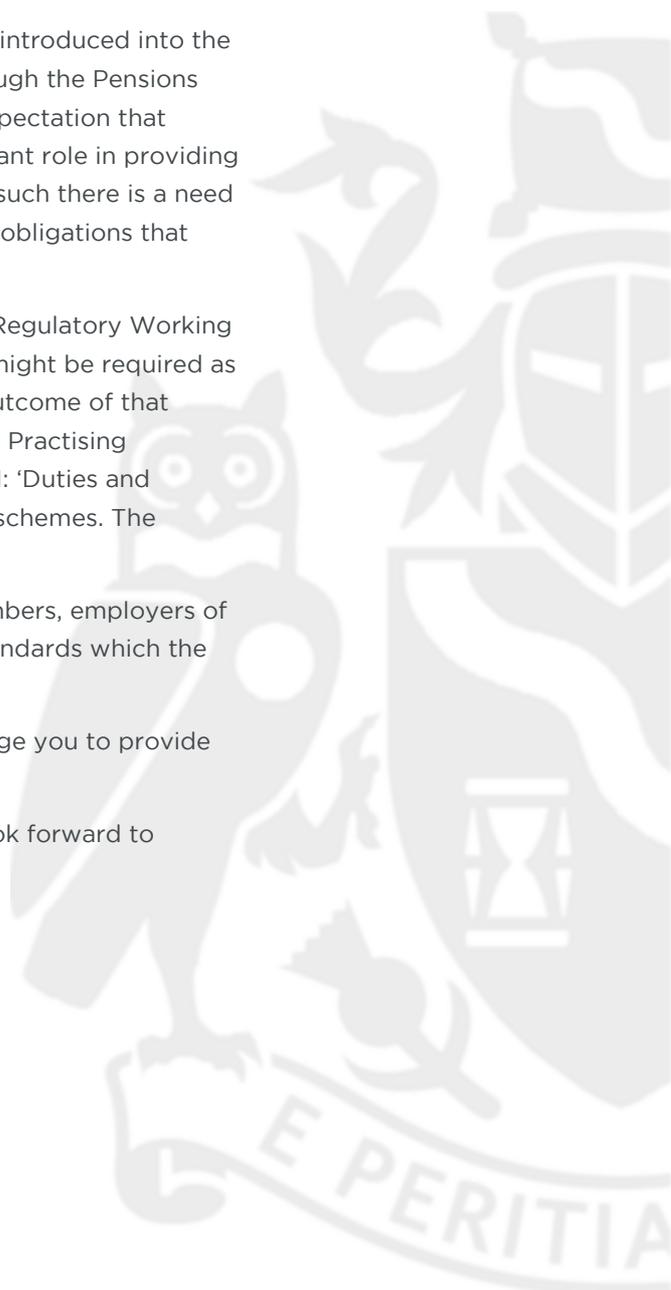
The IFoA welcomes comments on the proposals from individual members, employers of actuaries, other regulators and anyone else with an interest in the standards which the IFoA sets for its Members.

This consultation asks a number of questions, and we would encourage you to provide comments to support your answers.

We thank you for taking the time to consider these proposals and look forward to receiving your comments.

A handwritten signature in black ink, appearing to read 'Neil Buckley', with a long, sweeping underline.

Neil Buckley
Chair of Regulatory Board



1. Background and rationale

The introduction of CDC Pensions Schemes

- 1.1 The [Pension Schemes Act 2021](#) (the Act), that gained Royal Assent in February 2021, allows for the creation of CDC pension schemes, also known as Collective Money Purchase Schemes, within the UK¹.
- 1.2 The Act introduces a system for the authorisation and supervision of CDC schemes with the Pensions Regulator (TPR) given powers to intervene when necessary.
- 1.3 Initially CDC schemes will be limited to those set up by single or connected employers, although the Act contains powers to enable further developments of the CDC market, such as multi-employer schemes.

CDC Scheme Actuary

- 1.4 The Act, when read in conjunction with secondary legislation², requires the appointment of a Scheme Actuary to every CDC scheme, with the actuary required to be an IFoA Fellow.
- 1.5 Within the Act there are two key roles set out for the Scheme Actuary; the first is to certify the soundness of the design of a CDC scheme both at the outset and on an ongoing basis, through a viability certificate, and the second is the preparation of an annual actuarial valuation which determines what annual adjustment to members' benefits is affordable in order to maintain 100% funding. The valuation is accompanied by a formal report to the trustees, documenting the decisions that have been taken by the Scheme Actuary.
- 1.6 In addition to these specific roles, actuaries might also advise employers that are considering setting up CDC schemes on their proposed designs, help employers understand how fair the different design options are expected to be, and which will require modelling of expected outcomes for different cohorts over time.
- 1.7 Accordingly, actuaries will play a key role in the development, funding, and overall governance of CDC schemes.

Regulatory Working Party

- 1.8 The overarching purpose of the Working Party was to consider the professional regulation implications of the new legislation and to investigate and determine the obligations that should apply to members appointed to any reserved role created by the legislation and to make recommendations to the Regulatory Board.
- 1.9 The Working Party comprises a range of members who are experts in the field of pensions and is chaired by the Chair of the Regulatory Board. It is supported and advised by executive staff from the IFoA's Regulatory Policy Team.
- 1.10 The Working Party presented recommendations to the Regulatory Board in July 2022, to consult on the proposed changes to the Standards Framework in time for the introduction of CDC pension schemes later in 2022.

2. The proposals

CDC Scheme Actuary PC

- 2.1 It is proposed that there will be a new CDC Scheme Actuary PC introduced, with a requirement that anyone taking on such a role obtains that PC.
- 2.2 This reflects that the role of CDC Scheme Actuary is identified in legislation and must be carried out by an IFoA member.
- 2.3 While there are some similarities between the responsibilities of a Scheme Actuary advising DB schemes and a CDC Scheme Actuary, the IFoA considers that there are sufficient differences in the role and the competencies required to justify the creation of a stand-alone PC with a bespoke competency framework tailored to the skill set required for actuaries carrying out work for CDC schemes.
- 2.4 The proposed competency framework for a CDC Scheme Actuary PC is included as [Appendix 1](#).
- 2.5 The proposed revised PC Scheme setting out the requirement for a CDC Scheme Actuary PC is included as [Appendix 2](#). This is based on the new PC Scheme due to come into effect on 1 December 2022. It is anticipated that, subject to

¹ The Department for Work and Pensions has since developed the [Occupational Pension Schemes \(Collective Money Purchase Schemes\) Regulations 2022](#), which expand on and provide specific detail to the provisions in the Act. They have been laid before Parliament but are not yet in force.

² [The Occupational Pension Schemes \(Collective Money Purchase Schemes\) Regulations 2022](#)

consultation, if approved, the new requirements would also come into effect on 1 December 2022.

- 2.6 The IFoA recognises that, at least initially, there will be few potential candidates for a CDC Scheme Actuary role that will have any practical experience of working on that type of scheme. It considers, however, that the approach adopted by the new PC Scheme (which focuses on a competency-based criteria that sets out the skills required for a PC rather than a requirement for reserved role technical experience)
- 2.7 Candidates will therefore be able to draw upon wider skills, experiences, and training to show how they meet the competencies required to hold a CDC Scheme Actuary PC.

Interim arrangements

- 2.8 If during the period before introduction of a new CDC Scheme Actuary PC (subject to that being approved following consultation) a new CDC scheme(s) opens, it is proposed that the IFoA will ask any member appointed to the role of CDC Scheme Actuary to voluntarily undertake to obtain a Scheme Actuary PC.
- 2.9 Members are asked to let the IFoA know if they anticipate such an appointment.

Revised APS P1

- 2.10 APS P1 sets out specific practice area ethical obligations that apply, in addition to the Actuaries' Code, for members working in pensions. An updated version of APS P1 (version 3.0) came into force on 1 April 2022 following a period of public consultation.
- 2.11 APS P1 has been reviewed in light of the new CDC legislation and proposes a number of changes to extend the professional obligations contained within APS P1 to those actuaries' providing advice in relation to CDC pension schemes and to introduce some specific obligations for CDC Scheme Actuaries.
- 2.12 The full text of the proposed revised APS P1 (version 4.0) is included as [Appendix 3](#).
- 2.13 It is proposed that the revised APS P1 will take effect when the new PC requirements take effect and at the same time the previous version APS P1 will be withdrawn.

2.14 The proposed changes to APS P1 are as follows:

- The revised APS includes a new requirement that a CDC Scheme Actuary must have a current relevant PC before being appointed to that role.
- The requirements relevant to a Scheme Actuary have been extended to Members in the role of a CDC Scheme Actuary.
- The matters to be covered in written agreements with trustees have been expanded to include additional events relevant to CDC Schemes.

Rate or amount of guidance

- 2.15 Consideration has been given to whether there ought to be any new guidance developed (technical and/or ethical) as a result of the Act and also whether any amendments should be made to any existing guidance, for example the Guide to the Actuaries' Code.
- 2.16 The IFoA's view is that, given the very low number of CDC schemes in development at present and the relatively slow pace at which additional CDC schemes are expected to be created, there is not currently a need, nor would it be proportionate, to introduce guidance to support the new requirements.
- 2.17 It further considers that the existing guidance in place to support Members working in the areas of pensions (for example the guidance to the Actuaries' Code, particularly those sections on conflicts and speaking up) are as relevant and applicable to CDC Scheme Actuaries as they are to Scheme Actuaries advising DC schemes.
- 2.18 The IFoA is keen to explore methods by which knowledge on CDC schemes might be shared in future as more schemes are created. This might be through CPD events or professional skills materials, specific materials for PC holders or through the work being carried out on the new UK Practice Modules that will be required for all new applicants under the new PC Scheme.
- 2.19 The IFoA is interested in understanding what further resources or regulatory support members would like to receive. We look forward to hearing feedback from members as part of this consultation.

3. Summary of proposals

3.1 In summary, the IFoA proposes the following changes:

- The introduction of a requirement for a new CDC Scheme Actuary PC for Members providing advice to Trustees of CDC Scheme Pension Schemes.
- Changes to the newly published PC Scheme (due to come into effect on 1 December 2022) to reflect the new CDC Scheme Actuary PC and CDC Scheme Actuary competency framework.
- The introduction of a revised APS P1 (version 4.0) which extends existing pensions specific ethical and professional obligations to Members providing advice to Trustees of CDC pension schemes and introduces some specific obligations for CDC Scheme Actuaries.

4. Regulatory Impact Assessment

- 4.1 The aim of the proposed changes is to give effect to the legislative requirement for the appointment of a Scheme Actuary to every CDC pension scheme, through proportionate, consistent, transparent and targeted regulation, in a way that is principles-based, and outcomes focussed.
- 4.2 This would be achieved through the creation of a new CDC Scheme Actuary PC which would be mandatory for any Member carrying out a reserved role under the Act, as well as the introduction of a revised APS P1 (version 4.0) setting out clearly the ethical obligations for Scheme Actuaries specific to CDC schemes.
- 4.3 The proposed changes are designed to help the IFoA meet its Royal Charter objective of protecting the public interest.
- 4.4 The scope of the proposed changes to the APS are limited to Members who are appointed to advise the Trustees of a CDC scheme and as such are not designed to impose any new obligations on Members providing advice in relation to other types of pension schemes. The requirements will not, for example, be relevant to Members advising the Trustees of DB schemes.
- 4.5 In respect of those Members that the changes would apply to, the changes to APS P1 and introduction of the new CDC Scheme Actuary PC simply give effect to the legislative requirements set down by the Act. The aim (and expectation) is that the requirements broadly mirror (and will be no more onerous) than those currently set out for Scheme Actuaries (and PC holders) providing advice to DB schemes.
- 4.6 It is not expected that there will be any significant costs to Members in terms of training etc. The IFoA considers the cost of a CDC Scheme Actuary PC is proportionate in light of the importance of the role and potential impact on the public interest and is in line with the costs for a Scheme Actuary PC required for Members providing advice to DB schemes.

5. How to respond

5.1 [Go directly to the online questionnaire](#) or scan the embedded QR code. The deadline for responses is Monday 24 October 2022.



- 5.2 We strongly encourage responses via the online questionnaire. However, if there are reasons you cannot respond online you can respond by sending answers to the questions at [section 6 to regulation@actuaries.org.uk](mailto:regulation@actuaries.org.uk). Please mark emails with the reference “CDC consultation” and try to answer the questions as set out. Please also ensure that you indicate whether you wish any of the information you supply to be treated confidentially. Unless you so indicate, we may make consultation responses available on the IFoA website (www.actuaries.org.uk).
- 5.3 Once the consultation has closed, the IFoA will reflect upon the feedback and publish more specific details of any changes. Members and other interested stakeholders will be given an opportunity at that stage to raise any fatal flaw objections. There will also be a period allowed before the changes come into effect so that those affected can take steps to ensure they are able to comply with the new requirements.
- 5.4 Depending on the level and detail of responses, a virtual consultation meeting may be held once the consultation has closed. To help us gauge interest in such an event, we would be grateful if you could inform us of your interest via email (regulation@actuaries.org.uk).

6. Consultation questionnaire

Your views

Do you agree with the proposal to introduce a requirement for a new CDC Scheme Actuary PC? Please provide any reasons for, or further explanation of, your response.

Yes

No

Insert further explanation here

Overall, do you think that the competencies contained in the draft competency framework for the new CDC Scheme Actuary PC are relevant and appropriate? If you answered "No," please explain why, or otherwise provide any reasons for, or further explanation of, your response.

Yes

No

Insert further explanation here

Overall, do you think that the changes in the revised APS P1 are relevant and appropriate? Please provide any reasons for, or further explanation of, your response.

Yes

No

Insert further explanation here

Do you think it would be helpful to have any guidance and/or training opportunities in relation to the new requirements or CDC schemes more generally? Please provide any reasons for, or further explanation of, your response. If you responded "Yes," please include comments on what the guidance and training should include.

Yes

No

Insert further explanation here

Do you anticipate there will be any practical or resource implications caused by the introduction of these proposals? Please provide any reasons for, or further explanation of, your response. If you responded "Yes," please include comments on the sort of implications you anticipate.

Yes

No

Insert further explanation here

Do you have any other comments or suggestions in relation to the proposals? If you responded "Yes," please include your comments or suggestions.

Yes

No

Insert further explanation here

About your response

Do the responses you have provided represent your own personal views or your organisation's views? If you answered "Personal views," go to "About you".

Personal views	<input type="checkbox"/>
Organisation's views	<input type="checkbox"/>
Both personal views and organisation's views	<input type="checkbox"/>

About your organisation

What is the name of your organisation?

Enter organisation name here

Type of organisation

Actuarial consultancy	<input type="checkbox"/>	Investment firm	<input type="checkbox"/>
Insurance company or reinsurer	<input type="checkbox"/>	Public body or regulator	<input type="checkbox"/>
Bank or building society	<input type="checkbox"/>	Other (please specify)	<input type="checkbox"/>

Specify "Other" here

How many IFoA members does your organisation employ?

None	<input type="checkbox"/>	1 (sole practitioner)	<input type="checkbox"/>
2-10	<input type="checkbox"/>	11-50	<input type="checkbox"/>
51-100	<input type="checkbox"/>	101+	<input type="checkbox"/>
Don't know	<input type="checkbox"/>		<input type="checkbox"/>

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

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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About you

If you wish to respond anonymously, please leave these fields blank and scroll down to the next question.

Name	<input type="text" value="Enter name here"/>
Position	<input type="text" value="Enter position here"/>

In which region are you based?

UK	<input type="checkbox"/>	Republic of Ireland	<input type="checkbox"/>
Rest of Europe	<input type="checkbox"/>	Republic of South Africa	<input type="checkbox"/>
Africa - other	<input type="checkbox"/>	China	<input type="checkbox"/>
Hong Kong	<input type="checkbox"/>	India	<input type="checkbox"/>
Southeast Asia	<input type="checkbox"/>	Asia - other	<input type="checkbox"/>
Canada	<input type="checkbox"/>	USA	<input type="checkbox"/>
Central or South America	<input type="checkbox"/>	Australia	<input type="checkbox"/>
Oceania - other	<input type="checkbox"/>		<input type="checkbox"/>

About you (continued)

Are you a member of the IFoA?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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If "Yes," which category of membership do you hold?

Affiliate	<input type="checkbox"/>	Associate	<input type="checkbox"/>
Certified Actuarial Analyst	<input type="checkbox"/>	Fellow	<input type="checkbox"/>
Honorary Fellow	<input type="checkbox"/>	Retired	<input type="checkbox"/>
Student	<input type="checkbox"/>	Student Actuarial Analyst	<input type="checkbox"/>
N/A (I'm not an IFoA member)	<input type="checkbox"/>		<input type="checkbox"/>

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

Life assurance	<input type="checkbox"/>	General insurance	<input type="checkbox"/>
Pensions	<input type="checkbox"/>	Finance and investment	<input type="checkbox"/>
Enterprise and risk management	<input type="checkbox"/>	Health and care	<input type="checkbox"/>
Resource and environment	<input type="checkbox"/>	N/A (I'm not an actuary)	<input type="checkbox"/>
Other (please specify)	<input type="checkbox"/>	Specify "Other" here	<input type="checkbox"/>

Do you want your name to remain confidential?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Do you want the comments you have provided to remain confidential?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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Appendix 1: Proposed competency framework for a CDC Scheme Actuary PC

Communication	Leadership/Accountability	Professionalism	Knowledge, Awareness and Understanding	Technical skills
<ul style="list-style-type: none"> Effectively communicates with specialist and non-specialist stakeholders and audiences Provides clear and concise analysis and advice, focussing on key issues and making complex aspects accessible and meaningful Able to participate in Trustee discussions, contributing to decision making processes Able to support Trustees in discussions with regulators Able to support Trustees in communicating with scheme members so that they understand the risks and benefits of the scheme and, in particular, how target benefits may change Aware of limitations or areas of uncertainty in the advice they are providing, and explain this to Trustees when appropriate 	<ul style="list-style-type: none"> Able to build strong relationships with Trustees, key individuals involved in management of the Scheme, and other professional advisors Leads the production of advice, which may include exercising responsibility for a team of actuaries and/or other technical /financial staff Accountable for work at a senior level and able to respond effectively to challenges from Trustees, relevant stakeholders, or other equivalent individuals 	<ul style="list-style-type: none"> Provides an independent opinion and is willing to reconsider their opinion if insight from other stakeholders or new information justifies doing so Able to pose appropriate challenge to the decisions or actions proposed by; the Trustees, the sponsoring employer, other key individuals involved in the Scheme and/or other advisors Able to stand behind and defend their own advice and recommendations when challenged or put under pressure from: the Trustees, the sponsoring employer, regulators, relevant stakeholders, other key individuals involved in the Scheme and/or other advisors Able to identify and effectively manage conflicts of interest, including the ability to understand and challenge Trustees on their own conflicts Capable of speaking up to, and raising concerns with, decision makers, regulators or others, where appropriate 	<ul style="list-style-type: none"> Good awareness of external factors and how they may influence the future development of the Scheme, and be factored into advice Sound understanding of the legal and regulatory requirements relevant to UK pensions High level of familiarity with the fundamental principles and practices of the other key technical and operational areas relating to the financial position, risk profile, or management of the Scheme, including the awareness of when it is appropriate to consult other advisors Awareness of potential emerging risks and regulatory changes in the market and the impact these could have on scheme members and their benefits 	<ul style="list-style-type: none"> Sound understanding of the technical areas relevant to the role of CDC Scheme Actuary, such that they can develop advice and communicate the wider context of the advice to both users and other team members. <p>Those areas might include (but are not limited to):</p> <ul style="list-style-type: none"> Viability of the scheme design; Annual valuations of a CDC Scheme (or equivalent), including: <ul style="list-style-type: none"> advising on central estimate liability valuation assumptions; and calculating benefit adjustments; Setting and calculating Cash Equivalent Transfer Values (CETVs); Other member option terms relevant to CDC Schemes; The fair treatment of scheme members including the exercise of discretion in the management of the scheme; and Consideration of the needs and circumstances of different groups of scheme members.

Appendix 2: Proposed revised PC Scheme



Institute
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Practising Certificates (PC) Scheme

Version: 4.0, effective from 1 December 2022

Purpose: This PC Scheme sets out the requirements applying to **Members** in relation to **Practising Certificates**. Those supplement relevant provisions of the **IFoA's APSs**.

1. Application of PC requirements

- 1.1. The requirements in this PC Scheme apply to all **Members** that must, under an **APS**, hold a **Practising Certificate**, including in relation to the roles set out in **Appendix 1** to this **APS**.
- 1.2. **Members** must obtain the relevant **Practising Certificate** before being appointed to any of the roles set out in **Appendix 1**.
- 1.3. In exceptional circumstances, and with permission of the **IFoA**, **Members** may be able to accept an appointment to one of the roles set out in **Appendix 1** before obtaining the relevant **Practising Certificate** on the condition that they obtain the **Practising Certificate** within a specified time period after appointment.
- 1.4. **Members** must follow the processes and procedures set out in the **PC Handbook**.

2. Eligibility criteria for obtaining a Practising Certificate

- 2.1. In order to obtain a **Practising Certificate**, **Members** must meet all of the following criteria:
 - 2.1.1. Is currently a **Fellow** of the **IFoA**;
 - 2.1.2. Has completed the relevant **UK Practice Module** within the two years prior to their **Initial Application** for a **Practising Certificate**;
 - 2.1.3. Has demonstrated to the **IFoA's** satisfaction that they meet all of the competencies set out in the relevant **Competency Framework**; and
 - 2.1.4. Has disclosed, for consideration by the **IFoA**, any information relevant to their suitability to hold a **Practising Certificate**, having regard to the nature of the roles for which **Practising Certificates** are required and to the public interest.
- 2.2. The **IFoA** may revoke, or decline to grant, a **Practising Certificate** if it reasonably believes a **Member** is unsuitable to hold a **Practising Certificate**, having regard to the nature of the roles for which **Practising Certificates** are held and to the public interest.

3. Application for and renewal of Practising Certificates

3.1. **Members** must complete an **Initial Application** to obtain a **Practising Certificate**

3.2. **Members** that hold a current **Practising Certificate** must complete:

3.2.1. A **Full Renewal Application** every three years; and

3.2.2. An **Annual Renewal** in other years, confirming that they still meet the criteria and wish to continue to hold a **Practising Certificate**.

3.3. **Members** must also ensure that they contact the **IFoA**, as soon as reasonably practical, if there is a change in their circumstances that might affect their ability to meet the criteria.

3.4. **Members** that have previously held a **Practising Certificate** and no longer hold one for reasons wholly or mainly relating to absence from work due to parental leave or illness can apply for a **Practising Certificate** by way of a **Full Renewal Application** rather than an **Initial Application**. The requirements under 2.1.2 will not apply to such applications.

4. CPD Requirements

4.1. **Members** that hold a **Practising Certificate** are required to carry out 15 hours of **PC CPD activities** in addition to the requirements of the **CPD Scheme**.

4.2. The requirements in 4.1 do not apply to **Members** that are within the scope of the **QAS CPD Scheme**.

5. Conditional Practising Certificates

5.1. **Members** that are granted a **Conditional Practising Certificate** must ensure they fulfil the conditions, including within the prescribed timescales, or their certificate will no longer be valid.

6. Interpretation and application

6.1. A failure to comply with this PC Scheme may result in a finding of misconduct in terms of the **IFoA's Disciplinary Scheme**.

6.2. This PC Scheme uses the word "must" to mean a specific mandatory requirement.

6.3. In the event of any inconsistency between this PC Scheme and the **Actuaries' Code**, the **Actuaries' Code** prevails.

Term	Definition
Actuaries' Code	The ethical professional code for Members issued by the IFoA.
Annual Renewal	A short form through which a Member holding a Practising Certificate renews their Practising Certificate, declares they still meet the criteria and provides any relevant information about changes to their circumstances over the last year.
APS	Actuarial Profession Standard issued by the IFoA.
Appropriate Actuary	An actuary appointed by a Friendly Society in accordance with Non-Solvency II firms. Further defined in APS L1.
CDC Scheme Actuary	An actuary appointed to advise the Trustees of a collective money purchase scheme in accordance with section 47(1)(b) of the Pensions Act 1995.
CPD Scheme	The requirements imposed by the IFoA upon Members in relation to Continuing Professional Development and the wider development and learning requirements of the Actuaries' Code.
Chief Actuary – Life and Non-Life	The person appointed to have responsibility for the Chief Actuary function including any person to whom the Chief Actuary function is outsourced. Further defined in the following IFoA APS's: APS L1 and APS G1.
Competency Framework	A framework published by the IFoA setting out the required competencies for a role for which a Practising Certificate is required.
Conditional Practising Certificate	A Practising Certificate to which the IFoA has attached conditions requiring the Practising Certificate Holder to take certain steps within specific time limits.
Fellow	An individual that holds the Membership category of Fellow, obtained either through passing the appropriate IFoA examinations or admitted as a Fellow under the terms of a Mutual Recognition Agreement with another actuarial organisation or through the IFoA's Individual Qualification Recognition route.
IFoA	The Institute and Faculty of Actuaries.
IFoA's Disciplinary Scheme	The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.
Initial Application	An application to obtain a Practising Certificate by someone who does not currently hold one.
Lloyd's Syndicate Actuary	The Actuary providing an Actuarial Opinion for a Lloyd's Syndicate.
Member	A member of the IFoA of any category.

Practising Certificate	A certificate valid for 1 year, issued by the IFoA to individuals that certifies that they have been assessed as meeting the criteria set out in this PC Scheme.
PC CPD activities	CPD Activities (as defined in the IFoA's CPD Scheme) that are relevant to the role (or roles) covered by the Practising Certificate that they hold.
PC Handbook	A Handbook produced by the IFoA setting out the processes and procedures relating to Practising Certificates and setting out guidance on how to comply with those.
Full Renewal Application	An application through which a Member renews their Practising Certificate and provides information about how they continue to meet the criteria, for assessment by the IFoA.
Reviewing Actuary	An actuary independent of a life insurance company or Friendly Society who is acting as an auditor's expert. Further defined in APS L1.
Scheme Actuary	An actuary appointed to advise the Trustees of a defined benefit pension scheme in accordance with section 47(1)(b) of the Pensions Act 1995.
Small Insurer Chief Actuary	The person appointed to have responsibility for the Small Insurer Chief Actuary function as defined in Non-Solvency II Firms, Senior Insurance Managers Certification Regime, Rule 4.1 of the PRA Rulebook: including any person to whom that function is outsourced. Further defined in APS L1.
QAS CPD Scheme	The outcomes-focused CPD scheme available to organisations accredited under the Quality Assurance Scheme.
With Profits Actuary	A Member appointed in accordance with either: (1) the PRA Rulebook: Solvency II Firms: Actuaries Instrument 2015 2.2 or 2.4 to perform the role in 5.1; or (2) the PRA Rulebook: Non-Solvency II Firms: Actuarial Requirements 2.1(2) or 2.3 to perform the role in Actuarial Requirements 6. Further defined in APS L1.

APPENDIX 15

1. Scheme Actuary
2. CDC Scheme Actuary
3. Chief Actuary – life and non-life
4. Lloyd's Syndicate Actuary
5. Small Insurer Chief Actuary
6. Reviewing Actuary
7. Appropriate Actuary
8. With Profits Actuary

NOT YET IN FORCE

Appendix 3: Proposed revised APS P1 (version 4.0)



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APS P1: DUTIES AND RESPONSIBILITIES OF MEMBERS UNDERTAKING WORK IN RELATION TO PENSION SCHEMES

Version: ~~3.0~~, effective ~~1 April 2022~~~~XXX~~

Purpose: This APS sets out specific ethical requirements that apply to certain **Members** of the Institute and Faculty of Actuaries operating in the pensions area of practice.

1. Practising Certificate requirement – Scheme Actuaries

1.1 A **Scheme Actuary** and CDC Scheme Actuary must have the relevant current Practising Certificate(s).

2. Obligations relating to appointment, replacement and absence – Scheme Actuaries, CDC Scheme Actuaries and Equivalent Scheme Actuaries

2.1 This section applies to **Members** who are a **Scheme Actuary**, CDC Scheme Actuary and/or an **Equivalent Scheme Actuary**.

2.2 A **Scheme Actuary**, CDC Scheme Actuary or **Equivalent Scheme Actuary**, must have a written agreement with the **Trustees** covering the information that they require the **Trustees** to provide them with, or allow them access to, to do their job properly, and allowing them to share information with other advisers as appropriate.

2.3 The matters covered by the agreement in 2.2 may vary from scheme to scheme but the **Scheme Actuary**, CDC Scheme Actuary or **Equivalent Scheme Actuary**, must have a justifiable reason for the exclusion of any of the matters described in Appendix 1.

2.4 The agreement in 2.2 must be reviewed periodically and updated to ensure that it continues to be fit for purpose. In drawing up the list of events to be notified under paragraph 3 of Appendix 1, the **Scheme Actuary**, CDC Scheme Actuary or **Equivalent Scheme Actuary**, should be satisfied that the **Trustees** understand what the **Scheme Actuary**, CDC Scheme Actuary or **Equivalent Scheme Actuary** would consider to be material, and, if used, how words such as “unexpected”, “significant” or “major” should be interpreted. In specifying timescales, phrases such as “as soon as possible” or “as soon as reasonably practicable” might be used.

2.5 If an existing **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** is to be replaced:

2.5.1 the existing actuary must provide the new actuary with the information that the existing actuary considers to be relevant for the new actuary to fulfil their responsibilities;

2.5.2 the information in 2.5.1 must include any information considered to be relevant relating to reports made to the **Regulator** under Section 70 of the UK Pensions Act 2004, where applicable, or similar reports to other regulatory authorities;

2.5.3 if necessary, the existing actuary and new actuary must discuss the information to be provided, if they are reasonably able to do so; and

2.5.4 where the new actuary considers that they require more information for this purpose than the existing actuary originally provided, the new actuary must, if reasonably possible, ask the existing actuary for this additional information. Provided that the new actuary agrees to any reasonable conditions imposed by the existing actuary for the release of information, the existing actuary must comply with any such reasonable request or explain why it is not possible or appropriate to comply.

2.6 A **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** who resigns or is removed, must ensure that the **Trustees** have been notified of:

2.6.1 the need to appoint a replacement within any prescribed timescales; and

2.6.2 any deadlines relevant to responsibilities of the **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** that might pass before a new actuary has had time to address them.

2.7 A **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** must have appropriate arrangements to cover any period during which they are unable to fulfil their duties, taking account of the anticipated length of such a period. Depending on the circumstances, it might be appropriate or necessary to resign the appointment.

3. **Other Professional Responsibilities, including Speaking Up – Scheme Actuaries, CDC Scheme Actuaries, Equivalent Scheme Actuaries and Other Actuarial Advisers**

3.1 Subject to paragraph 3.3 below, **Scheme Actuaries**, **CDC Scheme Actuaries**, **Equivalent Scheme Actuaries** and **Other Actuarial Advisers** should inform the **Trustees** and, if appropriate, any third party adviser or service provider to the **Trustees**, and take appropriate action:

3.1.1 on becoming aware of any significant matter that relates to their regulatory, contractual or other professional responsibilities which could have an impact on the security of members' benefits and/or financing of the **Scheme**, or which might lead to the **Trustees** needing to request advice or further advice from an actuarial or other adviser; or

3.1.2 if they have any material concerns about the way the **Trustees** are fulfilling their duties and responsibilities, or about actions being taken by any of the **Trustees'** third party advisers or service providers.

3.2 One specific application of paragraph 3.1 is that, where a **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** is giving a legally-required certification, the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** must draw the **Trustees'** attention to any matters which ~~he/she/they~~ believes the **Trustees** should bear in mind before taking any action associated with that certification.

3.3 Paragraph 3.1 above does not apply to **Other Actuarial Advisers** where they have reasonable cause to believe that a **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** is fulfilling these requirements.

4. **Conflicts of Interest – Scheme Actuaries, CDC Scheme Actuaries, Equivalent Scheme Actuaries and Other Actuarial Advisers**

4.1 This section applies to **Scheme Actuaries**, **CDC Scheme Actuaries**, **Equivalent Scheme Actuaries** and **Other Actuarial Advisers**, as provided for in the individual paragraphs below.

4.2 Where the **Scheme Actuary**, **CDC Scheme Actuary** or **Equivalent Scheme Actuary** for a **Scheme**, or an **Other Actuarial Adviser** working for a **Scheme** on behalf of a different **Firm** from the **Scheme Actuary** or **Equivalent Scheme Actuary**, is undertaking any work for the **Employer** to that **Scheme**, or they are aware, to the best of their reasonably held knowledge, that another person is undertaking work on behalf of their **Firm** for the **Employer** to that **Scheme**, they must notify the **Trustees** of this fact and of the potential for conflict(s) of interest to arise as a result.

4.3 A **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** should presume that the provision or review by them of **Advice** to the **Employer** of a **Scheme** (for which they are acting for the **Trustees**), in relation to the funding of that **Scheme** or to any matter which has a direct bearing on the benefits payable under that **Scheme**, would give rise to an irreconcilable conflict of interest.

4.4 In considering whether, exceptionally, it is appropriate to depart from the presumption set out in paragraph 4.3, the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** should have regard to all of the relevant circumstances, including, as applicable:

4.4.1 the public interest, including the public interest in safeguarding the interests of **Scheme** members;

4.4.2 the extent of the **Trustees'** independence and expertise;

4.4.3 relevant legislation;

4.4.4 where the **Scheme** rules require the provision of such **Advice** by the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** to the **Employer**, whether it is reasonably possible and appropriate to amend the **Scheme** rules;

4.4.5 for an **Other Actuarial Adviser**, the type of work they have been involved with on behalf of the **Trustees**;

4.4.6 whether it is appropriate to resign one or more appointment(s), rather than depart from the presumption.

4.5 Where the work to which paragraph 4.2 refers constitutes **Advice** in relation to the **Scheme** in question, the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** must ensure that a **Conflict Management Plan** is agreed with the **Trustees** and **Employer** for whom the work is undertaken.

4.5.1 The plan must set out any limitations on the extent of any **Advice** which may be provided to the **Employer** and who may provide that advice;

4.5.2 The plan must provide for the waiver of any duty of confidentiality by the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** which would otherwise be owed to the **Employer**, to the extent necessary to safeguard the interests of the **Trustees**;

4.5.3 The plan must provide for the **Trustees** to have the option to continue with the appointment of the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** if it becomes inappropriate for them or their **Firm** to continue to provide **Advice** to both the **Trustees** and the **Employer**;

4.5.4 The plan must be shared with the **Employer Adviser**, who is given an opportunity to comment, before it is provided to the **Trustees** and **Employer**;

4.5.5 The **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** must be reasonably satisfied that the **Trustees**, in agreeing to the plan, have been appropriately advised as to its implications;

4.5.6 The plan must be reviewed and revised at appropriate intervals.

5. Conflict Management Plan - Employer Adviser

5.1 Where a **Conflict Management Plan** is agreed at paragraph 4.5 and imposes any requirements on an **Employer Adviser**, then the **Employer Adviser** must comply with those requirements.

5.2 Where a **Member** who is approached to be an **Employer Adviser** to a **Scheme** is aware, to the best of their reasonably held knowledge, that another **Member** from the same **Firm** is a **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** to that **Scheme**, the potential **Employer Adviser** must first ensure either that there is already a suitable **Conflict Management Plan** in place or that the **Scheme Actuary**, **CDC Scheme Actuary**, **Equivalent Scheme Actuary** or **Other Actuarial Adviser** has the opportunity to put a **Conflict Management Plan** in place, before the **Employer Adviser** provides advice in relation to the **Scheme**.

6. Interpretation and application

6.1 A failure to comply with this **APS** may result in a finding of misconduct in terms of the **IFoA's Disciplinary and Capacity for Membership Scheme**.

6.2 This **APS** uses the word "must" to mean a specific mandatory requirement. It uses the word "should" to indicate that, while the presumption is that **Members** will comply with the provision in question, there may be some circumstances in which **Members** are able to justify non-compliance.

6.3 In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.

6.4 **Members** advising pension schemes that are not **Relevant Schemes** will often have some duties and responsibilities that are very similar to those of a **Scheme Actuary** or **CDC Scheme Actuary**, meaning that they are subject to this **APS** as **Equivalent Scheme Actuaries**. The **Schemes** they are advising on may in some (or many) respects differ materially in form and/or structure from a **Relevant Scheme**; for example, they might be unfunded and/or have a governance structure with roles that differ from those of the **Trustees** and **Employer** of a

Relevant Scheme. Equivalent Scheme Actuaries therefore need to judge the extent to which the provisions of this **APS** apply to them in that role, while bearing in mind that they may also have duties and responsibilities (that are not part of an **Equivalent Scheme Actuary** role) which bring them into scope as an **Other Actuarial Adviser**.

6.5 **Members** applying **APS P1** outwith the United Kingdom are reminded of the requirements set out in APS X1 on the application of relevant **APSs** and the circumstances under which to apply other similar recognised standards.

7. Definitions

Term	Definition
Actuaries' Code	The ethical professional code for Members issued by the Institute and Faculty of Actuaries.
APS	Actuarial Profession Standard.
Advice	Information or recommendation provided by a Member to a user, which includes a material element of judgement or analysis, upon which that user is entitled to rely.
<u>CDC Scheme Actuary</u>	<u>An actuary appointed to advise the Trustees of a collective money purchase scheme in accordance with section 47(1)(b) of the Pensions Act 1995.</u>
Conflict Management Plan	A written plan that is agreed between the Trustees, Employer and Scheme Actuary, <u>CDC Scheme Actuary</u> , Equivalent Scheme Actuary or Other Actuarial Adviser, which describes all identifiable conflicts of interest relating to work on behalf of that Member's Firm and sets out how they are to be addressed.
Employer	Any entity which participates in a pension scheme or is associated with such an entity.
Employer Adviser	A Member of the IFoA who is providing actuarial Advice to the Employer of a Scheme, and is doing so on behalf of the same Firm as the Scheme Actuary, <u>CDC Scheme Actuary</u> , the Equivalent Scheme Actuary or an Other Actuarial Adviser to that Scheme. Where there is more than one such Member, references to the Employer Adviser are

Equivalent Scheme Actuary

to be read as applicable to each Employer Adviser in the Firm.

A Member who is carrying out a role similar to that of a Scheme Actuary or CDC Scheme Actuary appointed under the UK Pensions Act 1995 (but for a Scheme that is not a Relevant Scheme), including a Member who is working for a governing body other than Trustees or is working for a decision-making body in relation to a public sector or public service pension scheme.

Firm

A sole practitioner, partnership, limited liability partnership or other corporate entity engaged in the provision of actuarial services. It includes related or connected entities which are:

- (i) controlled by the Firm; or
- (ii) under common control, ownership or management; or
- (iii) part of a larger structure that is clearly aimed at profit or cost sharing.

IFoA's Disciplinary and Capacity for Membership Scheme

The currently in force Disciplinary and Capacity for Membership Schemes of the Institute and Faculty of Actuaries, as may be amended from time to time.

Member

Member of any category of the Institute and Faculty of Actuaries, including Students, Affiliates, Associates and Fellows, in any location.

Other Actuarial Adviser

A Member who provides Advice to the Trustees of a Scheme, but is not a Scheme Actuary, CDC Scheme Actuary or Equivalent Scheme Actuary. This would include a Member who provides Advice to the Trustees on behalf of a different Firm from that of the Scheme Actuary, CDC Scheme Actuary or Equivalent Scheme Actuary or as an in-house pensions actuary.

Practising Certificate

Practising certificate issued by the Institute and Faculty of Actuaries to act as a Scheme Actuary to a defined benefit pension scheme or CDC Scheme Actuary to a collective money purchase pension schemes.

Regulator	The Pensions Regulator as defined in Section 1 of the Pensions Act 2004.
Relevant Scheme	A pension scheme in relation to which a Scheme Actuary <u>or CDC Scheme Actuary</u> is, or requires to be, appointed.
Scheme	A pension scheme of any sort.
Scheme Actuary	An actuary appointed to advise the Trustees of a defined benefit pension scheme in accordance with section 47(1)(b) of the Pensions Act 1995.
Trustees	The Trustees of a pension scheme, or, for pension schemes not established by a trust, the managers as defined in section 318(1) of the Pensions Act 2004 or other governing body of the scheme.

Appendix 1: Matters to be covered in written agreement with Trustees (References below to a **Scheme Actuary** or **CDC Scheme Actuary** should be taken to apply similarly to an **Equivalent Scheme Actuary**, except where they have no relevance.)

1. Liaison with other advisers

1.1 The agreement with the **Trustees** should allow the **Scheme Actuary** or **CDC Scheme Actuary**:

1.1.1 to liaise with other advisers to the **Trustees** in relation to matters which might be relevant either to the **Scheme Actuary** or **CDC Scheme Actuary**'s statutory responsibilities or to other legislative or regulatory responsibilities which are placed on the other advisers in relation to the scheme;

1.1.2 to ask any existing actuary for information in accordance with paragraph 2.5 of this **APS**; and

1.1.3 in the event of their resignation or removal, to provide the new actuary with the information referred to in paragraph 2.5 of this **APS**.

2. Information to be provided by Trustees

2.1 The **Scheme Actuary** or **CDC Scheme Actuary** should obtain the **Trustees**' written agreement that the **Trustees** will advise the **Scheme Actuary** or **CDC Scheme Actuary** of specified events which could, in the **Scheme Actuary** or **CDC Scheme Actuary**'s opinion, be of material significance to the financing or solvency of the **Scheme**. Appropriate timescales for notifying events should be included and the list reviewed by the **Scheme Actuary** or **CDC Scheme Actuary** as frequently as they consider necessary or appropriate.

2.2 Paragraph 3 below illustrates the types of events which, if material, a **Scheme Actuary** or **CDC Scheme Actuary** would normally require the **Trustees** to notify them. However, a **Scheme Actuary** or **CDC Scheme Actuary** should consider:

2.2.1 whether all the categories listed are relevant to a particular **Scheme**;

2.2.2 whether additional categories should be included; and

2.2.3 the actual events within each category which should be specified.

2.3 The **Scheme Actuary** or **CDC Scheme Actuary** should obtain the **Trustees**' written agreement that the **Trustees** will:

2.3.1 provide the **Scheme Actuary** or CDC Scheme Actuary with copies of any future reports to the **Regulator** under Section 70 of the Pensions Act 2004 which are either made by, or sent to, the **Trustees**;

2.3.2 advise the **Scheme Actuary** or CDC Scheme Actuary if any communication which is relevant to the financing or solvency of the **Relevant Scheme**, or to the adjustment to the rate or amount of benefits provided under a collective money purchase scheme, is issued by the **Regulator** (or has been issued and is still relevant at the date of the **Scheme Actuary** or CDC Scheme Actuary's appointment) of which the **Trustees** are aware, including (but not limited to) the following:

- an order issued under section 231(2) of the Pensions Act 2004;
- a contribution notice under sections 38, 47 or 55 of the Pensions Act 2004;
- a financial support direction under section 43 of the Pensions Act 2004;
- a clearance statement under sections 42 or 46 of the Pensions Act 2004;
- a restoration order under section 52 of the Pensions Act 2004; ~~or~~
- an approval notice in relation to an approved withdrawal arrangement under the Occupational Pension Schemes (Employer Debt) Regulations 2005; or

- a direction under section 23 (2) of the Pension Schemes Act 2021.

2.3.3 allow the **Scheme Actuary** or CDC Scheme Actuary on request, access at all reasonable times to such information as may be required to carry out their duties, including:

2.3.3.1 the **Scheme's** books, accounts and supporting documentation;

2.3.3.2 copies of the minutes of the **Trustees** and sub-committees of the **Trustees'** meetings;

2.3.3.3 copies of the **Trustees'** resolutions;

2.3.3.4 copies of any other documents recording decisions taken by the **Trustees** following actuarial advice from them or from a person advising the **Trustees**; ~~and/or~~

2.3.3.5 copies of all **Scheme** constitution documentation; and/or-

~~2.3.3.5~~ 2.3.3.6 copies of any relevant communications with **Scheme** members.

2.4 The **Scheme Actuary** or CDC Scheme Actuary does not need to require the **Trustees** to provide them immediately with the information referred to in paragraph 2.3.3 of this appendix.

However, there may be occasions when the **Scheme Actuary** or **CDC Scheme Actuary** will need to insist that specific information of the types listed is provided (or access to such information is allowed) without delay in order to assist them in assessing whether a report needs to be made to the **Regulator** under **Section 70**.

3. Events which could affect the financing or solvency of a Scheme (This list is not exhaustive)

3.1 Changes affecting the status of the Scheme

For example:

- cessation of future accruals
- closure to new members
- a decision to wind up or otherwise discontinue the **Scheme**
- a determination to defer winding up

- a decision or warning notice from the Pensions Regulator to withdraw the Scheme's authorisation

3.2 Changes to (or legal opinions on the interpretation of) the trust deed and rules or the benefits provided under them

For example, in relation to:

- the definition of pensionable pay
- contribution or benefit levels
- normal retirement date
- the degree of priority accorded to benefits in the event of the **Scheme** winding up
- an exercise under which members may change the form of their benefits.

3.3 Significant changes to the membership

For example, in relation to:

- the general remuneration levels of members of the **Scheme**
- the numbers of active members, deferred pensioners or pensioners
- an exercise which could involve many members taking transfer values from the **Scheme**.

3.4 Events in relation to participating employers

For example:

- a change in the **Trustees'** view of the strength of a participating employer's covenant
- a relevant event (as defined in section 75(6A) of the Pensions Act 1995) in relation to a participating employer

- _____ an employment-cessation event (as defined in Regulation 6ZA of SI 2005/678) in relation to a participating employer
- [a triggering event in relation to an employer \(as defined in section 31\(1\) of the Pension Schemes Act 2021\)](#)
- sales and purchases affecting the membership of the **Scheme**.

3.5 **Events in relation to investment matters**

For example:

- a change in investment policy or investment management arrangements
- adverse investment performance relative to agreed objectives.

3.6 **The exercise of a discretionary power**

For example, the augmentation of a benefit, or the granting of a discretionary pension increase, where the cost is not met by additional contributions at the time on a basis agreed with the **Scheme Actuary** or CDC Scheme Actuary.

3.7 **Events connected with the Regulator**

For example:

- _____ any event notified to the **Regulator** under section 69 of the Pensions Act 2004 by the **Trustees** (or any event of which the **Trustees** are aware has been notified to the **Regulator** under such section by a participating employer)
- [an event notified to the Regulator under section 28 of the Pension Schemes Act 2021 by the Trustees \(or any event of which the Trustees are aware has been notified to the Regulator under such section by a participating employer\)](#)
- an application for a refund of surplus to a participating employer.

3.8 **Events in relation to financing**

For example:

- non-payment of the employer's and/or employees' contributions stated in the most recent Schedule of Contributions, or required under the Scheme rules
- a change of policy in relation to the payment of expenses
- a change in the arrangements for insuring death in service benefits or a change from insured to self-administered or vice versa
- a change to the **Scheme** year for accounting purposes.



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