

Institute and Faculty of Actuaries
Regulatory Board
Approval Report

Subject	To approve consultation documents for proposals for changes to the Regulatory Framework on CDC Pension Schemes
Regulatory Board meeting	5 July 2022
Previous Board Steer	29 May 2019 – Regulatory Working Party set up by Board
	17 November 2020 – Update for Board on Emerging Pension Funds
	12 February 2021 – Deep dive on DB consolidation / superfunds and CDC Pension Schemes
	5 May 2021 - Approval of proposal for new CDC PC and transitional arrangements
International Issues Considered?	This is a UK specific issue
Author	IFoA Executive
Purpose	Approval

A: EXECUTIVE SUMMARY

1. This paper seeks **approval** of consultation documents for proposals previously approved by the Board to introduce: (a) a new Practising Certificate (PC) for Members appointed as the Scheme Actuary to a Collective Defined Contribution (CDC) Pension Scheme; and (b) a revised Actuarial Profession Standard (APS) P1: Duties and Responsibilities of members undertaking work in relation to pension schemes which extends requirements to CDC Scheme Actuaries.

B: BACKGROUND

2. Members of the Board may recall that in May 2021 the Board approved the proposal to introduce a new Practising Certificate for Members taking on the role of Scheme Actuary to a CDC Pension Scheme.
3. This followed introduction of this new form of pension scheme in the Pensions Schemes Act 2021, with an associated requirement for a Scheme Actuary to be appointed and specific responsibilities for that Scheme Actuary.
4. The Board also agreed that the development of a new PC and consultation on the requirements should await the conclusion of the review of the PC Scheme, reflecting the challenges that would arise for a new role, such as a CDC Scheme Actuary, with a PC Scheme based on technical experience of the reserved role in question. The

introduction of a competency-based criteria that no longer requires technical experience of the role resolves that issue.

5. It was also agreed by the Board in May 2021 that there ought to be interim arrangements for those appointed as CDC Scheme Actuaries before the new PC was in effect. In essence, those Members would be asked to agree that they would hold a traditional Scheme Actuary PC.

C: PROPOSED CHANGES

CDC Scheme Actuary PC

6. The Board previously agreed that, while there are some similarities between the responsibilities of a Scheme Actuary advising DB schemes and a CDC Scheme Actuary, there are sufficient differences as to justify the creation of a stand-alone PC with a bespoke competency framework tailored to the skill set required for actuaries conducting work for CDC schemes.
7. The proposed new competency framework for a CDC Scheme Actuary PC is included as **Appendix 1**.
8. The new PC Scheme, which comes into force on 1 December 2022, will also be amended to include a CDC Scheme Actuary PC. The proposed revised PC Scheme is included as **Appendix 2**.
9. The IFoA's Lifelong Learning team is working to incorporate CDC schemes into the new framework of UK Practice Modules. Core reading specific to CDC schemes will be released in December 2022 and online workshops will be available to candidates from spring 2023.

Revised APS P1

10. APS P1 sets out specific practice area ethical obligations that apply, in addition to the Actuaries' Code, for members working in pensions. It is primarily targeted at Scheme Actuaries, although there are some provisions that have recently been extended to other pensions work. An updated version of APS P1 (version 3.0) came into force on 1 April 2022 following a period of public consultation. The new APS P1 was amended to provide a clearer and more streamlined standard for members, using less prescriptive wording to clarify members' responsibilities.
11. The WP has carefully reviewed APS P1 in light of the new CDC legislation. It considers that the provisions within APS P1 are also relevant to the specific roles of a CDC Scheme Actuary and that it is appropriate for all of the professional obligations contained within APS P1 to be extended to those Members appointed as the Scheme Actuary to a CDC scheme.
12. The Working Party has also identified some additional matters specific to the roles of a CDC Scheme Actuary which it considers ought to be included within Appendix 1 of APS P1 which deals with matters to be covered in written agreement with Trustees. However, it is not proposed that there should be any additional requirements set specifically for the Scheme Actuary to a CDC Scheme.

13. The proposed revised APS P1 (version 4.0) showing the changes in tracking is included as **Appendix 3**.
14. It is proposed, assuming that the Board decides to introduce the new requirements following consultation, that the revised APS P1 will take effect on 1 December 2022 when the new PC Scheme takes effect and at the same time the previous version of APS P1 will be withdrawn.
15. The proposed changes to APS P1 are as follows:

Sections

- The defined role of 'CDC Scheme Actuary' has been created to reflect Members who are appointed to advise the Trustees of a collective money purchase scheme in accordance with section 47(1)(b) of the Pensions Act 1995.
- In section 1, the revised APS includes a new requirement that a CDC Scheme Actuary must have a current relevant Practising Certificate.
- In sections 2 to 6, those provisions relevant to a Scheme Actuary have been extended to Members in the role of a CDC Scheme Actuary.

Definitions

- 'CDC Scheme Actuary' has been added as a defined term.
- The definition of 'Practising Certificate' has been amended to include a PC issued to a CDC Scheme Actuary.
- There has been some further minor re-wording of certain definitions to reference CDC Scheme Actuaries where appropriate.

Appendix 1: Matters to be covered in written agreement with Trustees

- Where existing reference is made to a Scheme Actuary within Appendix 1, reference to a CDC Scheme Actuary has also been added.
- A number of amendments have been made to sections 2 and 3 of Appendix 1 to include additional events which a CDC Scheme Actuary ought to ensure they are advised of through written agreement with the Trustees. The following additions have been made:
 - Section 2.3.2 - communications relevant to the adjustment to the rate or amount of benefits provided under a collective money purchase scheme, and any direction under section 23 (2) of the Pension Schemes Act 2021.
 - Section 2.3.3 - copies of any relevant communications with Scheme members
 - Section 3.1 - a decision or warning notice from the Pensions Regulator to withdraw the Scheme's authorisation.
 - Section 3.4 - a triggering event in relation to an employer (as defined in section 31(1) of the Pension Schemes Act 2021).
 - Section 3.7 – 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).

- Section 3.8 – non-payment of the employer’s and/or employees’ contributions stated in the most recent Schedule of Contributions, or required under the Scheme rules.

Guidance

16. Given the relatively slow pace at which additional CDC schemes are expected to be created, it is not proposed to introduce further guidance to support the requirements at the moment. However, we will review this again in 6 months and will also consider any developments by the FRC in relation to technical standards.

Interim arrangements

17. The only CDC pension scheme design published so far and announced as preparing for launch is that of the Royal Mail.
18. The Executive team has identified the Member appointed to act as Scheme Actuary to the Royal Mail scheme and is in discussion with them to implement the voluntary arrangements approved by the Board last year. Those are that any Member carrying out the role of CDC Scheme Actuary during the interim period i) should hold a current Scheme Actuary PC and ii) will be expected to agree with the IFoA the specific responsibilities and undertakings relevant to the CDC role they are carrying out.

FRC

19. The FRC, as part of the post-implementation review of its Technical Actuarial Standards (TASs), is currently considering whether there is a need to introduce provisions in TAS 300 (Pensions) which are specific to CDC pension schemes. Such provisions, if introduced, could sit alongside the existing provisions within TAS 300 on scheme funding and financing.
20. The Board is being consulted separately on the FRC’s Call for Feedback on the review of its specific TASs (including TAS 300).
21. The proposals will be shared with the FRC’s oversight team for comment and any significant comments or issues will be shared with the board.

Consultation Paper

22. A consultation paper is being drafted and will set out the proposals and provide copies of the draft revised APS P1, PC Scheme and CDC Scheme Actuary competency framework. The consultation paper can be made available to the Board, for information on request, once available.
23. The proposals have been shared with the Pensions Standards and Consultation Committee which has an interest in reviewing them before consultation. We are awaiting any comments from them and will come back to the Board if there are any significant issues or proposed changes raised.

D: NEXT STEPS

24. The introduction of a CDC Scheme Actuary PC and the changes to APS P1 will require a full public consultation to be carried out, in line with the IFoA's Standards Approval Process. This will be open for three months.

25. The current proposed timescales for the consultation and implementation of the proposals is set out below:

	Description	Deadline
Preparation for consultation	<ul style="list-style-type: none">• Preparation for the consultation going live, including developing a communications plan, updates to website and advance notice to external stakeholders	Mid July 2022
Consultation opens	<ul style="list-style-type: none">• Launch consultation• Consultation to run for 3 months	Mid July 2022
Review consultation feedback	<ul style="list-style-type: none">• Working Party meeting to discuss consultation feedback and agree any changes to the proposals.• Executive to draft consultation feedback document.• Final proposals to Regulation Board for approval• Exec to conduct preparations for publication of revised APS P1.	October 2022
Final proposals published	<ul style="list-style-type: none">• Revised APS P1, PC Scheme and competency framework published early Nov.• Revised APS P1 and PC Scheme take effect 1 Dec 2022	Nov - Dec 2022

E: DECISION

26. The Board is asked to approve proposals to consult on:

- i) a new CDC Scheme Actuary PC for Members appointed as Scheme Actuary to a CDC Pension Scheme;
- ii) a revised PC Scheme to reflect the requirements for a new CDC Scheme Actuary PC;
- iii) a revised APS P1 (version 4.0).

F: APPENDICES

Appendix 1: Proposed competency framework for a CDC Scheme Actuary PC

Appendix 2: Proposed revised PC Scheme

Appendix 3: Proposed revised APS P1 (version 4.0)