



Institute  
and Faculty  
of Actuaries

# Summary of consultation responses

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

by the Regulatory Board

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# Foreword

## Neil Buckley, Chair of Regulatory Board



I am delighted to introduce this summary of the feedback received in response to the Institute and Faculty of Actuaries (IFoA's) consultation on changes to the Regulatory Framework to reflect Collective Defined Contribution (CDC) pension schemes.

The consultation, which was issued in July, proposed the introduction of a new CDC Scheme Actuary Practising Certificate (PC) for Members providing advice to Trustees of CDC pension schemes.

It also proposed changes to Actuarial Profession Standard (APS) P1: Duties and responsibilities of Members undertaking work in relation to pension schemes, to extend existing pensions specific ethical and professional obligations to Members providing advice to Trustees of CDC pension schemes and introduce some specific obligations for CDC Scheme Actuaries.

We received six responses to the consultation, the majority of which indicated support for the changes proposed.

The CDC Working Party has now carried out its analysis of the responses and has presented its further recommendations to the Regulatory Board.

This feedback paper sets out the results of the consultation, including (1) a summary of the responses and (2) the conclusions reached in light of those responses. It also contains the final versions of the revised PC Scheme, new CDC Scheme Actuary Competency Framework and revised APS P1 v.4.0, as approved by the Regulatory Board.

We are extremely grateful for the care and attention shown by all respondents in preparing their comments and I hope you will find this summary of the feedback received both useful and informative.

Responses are published in full save, as is our normal practice, where a respondent has requested confidentiality.

Thank you for your interest.

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

**Neil Buckley**

Chair of Regulatory Board

# 1. Overview

- 1.1 The IFoA is grateful for all the responses to the consultation.
- 1.2 The consultation proposed, in summary, the following changes:

- The introduction of a new CDC Scheme Actuary PC for Members providing advice to Trustees of CDC pension schemes.
- Changes to the newly published PC Scheme to reflect a new requirement for a CDC Scheme Actuary PC and introduce a new 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.

- 1.3 The responses to the consultation indicated broad support for the proposals set out. The Regulatory Board has approved a few minor changes to the CDC Scheme Actuary competency framework as a result of the feedback.
- 1.4 The revised PC Scheme and APS P1 (version 4.0) will come into effect on 1 March 2023. At the same time, the previous version of the PC Scheme and APS P1 (version 3.0) will be withdrawn.

## 2. Consultation process

- 2.1 The consultation ran from 25 July 2022 until 24 October 2022. Members and other interested parties were invited to comment on the proposals via an online questionnaire (which was also available to download and submit via email or in hard copy), or by way of a written response to the IFoA.
- 2.2 The consultation was promoted in the Actuary Magazine, the IFoA's Regulatory Newsletter, General Newsletter and through social media.
- 2.3 We received six responses to the consultation. Three of the responses were individual responses, one was an organisational response, and two were joint personal and organisations' viewpoints.
- 2.4 We also received feedback prior to the consultation going live from the Financial Reporting Council

(FRC), which provided some commentary from an actuarial policy perspective.

- 2.5 The names of those who responded to the consultation are included in **Appendix 1**.
- 2.6 The detailed responses to the consultation are set out in **Appendix 2**.

## 3. Consultation responses

### CDC Scheme Actuary PC

- 3.1 Respondents were asked whether they agreed with the proposal to introduce a requirement for a new CDC Scheme Actuary PC.
- 3.2 Four respondents agreed with this proposal. While three respondents said that they thought there was overlap between the CDC Scheme Actuary and the Scheme Actuary to a DB pension scheme, only one of these respondents thought that this overlap would render the CDC Scheme Actuary PC unnecessary. This demonstrates broad support for the creation of a separate CDC Scheme Actuary PC.
- 3.3 Respondents were asked whether the competencies contained in the draft competency framework for the new CDC Scheme Actuary PC were relevant and appropriate.
- 3.4 All respondents agreed that the proposed competencies were relevant and appropriate.
- 3.5 One respondent said they felt that some of the provisions within the draft CDC Scheme Actuary competency framework could be deleted, particularly if the consultation feedback recommended expanding the framework to focus more on the core nature of the CDC role rather than building on the Scheme Actuary competency framework.
- 3.6 The Working Party reflected on this point but did not consider it appropriate to delete any of the provisions under the proposed competency framework.
- 3.7 Another respondent suggested that the third bullet under the 'Professionalism' competency in the draft competency framework be amended, to include situations where CDC Scheme Actuaries come under cross-examination by parliamentary committees or similar. This has been reflected in the final competency framework.
- 3.8 It was also suggested by a respondent that the fourth bullet point under the 'technical skills' competency might be extended to cover

“calculating benefit adjustments and accrual rates”, to cover work that might be involved in new CDC schemes in future. The Working Party however did not consider it appropriate to include this change, as this is not something currently expected of actuaries under existing CDC legislation. Should any such provision be introduced in future regulations, the competency framework will be amended, as necessary.

- 3.9 The changes suggested by the FRC included the addition of modelling outputs to the competency framework. This suggestion has been adopted and is reflected in the final competency framework.

### **Revised APS P1**

- 3.10 Respondents were asked whether they felt that the proposed changes to APS P1 were relevant and appropriate.
- 3.11 Most respondents agreed that they were and there were no comments that gave the Working Party reason to reconsider these proposals.
- 3.12 One respondent said they thought that CDC schemes ought to be referred to as Collective Money Purchase (CMP) schemes within the APS. The Working Party noted that, while the legislative definition of CDC schemes is CMP, these schemes are commonly known throughout the pensions industry as “CDC” schemes. As such, the Working Party does not envisage confusion by actuaries or their employers. The Working Party also took the view that APS P1 and the PC Scheme are clearly linked to the correct legislative provisions so there should be no issues in terms of enforcement.

### **Training and guidance**

- 3.13 Respondents were asked whether it would be helpful to have any guidance and/or training opportunities in relation to the new requirements or CDC schemes more generally.
- 3.14 Five respondents felt further guidance would be appropriate in this area, however it was also suggested that any training/guidance might wait until more CDC schemes are available or under development.
- 3.15 Consideration has been given to whether there ought to be any new guidance developed (technical and/or ethical) for actuaries carrying out work in this area and also whether any existing guidance could be amended to incorporate CDC schemes, for example the Guide to the Actuaries’ Code.

- 3.16 The Regulatory Board has determined 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.
- 3.17 The existing guidance in place to support Members working in the area of pensions (for example the guidance to the Actuaries’ Code, particularly those sections on conflicts and speaking up) is as relevant and applicable to CDC Scheme Actuaries as they are to Scheme Actuaries advising DB schemes.
- 3.18 The need for and methods by which training and guidance on CDC schemes might be shared in future as more CDC schemes are created will be kept under review.
- 3.19 Respondents were also asked to consider whether there would be any practical or resource implications caused by the introduction of these proposals. Three respondents felt that there would not be.
- 3.20 One respondent suggested that it should be made possible to record events that are relevant to either a Scheme Actuary or CDC Scheme Actuary role as meeting CPD requirements for both. The Working Party noted that the IFoA’s new CPD Scheme already allows for a wider range of activities to count towards a Member’s CPD requirements.
- 3.21 Another respondent said that acting as a Scheme Actuary to a large DB scheme would be a helpful background for many of the issues relevant to a CDC scheme. Therefore, the introduction of the proposals was unlikely to cause many resource implications.
- 3.22 Respondents were asked if they had any other comments or suggestions in relation to the proposals. Two comments were received. One respondent said they felt the new proposals ought to be implemented as soon as possible, particularly as the new legislative provisions had been in force since August. Another said they would like to see the commonality with DB Scheme Actuaries recognised.

## **4. Final changes**

- 4.1 The Working Party considered all the comments and suggestions provided during the consultation process and finalised its proposals in light of that

feedback. The final changes, as approved by the Regulatory Board, are set out below:

<b>1</b>	Competency framework extended to include parliamentary scrutiny.	The proposed CDC Scheme Actuary competency framework has been amended in light of the consultation feedback. The third bullet point under the 'Professionalism' competency (relating to an actuary's ability to 'stand behind' their work) has been extended to cover parliamentary scrutiny.
<b>2</b>	Competency framework extended to include modelling outputs.	The second bullet point under the 'Communication' competency has been amended to include communicating modelling output specific to CDC and the third bullet under the 'Knowledge, Awareness and Understanding' competency has also been amended to include reference to modelling work.

- 5.3 Members are welcome to contact [regulation@actuaries.org.uk](mailto:regulation@actuaries.org.uk) should they have any queries or concerns regarding these documents.
- 5.4 We thank you again for your interest in this consultation.

- 4.2 The final new competency framework for the CDC Scheme Actuary PC, reflecting the above changes, is included in **Appendix 3**.
- 4.3 The revised PC Scheme, amended to reflect the new requirement for a CDC Scheme Actuary PC, is included in **Appendix 4**. This is unchanged from the version consulted upon.
- 4.4 The final revised APS P1 (v 4.0) is included in **Appendix 5**. This is unchanged from the version consulted upon.

## 5. Next steps

- 5.1 A three-month period of implementation will be allowed before the revised PC Scheme and APS P1 (version 4.0) come into force, to allow Members time to familiarise themselves with the new requirements.
- 5.2 The new requirements will take effect on 1 March 2023. At the same time, the previous version of the PC Scheme and APS P1 (version 3.0) will be withdrawn.

# Appendix 1 - List of respondents to the consultation

Below are the names of individuals and organisations who responded to the consultation who agreed for their names to be disclosed as part of the consultation process.

## **Individuals**

David Turner

Mark Rowlinson

Stephen Humphrey

## **Organisations**

Aon

Association of Consulting Actuaries (ACA)

Government Actuary's Department

The Pensions Regulator

Willis Towers Watson

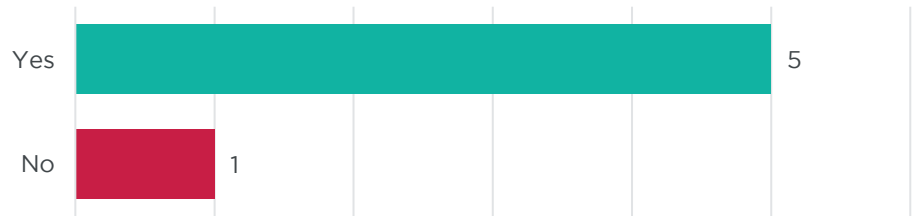
# Appendix 2 - Responses to the consultation

## Responses by number

The responses to the consultation questionnaire are set out in the charts below. Questions which required only free text, rather than options from which to choose, have not been included.

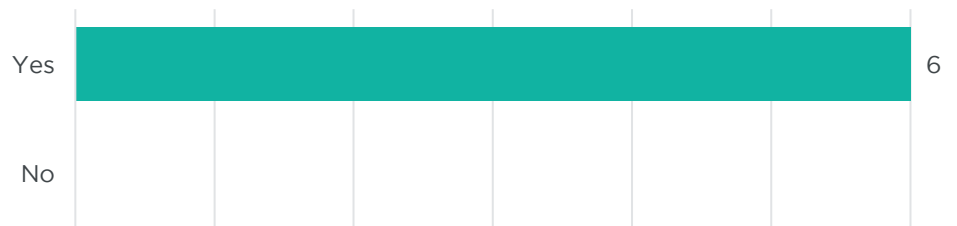
### Question 1

Do you agree with the proposal to introduce a requirement for a new CDC Scheme Actuary Practising Certificate (PC)?



### Question 2

Overall, do you think that the competencies contained in the draft competency framework for the new CDC Scheme Actuary PC are relevant and appropriate?



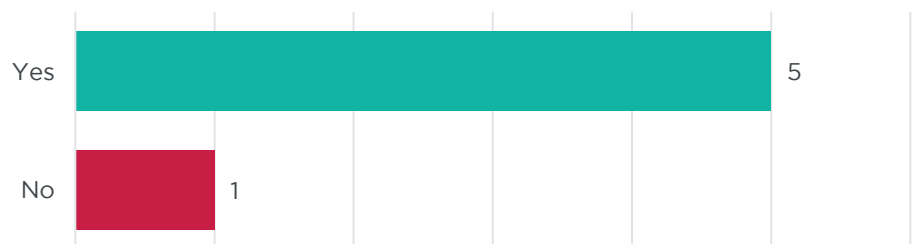
### Question 3

Overall, do you think that the changes in the revised Actuarial Profession Standard (APS) P1 are relevant and appropriate?



### Question 4

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?



### Question 5

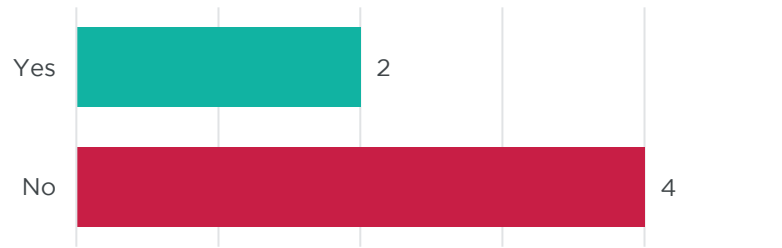
Do you anticipate there will be any practical or resource implications caused by the introduction of these proposals?





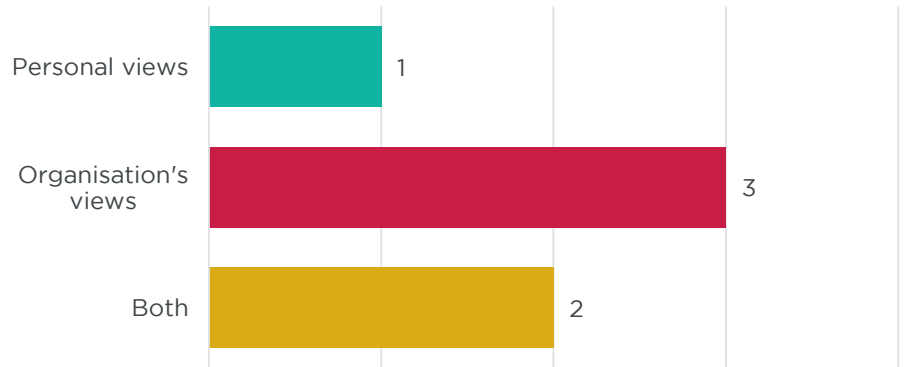
### Question 6

Do you have any other comments or suggestions in relation to the proposals?



### Question 7

Do these comments represent your own personal views or your organisation's views?



### Question 13

Region<sup>1</sup>

All six respondent were from the UK.

### Question 14

Are you a member of the IFoA?

All three responses representing personal views were from IFoA members

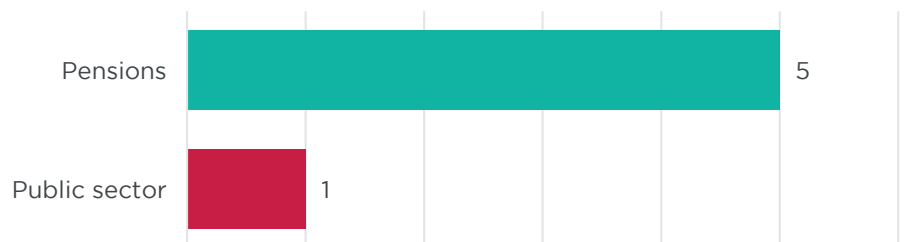
### Question 15

If yes, which category of Membership do you hold?

All three responses representing personal views were from IFoA Fellows

### Question 16

If you are an actuary, what is your main practice area? (Answer one option only)<sup>2</sup>



<sup>1</sup> Canada, China, India, Ireland, South Africa, Africa (other), Asia (other), Central or South America, Europe (non-UK), and Oceania were also offered as options but were not selected by any respondents. Except for Europe (non-UK), Ireland, South Africa, and Oceania which were selected in cases where there were multiple location (including the UK).

<sup>2</sup> General Insurance (GI) and Health and Care were given as options, but not selected by any respondents.

## Respondents' comments

Where the individual or organisation responding to the consultation agreed for their response to be published, their additional comments to each question have been included below. If an individual or organisation wanted their responses to remain confidential, no entry appears.

### Question 1

Do you agree with the proposal to introduce a requirement for a new CDC Scheme Actuary Practising Certificate (PC)?

#### Yes

For the reasons set out in paragraphs 2.2 and 2.3 of the consultation document

"When considering whether there should be a new CDC Scheme Actuary Practising Certificate, we have considered whether the requirements for a CDC Scheme Actuary are sufficiently different to that for an existing Pension Scheme Actuary to warrant a new regime. Our conclusion is that, although there are many similarities to DB schemes, especially with DB schemes giving discretionary increases, the difference in CDC law and underlying principles does require sufficiently different skills and technical knowledge to undertake the role and so a separate certificate is appropriate. However, we note that there will be significant overlap in the required skillsets for a CDC Scheme Actuary and a (DB) Pension Scheme Actuary, and some limited overlap with a With Profits Actuary. We would expect that CDC Scheme Actuaries would typically also do DB work and so would need to hold both. Therefore, we suggest that Practising Certificate applications and ongoing CPD requirements allow for this where appropriate. For example, some CPD might be relevant to both certificates and so could be counted against both CPD requirements. Nevertheless, based on our work on CDC at WTW, we note that there are some areas of technical work which will be more consequential in a CDC scheme than in the current DB environment. The following come to the fore: - stochastic modelling of investment returns and how investment volatility could impact the benefit adjustments; communication of this - setting purchase/accrual rates - whilst not in current legislation, it is likely that some multi-employer/mastertrust scheme designs will want to allow for member-specific accrual rates (or purchase terms in the case of decumulation-only)."

A CDC scheme actuary will take decisions that directly impact members benefits and, although there are similarities with the issues facing DB scheme actuaries, there are also important differences, justifying a separate PC regime.

The role of Scheme Actuary to a CDC scheme (CDC SA) is sufficiently different to a DB Scheme Actuary (DB SA) that we agree with the proposal to create a separate Practising Certificate. This is potentially a challenging new role for actuaries, which warrants suitable support and regulation by the IFoA.

The level of overlap with Scheme Actuary certificates is too high and it is likely that most if not all CDC scheme actuaries will also be DB scheme actuaries. The competencies have a high level of overlap and it would make much more sense for scheme actuaries to complete their form to cover both roles if required. This may take the form of a simple professional duty to ensure appropriate technical skills to their role (the form already having "those areas might include but aren't limited to") or it could distinguish between the roles with a tick box to determine of looking to have both or one of the roles.

The role requires different technical knowledge and experience compared with conventional Scheme Actuary PC. An important difference is that a CDC scheme actuary will take decisions that directly impact members benefits.

## Question 2

Overall, do you think that the competencies contained in the draft competency framework for the new CDC Scheme Actuary PC are relevant and appropriate?

### Yes

Very broadly, we agree that the competencies contained in the draft competency framework are relevant and appropriate.

The changes to the competencies for DB scheme actuaries reflect the differing nature of the two roles. Given the nature of CDC schemes, a CDC Scheme Actuary might be more likely to come under cross-examination by parliamentary committees (or similar) than a typical DB Scheme Actuary. Under 'Professionalism', we suggest you extend the third bullet to cover these circumstances. On a point of detail, we suggest that the fourth bullet under 'technical skills' might be extended to cover "Calculating benefit adjustments and accrual rates" to cover work that might be involved on new CDC schemes in future.

The changes to the competencies for DB scheme actuaries are appropriate, reflecting the differing nature of the two roles. The competences of CDC SAs (quite sensibly) overlap with those of regular SAs. It might be appropriate to highlight the differing competencies in the table (or to note in the body of the PC scheme that there is such overlap), so that if a regular SA is considering applying for a CDC SA certificate they can see and assess what extra competencies they need.

A CDC Scheme Actuary might be more likely to come under cross-examination by parliamentary committees (or similar) than a typical DB Scheme Actuary. Under 'Professionalism', the third bullet should cover these circumstances.

The fourth bullet under 'technical skills' might be extended to cover "Calculating benefit adjustments and accrual rates" to cover work that might be involved on new CDC schemes in future. As an aside, the wording in the PC scheme then looks a bit 'loose' when it just refers to someone who 'holds a current practising certificate'. Clearly the intention is that someone who is a SA must meet the relevant requirements for renewing that SA certificate, and that someone who is a CDC SA then has to meet the relevant requirements for renewing that CDC SA certificate. But at least in the short term there are bound to be some who are regular SAs but then also apply for a CDC SA certificate

We are largely content with the proposed framework but have a few comments for consideration. We note that whilst the two competency frameworks are substantially similar, there are important differences which the IFoA has recognised in its proposals. It is not clear from the consultation who will be assessing CDC SA applications. We assume, following the model set out in paragraph 19.2 of the new Practising Certificate handbook, that a new Practising Certificates Committee (PCC) panel will be convened specially for CDC applications. It would be helpful to understand more about how this panel will be constituted and appointed, given the profession's lack of experience in this new area. We look forward to hearing more from the IFoA in due course. CDC SAs will have direct influence over member benefits. This is a significant shift from the responsibilities of a DB SA, which principally relate to budgeting. Given this, and the additional scrutiny we anticipate will be applied to CDC SAs' work, perhaps CDC SAs should have more weighting applied to this competency, to reflect the increased significance of professionalism to their role? The second bullet in the 'Knowledge, Awareness and Understanding' for both Scheme Actuary roles talks about 'legal and regulatory requirements relevant to UK pensions'. You may wish to refine this to be more specific to DB and CDC practice areas. We also noted that nothing has been deleted from the DB SA framework to create the CDC SA framework - text has either been amended or added. The provisions all seem relevant and the overall framework remains proportionate at this stage. We would, however, challenge the IFoA to consider if there are any provisions that can be deleted, particularly if consultation feedback suggests expanding the competency framework further. It may become important to focus on the pertinent features of CDC role rather than simply building on the DB role.

### Question 3

Overall, do you think that the changes in the revised Actuarial Profession Standard (APS) P1 are relevant and appropriate?

#### Yes

The changes are required to reflect the points made in paragraph 2.14 of the consultation document

We do have one detailed comment on Appendix 1 of APS1. In paragraph 2.3.2, we suggest that the reference to “the adjustment to the rate or amount of benefits provided” should be extended to include “the calculation of accrual rates”.

These mimic in style for example the existing separate identification of issues that are relevant to a scheme actuary (which is correct as a CDC SA will have a statutory role).

In Appendix 1 of APS1, paragraph 2.3.2, we suggest that the reference to “the adjustment to the rate or amount of benefits provided” should be extended to include “the calculation of accrual rates”

As for the previous question, we are broadly content with the proposals, but would like to raise a few points for discussion: In the interests of clarity, should ‘Scheme Actuary’ be redefined as ‘DB Scheme Actuary’? We feel this terminology would provide more consistency between the definitions of (DB) Scheme Actuary and CDC Scheme Actuary and might be easier to understand for readers who are not familiar with the historic standard. If you envisage a future pensions environment where CDC becomes more prevalent than DB, retaining the unadjusted moniker ‘Scheme Actuary’ for DB schemes seems unnecessarily backward-looking. Otherwise, the changes look reasonable given the drafting style of the current standard. APS P1 is already a long standard, made longer by so many (non-abbreviated) references to defined roles, such as Equivalent Scheme Actuary and Other Actuarial Advisers as well as Scheme Actuary. Whilst we appreciate the need for clarity, the density of the standard (due, in part, to the number of defined roles mentioned) does make it hard to follow at times. The addition of the words ‘CDC Scheme Actuary’ everywhere Scheme Actuary is mentioned only aggravates this further. We would support moves to make APS P1 easier to read but appreciate that the current consultation is not proposing to re-visit the drafting of a recently reviewed standard. A more general point to note (which applies to both the competency framework and the standard) is that CDC schemes are referred to in legislation as ‘Collective Money Purchase’ (CMP) schemes. We note that you’ve referenced CMP in APS P1 and we are aware that ‘CDC’ terminology is being more commonly used across the pensions industry. It is unfortunate that the legislative terminology differs from industry practice and the IFOA may wish to further reflect on its role in promoting clarity and understanding of this new type of pension scheme.

#### Question 4

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?

#### Yes

CDC schemes are new and currently knowledge and understanding is concentrated in the minds of only a few Actuaries. The guidance/training should cover: 1. What is a CDC scheme/benefit? 2. The legislative requirements 3. The role of the CDC Scheme Actuary in relation to Soundness, including the requirement to produce a Viability Certificate 4. Potential future developments

"There have already been a number of presentations given by the IFoA CDC Working Party, or at ACA conferences, which have provided some initial training. Now that CDC is a new practice area we believe that the level of further guidance and/or training opportunities will depend on how the CDC market develops and the resulting extent of CDC work being carried out by the profession. As such, we would expect this to be under regular review over the coming years. Some thoughts: -At the start, we would not expect significant numbers of Fellows to apply for the CDC Practising Certificate. To help ensure good expertise in this new area, it may be appropriate for CDC scheme actuary PC holders to have reflective practice discussions with other CDC scheme actuary PC holders. - It may be that a Fellow who applies for the CDC Practising Certificate is the only such person in their firm. It may be appropriate for the IFoA to facilitate a knowledge sharing system where this PC holder can share questions with other experts within the IFoA. -Further public speaking from those working in CDC would seem useful, to help others gain CPD and increase awareness of CDC issues in the profession. Alternatively, the IFoA could organise regular "round-table" discussions on CDC hot topics aimed at those who hold, or want to hold, the CDC scheme actuary PC, to help members gain the required number of CDC-specific technical CPD hours (see our suggestion in the next question). At the moment, limited take-up may mean it's not proportionate to introduce widespread training beyond the above. Further along, it may be appropriate to consider whether to extend the amount of CDC material included in the actuarial exams, particularly ST4 and SA4. We note that the IFoA has not to date issued guidance to actuaries on CDC. From our work on CDC at WTW, we have not so far considered that guidance would be essential. We note that tPR's CDC Code of Practice provides extensive guidance, mainly aimed at trustees, but also of use to actuaries considering CDC design viability. If we identify an area where guidance is needed, we will raise this with the IFoA through our roles on the CDC working groups or otherwise."

"As this is a new and evolving area it will be important for actuaries to learn from each other's early experiences. Learning about CDC schemes (and the relevant regulatory requirements) will be important to ensure: • CDC SAs and potential CDC SA applicants are able to access relevant CPD opportunities (technical learning related to more traditional DB schemes will not necessarily be relevant) • actuaries are sufficiently well-informed to advise clients who may be considering CDC • there is sufficient awareness to prioritise compliance with professional standards We believe training resources will be more important than guidance, but all options should be considered as this new area develops. We see a role for the IFoA in helping to provide training resources, particularly as commercial considerations might prevent consultancies from being too forthcoming with their experience. We hope the IFoA might be able to help facilitate greater sharing of information in this regard. In terms of what this should include, training should perhaps initially cover the more technical aspects of CDC schemes to improve awareness of the legislative framework and how schemes will function. There is then likely to be a need for sessions focusing more on professional skills, to support the CDC SA's more prominent role in influencing member benefits. "

Tailored training opportunities are generally useful at the time of introduction, and thereafter but there would be a small pool of attendees. Guidance is useful if it is prepared as additional explanation where this may be needed, rather than setting out additional conditions.

## No

Guidance might be helpful in due course on certain issues, but we agree with your suggestion that it is not necessary at the outset. Looking further ahead, guidance is likely to be more appropriate than training opportunities for CDC scheme actuaries, as the small number of CDC schemes is likely to mean that training events would be poorly attended.

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## Question 5

Do you anticipate there will be any practical or resource implications caused by the introduction of these proposals?

### Yes

It may be difficult initially to set up a UK Practice Module, if there are a limited number of experts in the field, without them 'marking their own homework'. As CDC is a new field for UK actuaries, it is especially important that CDC PC holders have sufficient CPD on CDC topics. As noted earlier, we would expect relatively few CDC PC holders, but that those who do hold one are actively involved in CDC and so should have good opportunities to gain CDC-specific CPD hours from industry debates with other professionals on topics relevant to CDC. We would suggest that for CDC PC holders who also have (DB) SA PCs or WP PCs, to ensure CPD requirements are manageable, it should be possible to record events that are relevant to both roles as meeting CPD requirements for both. For example, of the 30 hours of DB-relevant CPD, 20 might also be relevant to CDC. But to ensure sufficient CDC-specific expertise, we suggest a requirement that a minimum number of technical CPD hours are explicitly relevant to CDC, for example 10 per year, are on CDC-specific topics, rather than general topics affecting management of many kinds of pensions.

There are bound to be practical and resource implications when adapting to change. Based on the proposals in this consultation, we do not believe these implications will be unreasonable for firms to adopt. Ultimately engagement is voluntary for actuarial consultancies. We would be interested to learn more about how the IFoA plans to fund work in this area and whether that has further implications for firms (whether actively involved in CDC work or not). Initial IFoA support may be critical to ensuring a well-functioning market for CDC SA advice. We assume the certificate will cost the same as other PCs (currently £910). Will interested firms be called upon to help finance training in what may well be, at least initially, a niche practice area? Will commonalities between the CDC SA and DB SA certificates enable any cost-savings to be realised? We do not anticipate problems, but it is difficult to comment on cost implications without further insight into the IFoA's plans.

### No

At present there are very few CDC schemes, and prospective CDC scheme actuaries will not have direct experience of advising similar schemes. However, acting as a DB scheme actuary to large DB schemes will be a helpful background for many of the issues involved. Also paragraph 5.3 of the consultation confirms there will be a transitional period.

Clearly, as CDC schemes are new the CDC scheme actuaries will not have direct experience of advising similar schemes. However, acting as a DB scheme actuary to large DB schemes will be a helpful background for many of the issues involved. Given the small number of CDC schemes anticipated initially, there are unlikely to be immediate resourcing implications.

## Question 6

Do you have any other comments or suggestions in relation to the proposals?

### Yes

We strongly support implementation of the new PC regime as soon as possible, given CDC schemes will need actuarial support in order to apply for authorisation and the new legislative provisions have been in force since August.

### No

No other than that the new PC regime should be introduced as soon as possible, given the new legislative provisions have been in force since August.

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## Appendix 3 – CDC PC competency framework

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

# Appendix 4 – Revised PC Scheme



Institute  
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## Practising Certificates (PC) Scheme

**Version:** 4.1, effective from 1 March 2023

**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.

<b>Term</b>	<b>Definition</b>
<b>Actuaries' Code</b>	The ethical professional code for Members issued by the IFoA.
<b>Annual Renewal</b>	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.
<b>APS</b>	Actuarial Profession Standard issued by the IFoA.
<b>Appropriate Actuary</b>	An actuary appointed by a Friendly Society in accordance with Non-Solvency II firms. Further defined in APS L1.
<b>CDC Scheme Actuary</b>	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.
<b>CPD Scheme</b>	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.
<b>Chief Actuary – Life and Non-Life</b>	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.
<b>Competency Framework</b>	A framework published by the IFoA setting out the required competencies for a role for which a Practising Certificate is required.
<b>Conditional Practising Certificate</b>	A Practising Certificate to which the IFoA has attached conditions requiring the Practising Certificate Holder to take certain steps within specific time limits.
<b>Fellow</b>	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.
<b>IFoA</b>	The Institute and Faculty of Actuaries.
<b>IFoA's Disciplinary Scheme</b>	The currently in force Disciplinary Scheme of the Institute and Faculty of Actuaries, as may be amended from time to time.
<b>Initial Application</b>	An application to obtain a Practising Certificate by someone who does not currently hold one.
<b>Lloyd's Syndicate Actuary</b>	The Actuary providing an Actuarial Opinion for a Lloyd's Syndicate.

<b>Member</b>	A member of the IFoA of any category.
<b>Practising Certificate</b>	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.
<b>PC CPD activities</b>	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.
<b>PC Handbook</b>	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.
<b>Full Renewal Application</b>	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.
<b>Reviewing Actuary</b>	An actuary independent of a life insurance company or Friendly Society who is acting as an auditor's expert. Further defined in APS L1.
<b>Scheme Actuary</b>	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.
<b>Small Insurer Chief Actuary</b>	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.
<b>QAS CPD Scheme</b>	The outcomes-focused CPD scheme available to organisations accredited under the Quality Assurance Scheme.
<b>With Profits Actuary</b>	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 1**

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



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

**Version:** 4.0, effective 1 March 2023

**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 they believe 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

<b>Term</b>	<b>Definition</b>
<b>Actuaries' Code</b>	The ethical professional code for Members issued by the Institute and Faculty of Actuaries.
<b>APS</b>	Actuarial Profession Standard.
<b>Advice</b>	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.
<b>CDC Scheme Actuary</b>	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.
<b>Conflict Management Plan</b>	A written plan that is agreed between the Trustees, Employer and Scheme Actuary, CDC Scheme Actuary, 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.
<b>Employer</b>	Any entity which participates in a pension scheme or is associated with such an entity.
<b>Employer Adviser</b>	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, CDC Scheme Actuary, 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 to be read as applicable to each Employer Adviser in the Firm.
<b>Equivalent Scheme Actuary</b>	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 scheme.

**Regulator**

The Pensions Regulator as defined in Section 1 of the Pensions Act 2004.

<b>Relevant Scheme</b>	A pension scheme in relation to which a Scheme Actuary or <b>CDC Scheme Actuary</b> is, or requires to be, appointed.
<b>Scheme</b>	A pension scheme of any sort.
<b>Scheme Actuary</b>	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.
<b>Trustees</b>	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;
- 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**;

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

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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