



Institute
and Faculty
of Actuaries

Guidance on transition from APS P2 to APS X2 requirements



By the Regulation Board

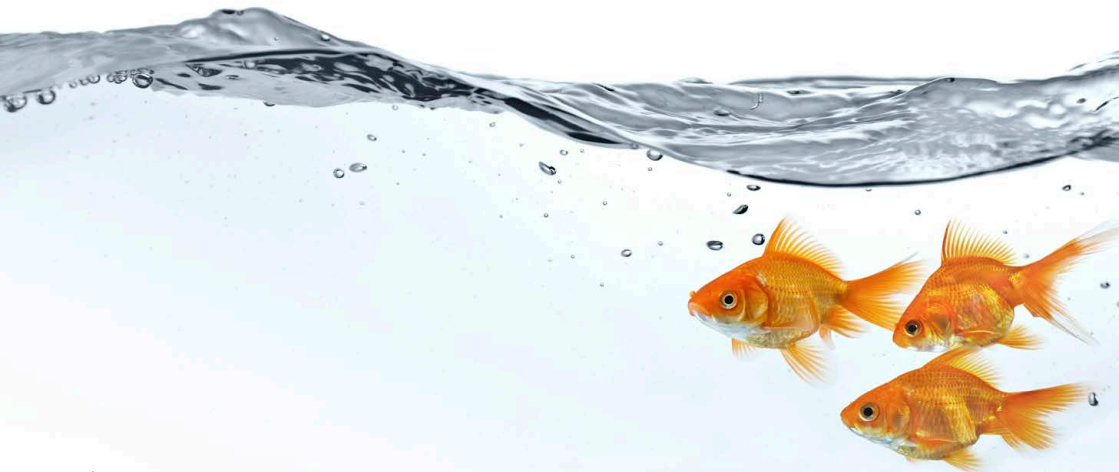
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Introduction

This guidance is intended to assist members who currently fall within the scope of APS P2: Compliance Review - Pensions in understanding the new requirements under APS X2: Review of Actuarial Work and in managing the transition from applying review processes under APS P2 to complying with the requirements imposed by APS X2.

It should be read in conjunction with the Guidance on APS X2¹: Review of Actuarial Work and APS X2² itself.

Members should note that this guidance imposes no obligations over and above those embodied in any Actuarial Profession Standard (APS). The guide does not constitute legal advice, nor does it necessarily provide a defence to allegations of misconduct. While care has been taken to ensure that it is accurate, up to date and useful, the IFoA will not accept any legal liability in relation to its contents.



¹ www.actuaries.org.uk/research-and-resources/documents/guidance-aps-x2-review-actuarial-work

² www.actuaries.org.uk/research-and-resources/documents/aps-x2-review-actuarial-work

Guidance in relation to transition from APS P2 regime to new APS X2 provisions

1. The IFoA's new mandatory standard APS X2 will introduce cross practice, principles-based requirements in relation to review of actuarial work. In connection with this, the specific requirements for review imposed upon members carrying out scheme actuary work and set out in APS P2³ will be withdrawn. The result will be a single set of requirements relating to review that apply to all members, regardless of their practice area.
2. For those members currently carrying out work that falls within the scope of APS P2, the IFoA recognises that this might require some adjustment, particularly as there is a shift from quite prescriptive rules in APS P2 about the review processes that should apply to a tightly-defined list of work, to an approach in APS X2 that places the onus on members to use their professional judgement to determine whether a review process should be applied and, if so, the form that review should take.
3. For the majority of members carrying out work that currently falls within the work covered by APS P2, we expect the processes that they have in place will already be adequate in terms of meeting APS X2 requirements. Some change in approach may however be needed by scheme actuaries who do not already have a process for considering whether an 'independent' reviewer should be used, as well as for members who have relied on 'Type 2 review' under APS P2.
4. In terms of the practical impact of the changes upon those members currently applying a review process under APS P2, we do not anticipate that there will normally be significant changes in terms of the amount of review applied to that type of work. However there are a number of differences between the two sets of requirements that are important to note.

³ www.actuaries.org.uk/research-and-resources/documents/aps-p2-compliance-review-pensions-version-11

5. The most significant change is that APS X2 introduces a principles-based set of requirements (compared to the rules-based approach of APS P2) and that there is no longer a list of specific pieces of work to which a review process must (or should) be applied. Members therefore have a greater degree of flexibility, and responsibility, in terms of determining whether a review process is appropriate and proportionate and as to the form that such a review should take.
6. There may be smaller items of work within the current scope of the APS P2 requirements where the member is currently required to apply a process which is disproportionate and not appropriate in the circumstances (for example, statutory certifications are sometimes requested in circumstances where there has been no material change). Applying the principles of APS X2 should mean that in such cases the member is given the flexibility to apply a less comprehensive (but more appropriate and proportionate) review process than currently prescribed by APS P2.
7. APS X2 specifically requires members to consider, in particular, whether review should take the form of 'independent peer review' and, if so, provides that they should apply an independent peer review process to the extent appropriate and proportionate. While it is not anticipated that the majority of scheme actuary work would fall into this category, this potentially more comprehensive form of review might be considered appropriate (for example) for work that is particularly complicated or of particularly substantial financial consequence. Therefore, where a scheme actuary invariably (or almost invariably) uses a reviewer who, although a proper 'peer', has already been involved in the production of the work, he or she will in future need to consider in what circumstances it might be appropriate to use an 'independent' reviewer (i.e. someone not otherwise involved in the work).

8. APS X2 provides that review should be undertaken at a time when it is capable of influencing the conclusions and outputs of the work and that a member must be able to justify the approach taken to review when called upon to do so. These new provisions impose additional requirements to those under APS P2 so members who currently carry out review processes in terms of APS P2 will need to ensure that these additional requirements are met. In particular, a 'Type 2 review' under APS P2 will not in general meet the requirements of APS X2; however, this does not necessarily mean that a scheme actuary will in future be unable to use some combination of a pre-release review (at a level appropriate and proportionate to comply with APS X2) and a post-release review designed to provide further quality assurance.
9. The provisions in APS P2 relating to who can carry out a review process were quite prescriptive and the approach taken in APS X2 is more principles based. There is no longer specific provision about those carrying out a review having sufficient experience to apply for a practising certificate or having completed particular CPD. Instead there is a requirement that for work review the reviewer will have 'appropriate expertise and experience' and, for independent peer review, that they are also 'not otherwise involved in the work in question and would have had the appropriate experience and expertise to take responsibility for the work themselves'. It is anticipated that for the vast majority of scheme actuary work the reviewer would in practice continue to be another scheme actuary (or someone capable of being a scheme actuary), as under APS P2, but under APS X2 this is now a matter for judgement (as to what is appropriate and proportionate) rather than an explicit requirement.

Contact us

The content of this guide will be kept under review and for that reason we would be pleased to receive any comments you may wish to offer on it. Any comments should be directed to:

Professional Regulation Team
Institute and Faculty of Actuaries
Level 2, Exchange Crescent
7 Conference Square
Edinburgh EH3 8RA

or

regulation@actuaries.org.uk



Institute
and Faculty
of Actuaries

London

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP
Tel: +44 (0) 20 7632 2100 · Fax: +44 (0) 20 7632 2111

Edinburgh

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA
Tel: +44 (0) 131 240 1300 · Fax: +44 (0) 131 240 1313

Oxford

1st Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD
Tel: +44 (0) 1865 268 200 · Fax: +44 (0) 1865 268 211

Beijing

6/F · Tower 2 · Prosper Centre · 5 Guanghua Road · Chaoyang District · Beijing China 100020
Tel: +86 (10) 8573 1000 · Fax: +86 (10) 8573 1100

Hong Kong

2202 Tower Two · Lippo Centre · 89 Queensway · Hong Kong
Tel: +11 (0) 852 2147 9418 · Fax: +11 (0) 852 2147 2497

Singapore

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024
Tel: +65 (0) 6717 2955 · Fax: No fax machine

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