



Institute
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A new approach to reviewing Actuarial Work

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Introduction

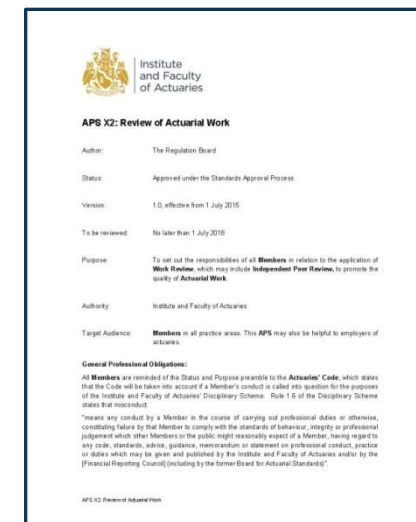
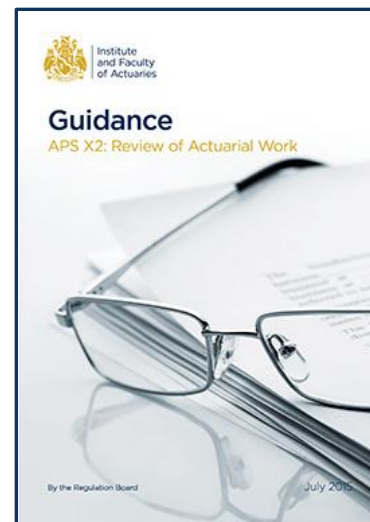
- ❖ New cross practice standard on review of Actuarial Work
- ❖ First standard of its kind for an actuarial professional body
- ❖ Part of wider IFoA work on quality assurance

Background

- ❖ Currently no cross practice requirements for review
- ❖ APS P2 for scheme actuaries
- ❖ No equivalent for other practice areas
- ❖ IFoA shift towards cross practice standards
- ❖ ISAP1 and international developments

APS X2: Review of Actuarial Work

- ❖ New approach
- ❖ Cross Practice Standard imposing requirement in relation to review of Actuarial Work
- ❖ No geographic restriction on scope – applies everywhere and to all work
- ❖ Principles-based – relies upon professional judgement of Members
- ❖ In force from 1 July 2015
- ❖ Guidance



The requirements

Para 1.1 APS X2

- ❖ Must consider whether to apply **Work Review** to **Actuarial Work** for which they *are responsible*
- ❖ Should *to the extent appropriate and proportionate*, ensure that Work Review is applied

Para 1.2 APS X2

- ❖ Must give particular consideration to whether it would be appropriate and proportionate to apply **Independent Peer Review**

Actuarial Work

APS X2

- ❖ “Work undertaken by a Member in their capacity as a person with actuarial skills on which the intended recipient of that work is entitled to rely. This may include carrying out calculations, modelling or the rendering of advice, recommendations, findings or opinions.”



Work Review and Independent Peer Review

Work Review

- ❖ Consideration of work by another individual or individuals
- ❖ A broad definition involving a spectrum of different forms of review

Independent Peer Review

- ❖ A sub-set of Work Review with specific requirements for the reviewer(s) to be independent and a peer
- ❖ Independent = not otherwise involved in the work in question
- ❖ Peer = would have had the experience and expertise to take responsibility for the work themselves



The key requirements broken down

Requirements to 'consider' applying Work Review

- ❖ Members will need to exercise professional judgment to determine what (if any) review process is to be applied
- ❖ Will be objectively tested
- ❖ List of factors that may be relevant to that exercise of judgement

Must consider, in particular, Independent Peer Review

- ❖ More likely to be proportionate and appropriate for more significant, complex work and/or where a large degree of judgement requirement

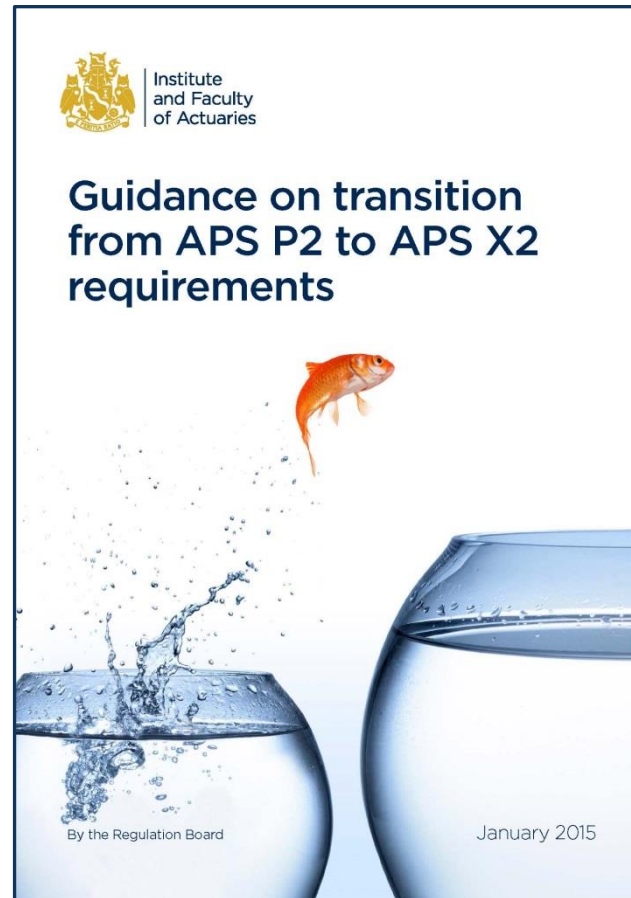
Should apply that review to the extent 'appropriate' and 'proportionate'

Other requirements of APS X2

- ❖ Only 'hot review' will be appropriate to meet the requirements of APS X2 – Para 2.3 APS X2
- ❖ Means review must take place at such a time as to be capable of influencing the conclusions and outputs of the work
- ❖ Requirements to take certain reasonable steps in relation to individuals involved in the review process
- ❖ Members must ensure they are in a position to justify the approach they have taken – Para 1.4 APS X2
 - Not prescriptive
 - Good practice might involve making a note of certain decisions

Withdrawal of APS P2

- ❖ The existing APS P2 will be withdrawn from 1 July 2015
- ❖ Currently imposes requirements upon Scheme Actuaries in relation to specified areas of work
- ❖ Guidance to help with transition



Withdrawal of APS P2

Key Changes:

- ❖ Switch from rules-based to principles-based system
- ❖ Allows for exercise of professional judgement instead of being prescriptive = more flexibility
- ❖ Focus on a quality review not a compliance once
- ❖ Now a specific requirement to consider Independent Peer Review
- ❖ “Cold” review not acceptable in terms of APS X2 requirements
- ❖ Do not expect there will be a significant difference in terms of the amount or form of review applied

Case Study



Actuaries' Code



**ANY
QUESTIONS?**



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