



CASE STUDY – APS X2 – Pensions

You have been working on developing a new modelling tool designed to provide advice to pension scheme clients who are wanting to make medium-to-long-term plans to bring their scheme (often closed to new members for several years) into a funding position in which all liabilities can be discharged.

The team that has been working on this model is also a client-facing team with responsibility for providing all trustee actuarial service to a handful of schemes and comprises:

- You, an experienced scheme actuary (for eight years)
- Your closest working colleague (Colin), also a scheme actuary (for four years)
- A newly-qualified actuary (Quentin), who passed all the exams very quickly
- Five support staff, including three actuarial trainees one of whom (affectionately known as 'Techo') is very experienced and highly proficient in software development

The conceptual design of the model is the product of extensive collaboration of thought between you and Colin, although you have also received substantial specialist input from an investment expert (Ivor) and a sponsor covenant expert (Cody), both employees in your firm.

'Techo' has been responsible for all the programming, with a limited amount of help from some of the other support staff in the team. The output from the software will need to be interpreted and honed – probably involving some fiddly arithmetic (but not advanced mathematics) – in order for it to be used in the advice.

Your biggest scheme actuary client wants to be the first user of this model as soon as it is ready (which it expects to be within the next month). The scheme sponsor urgently wants to see a clear pension 'journey plan' put in place because it anticipates that such a plan would help with some proposed corporate activity. (So the advice emanating from this model would be used in actual decisions, albeit that these decisions would be subject to regular monitoring and, where necessary, refinement.)

QUESTIONS

What "work" should be subject to review?

What "work review" would you judge to be appropriate before the model is 'signed off' and you provide the advice (based upon it) to your client?

Do you think that any 'independent peer review' would be appropriate here?

Who might be asked to carry out which aspects of review?

What approach would you take to recording any of the decisions about the Work Review applied (or not)?

Would it make any difference to your answer if the model had been designed by someone else in your firm?

Would it make any difference if the design had been outsourced?