

Institute and Faculty of Actuaries

Regulatory Board

Approval Report

Subject	To approve the introduction of Practising Certificate for a CDC Scheme Actuary and an updated APS P1
Regulatory Board meeting	16 November 2022
Previous Board Steer	29 May 2019 – Regulatory Working Party set up by the 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
	July 2022 – Approval of proposals by the Board for public consultation
International Issues Considered?	This is a UK specific issue
Author	Alex Theophilus, Regulatory Policy and Projects Adviser
Reviewer	Emma Gilpin, Head of Regulatory Policy
Purpose	Approval

A: EXECUTIVE SUMMARY

1. This paper seeks **approval**, following consultation, for the introduction of : (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 concerning pension schemes which extends requirements to CDC Scheme Actuaries.

B: BACKGROUND

2. As Board members may recall, in July 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 the 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. At the July 2022 Regulatory Board meeting, the Board approved the proposals to go out to consultation on a new CDC Scheme Actuary PC for members appointed as Scheme Actuary to a CDC Pension Scheme. This included amendments to the PC Scheme to reflect the requirements for a new CDC Scheme Actuary PC and a revised APS P1.
5. The paper presented to the Board at its July 2022 meeting provided detail on the background of CDC schemes and the regulatory changes that were being proposed. That paper can be found on Boardpacks or, alternatively, a copy can be sent to Board members on request by contacting Karen Cross at karen.cross@actuaries.org.uk.

C: CONSULTATION

6. The three-month consultation ran from 25 July 2022 until 24 October 2022 and was accessible by all members and other interested parties on the IFoA website.
7. The executive promoted the consultation in the Actuary Magazine, the Regulatory Newsletter, General Newsletter and through social media.
8. We received six responses. Three of the responses were individual responses, one was an organisational response, and two were joint personal and organisations viewpoints. We also received feedback prior to the consultation going live from the FRC, and while they were content from an oversight perspective, they provided some commentary from an actuarial policy perspective.
9. A summary of the responses received can be found in **Appendix 1**. A summary of the comments received can be found at **Appendix 2**.
10. Following the closure of the consultation, the consultation document was shared with the CDC Regulatory Working Party, and they have helped to develop some recommendations for proposed changes to the initial proposals. As explained further below, those further changes are minor and do not substantively change the requirements from those that we consulted upon.

D: SUMMARY OF RESPONSES

11. The majority of responses were supportive of the regulatory changes that the Board agreed on at the July 2022 meeting.
12. Five of the responses agreed with the board's conclusion that while there are similarities between the responsibilities of a Scheme Actuary advising DB schemes and a CDC Scheme Actuary, there are sufficient differences 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.

13. While three respondents did acknowledge that there was overlap between the CDC Scheme Actuary and the DB Scheme Actuary role, 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 Scheme.
14. All respondents were supportive that the competencies contained in the draft Competency Framework for the new CDC Scheme Actuary are relevant and appropriate. There were, however, some suggestions for minor changes.
15. We have marked up one change to the draft CDC competency framework as a result of the feedback received. Under “professional” we have extended the third point (relating to their ability to ‘stand behind’ their work) to cover parliamentary scrutiny. The work of CDC Scheme Actuaries will come under parliamentary scrutiny in the future, and therefore it is appropriate to include this in the framework.
16. It was also suggested by a respondent that Competency Framework under ‘technical skills’ might be extended to include “calculating benefit adjustments and accrual rates”, to cover work that might be involved on new CDC schemes in the future. However, we understand that this is not something that is a part of most current CDC schemes, in terms of the current CDC law. It is possible that such provisions will be introduced into law in the future and we will keep that under review and update the Competency Framework in future, as necessary.
17. The FRC’s Actuarial Policy Team provided some suggestions for additions to the Competency Framework related to the modelling of outputs. We received support by the Working Party for including their changes in the Competency Framework, adding additional requirements under communication and knowledge, awareness and understanding. The detail of those suggestions are set out in the summary of responses at Appendix 2.
18. We received a comment that we should review the terminology so that CDC Schemes would be referred to as Collective Money Purchases (CMP) Schemes in the documents. While Government documents do officially classify CDC schemes as CMP, these schemes are commonly known throughout the pensions industry as “CDC” Schemes, so we do not envisage confusion by actuaries or their employers. We have decided to not alter the terminology of how CDC Schemes are referred to as it would impact on current PC scheme holders. The APS and PC Scheme are clearly linked to the correct legislative provisions so there should be no issues in terms of enforcement.
19. Most respondents agreed that the changes in the revised Actuarial Profession Standard (APS) P1 are relevant and appropriate. No comments received gave us reason to reconsider these proposals.

20. The proposed new competency framework for a CDC Scheme Actuary PC is included in **Appendix 3**. This includes the amendment described above, which has been highlighted in yellow.
21. 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 in **Appendix 4**. This is unchanged from the version consulted upon.
22. The revised APS P1 is included in **Appendix 5**. This is unchanged from the version consulted upon.

E: GUIDANCE

23. We have considered the benefits of introducing guidance for the benefit of members to highlight and clarify the regulatory changes we are seeking to introduce.
24. Respondents agreed that guidance would be useful, but this should be produced once there are more schemes operational.
25. Given the relatively slow pace at which additional CDC schemes are expected to be created, it is not proposed to introduce further specific guidance for those operating in relation to CDC schemes at this stage.
26. We will keep the need for guidance under review and consider this again once more schemes come into effect.

F: TRAINING

27. The Lifelong Learning Team continue to work on the new UK Practice Modules (UKPM) to support the new PC Scheme. As previously discussed with the Board, this includes looking at a possible module for CDC Scheme Actuaries, recognising the likely small numbers (initially at least). Until the new UKPM is introduced, CDC PC applicants will be required to hold the scheme actuary module.
28. We will keep the need for additional CDC events and training under review with the publication of the new APS and CDC PC requirements, and the introduction of new CDC schemes.

G: PUBLICATION AND IMPLEMENTATION OF THE SCHEME

29. Following approval by the Board, a feedback paper (**Appendix 6**) and final version of the APS P1, PC scheme and CDC Scheme Actuary Competency Framework will be published.

30. We propose to give 3 months' notice from publication before the requirements come into effect.
31. We received three comments that referenced the practical or resource implications of introducing these regulatory changes and feel that three months is a reasonable period of notice, particularly given the small number of schemes expected to be in place.
32. If approval is granted by the Board, we will work towards the below indicative deadlines:

	Description	Deadline
Final proposals published	<ul style="list-style-type: none"> Revised APS P1, PC Scheme and competency framework published. 	Dec 2022 – specific date TBC
Proposals come into effect	<ul style="list-style-type: none"> Revised APS P1 and PC Scheme take effect. 	April 2023

33. We will publish these changes on the IFoA website and use the and Regulatory Newsletter to communicate the new requirements. We will also publish an article in the next available Actuary Magazine.
34. Currently new applications are sent to the relevant practice area panel of the PCC to review and decide whether the application can be approved. There is a pensions panel, but it is unclear whether they have the appropriate expertise in CDC Schemes. We will discuss with the Chair of the PCC to decide whether there is sufficient expertise on the current pensions panel or whether we need to recruit additional members.
35. A new form for the CDC PC is being developed and will be added to the website at the time of publication of the new requirements. We will also add the Competency Framework to the website and update the PC Handbook.

G: DECISION

36. The Board is asked to:
- approve** publication of final proposals following consultation to introduce a new CDC Scheme Actuary PC for Members appointed as Scheme Actuary to a CDC Pension Scheme;
 - approve** publication of the revised PC Scheme to reflect the requirements for a new CDC Scheme Actuary PC;
 - approve** publication of the revised APS P1 (version 4.0) for publication;
 - note** the Competency Framework that will support the PC Scheme; and
 - note** the plans around implementation, publication of a Feedback Document and notice periods before the requirements come into effect.

J: APPENDICES

Appendix 1: Summary of responses to consultation

Appendix 2: Summary of consultation comments

Appendix 3: Proposed competency framework for a CDC Scheme Actuary PC

Appendix 4: Proposed revised PC Scheme

Appendix 5: Proposed revised APS P1 (version 4.0)

Appendix 6: Consultation Feedback Document