



## Society of Actuaries in Ireland

### ACTUARIAL STANDARD OF PRACTICE ASP PEN-10

### COMPLIANCE MONITORING REVIEWS OF THE STATUTORY WORK OF SCHEME ACTUARIES

*Covering note (not part of the ASP) - issued on 19<sup>th</sup> April 2016*

Version 1.2 of ASP Pen-10 is set out overleaf. Key changes in this version are set out in the Explanatory Note at the end of this document.

The Society plans to introduce Version 1.2 with effect from **1<sup>st</sup> April 2017** (subject to the approval of the Minister for Social Protection, as required under the Pensions Act 1990). In the meantime, Scheme Actuaries and Reviewing Actuaries should note that:

- The changes to paragraph 2.3, on the scope of compliance monitoring, are already in effect as they reflect changes that have been made to Section 51A of the Pensions Act 1990. Scheme Actuaries and Reviewing Actuaries should therefore have regard to the amended provisions of paragraphs 4.3 and 6.1 with immediate effect.
- The Council of the Society of Actuaries in Ireland also encourages early adoption of the new or amended provisions set out at
  - Paragraph 3.7, on duration of Reviewing Actuary appointments
  - Paragraph 4.1, new text on providing a signed declaration of work (*Scheme Actuary*)
  - Paragraph 4.14, on the form and content of the Compliance Certificate (*Reviewing Actuary*)
  - Paragraph 4.15, on providing summary details of non-material instances of non-compliance to the Scheme Actuary (*Reviewing Actuary*)
  - Paragraph 4.16, new text on retaining a copy of any summary note provided in accordance with paragraph 4.15 (*Reviewing Actuary*).
- Paragraph 4.18 will not come into effect before 1<sup>st</sup> April 2017.

*End of Covering Note*



## **Society of Actuaries in Ireland**

### **ACTUARIAL STANDARD OF PRACTICE ASP PEN-10**

### **COMPLIANCE MONITORING REVIEWS OF THE STATUTORY WORK OF SCHEME ACTUARIES**

#### **Classification**

Mandatory

**MEMBERS ARE REMINDED THAT THEY MUST ALWAYS COMPLY WITH THE CODE OF PROFESSIONAL CONDUCT AND THAT ACTUARIAL STANDARDS OF PRACTICE IMPOSE ADDITIONAL REQUIREMENTS UNDER SPECIFIC CIRCUMSTANCES.**

#### **Legislation or Authority**

Pensions Act 1990, together with relevant Regulations made in accordance with the Act.

#### **Application**

Any actuary appointed to an occupational pension scheme for the purposes of the Pensions Act 1990, and any actuary appointed to carry out a review of the work of a Scheme Actuary pursuant to regulations made under Section 51A of the Pensions Act 1990

<b>Version</b>	<b>Effective from</b>
1.0	01.04.2007
1.1	01.11.2010
1.2	[01.04.2017 subject to Ministerial approval] [early adoption is encouraged]

#### **Definitions**

“*the Act*” means the Pensions Act 1990

“*ASP*” means Actuarial Standard of Practice

“*Code*” means the Society’s Code of Professional Conduct

*“Professional Standards”* means the Code and the ASPs issued or adopted by the Society

*“Reviewing Actuary”* means the actuary who carries out a compliance monitoring review

*“Review Period”* means the period from 1 April each year to the following 31 March, except where the practising certificate held by the Scheme Actuary relates to a period of less than twelve months. In such a case:

- (a) if this is the first practising certificate held by the Scheme Actuary that relates to a period of less than twelve months, the Review Period shall consist of a period equal to the duration of the Scheme Actuary’s practising certificate ending not less than one month and not more than six months before the expiry date of that practising certificate;
- (b) otherwise the Review Period shall consist of a period equal to the duration of the Scheme Actuary’s practising certificate and shall begin immediately following the end of the previous Review Period.

*“Scheme Actuary”* means the Scheme Actuary whose Work is reviewed

*“Scheme Documentation”* means the documents which specify the benefits payable by a pension scheme, including the trust deed and rules, scheme booklet and related insurance contracts

*“should”* (where the context requires) indicates that members of the Society to whom this ASP applies must comply with a particular requirement or prohibition unless there are extenuating circumstances that make it impossible or unreasonably difficult to do so

*“the Society”* means the Society of Actuaries in Ireland

*“Work”* means any actuarial work of the types specified in paragraph 2.3 that has been signed by the Scheme Actuary during the Review Period, unless the Scheme Actuary has changed employment during the Review Period, in which case the Work consists of the actuarial work of the types specified in paragraph 2.3 that he or she has signed while in the employment in which he or she was engaged at the end of the Review Period

## **1 Introduction**

- 1.1 Any review of the Work of a Scheme Actuary required by any regulations made under Section 51A of the Act must be carried out in accordance with this ASP.

## **2 Requirement for compliance monitoring**

- 2.1 For the purposes of this ASP, compliance monitoring means the review of a sample of a Scheme Actuary’s Work by another actuary for the purposes of compliance with regulations made under Section 51A of the Act. The specific objective of the review is to test whether, in the opinion of the Reviewing

- Actuary, the Work complies with the Pensions Act and relevant ASPs in all material respects.
- 2.2 Scheme Actuaries are reminded of their obligations under the Pensions Act 1990 to ensure that Work is reviewed regardless of their employment status or whether they intend to apply for renewal of a Scheme Actuary practising certificate.
- 2.3 The scope of compliance monitoring includes:
- (i) Actuarial valuation reports prepared in accordance with section 56 of the Pensions Act 1990 (“the Act”);
  - (ii) Actuarial Funding Certificates and associated Funding Standard Reserve Certificates prepared in accordance with section 42 of the Act;
  - (iii) Funding Proposals prepared in accordance with section 49 of the Act;
  - (iv) Annual Statements prepared in accordance with section 55 of the Act;
  - (v) Regulatory Own Funds Trust RAC Technical Provisions Certificates prepared for the purpose of Section 53G of the Act; and
  - (vi) Regulatory Own Funds Certificates prepared in accordance with section 53J of the Act.

### **3 Appointment of Reviewing Actuary**

- 3.1 It is the responsibility of the Scheme Actuary to ensure that an appropriate Reviewing Actuary is engaged to perform the review, although the Reviewing Actuary may, in practice, be engaged by the Scheme Actuary’s firm.
- 3.2 The Reviewing Actuary must ensure that his or her terms of engagement permit the provision to the Society of information related to the compliance monitoring where the provision of such information is required by legislation or ASPs.
- 3.3 The Reviewing Actuary must be a Fellow of the Society of Actuaries in Ireland and must:
- (a) hold a Scheme Actuary practising certificate; or
  - (b) have held such a certificate not more than five years before the final day of the Review Period, and not have had that certificate withdrawn or have been refused such a certificate subsequently.

The Code requires that an actuary must consider most carefully whether he or she has the requisite knowledge and experience to accept any particular appointment as a Reviewing Actuary.

- 3.4 The Reviewing Actuary must be independent of the Scheme Actuary. That is, he or she must be free of any influence that might affect or limit the scope of his or her review of the Scheme Actuary's work. The Reviewing Actuary must be satisfied that he or she has no conflict of interest when undertaking a review.
- 3.5 Without prejudice to the generality of paragraph 3.4, if the Scheme Actuary is an employee, director or partner in a company or firm of consultants or auditors, the role of his or her Reviewing Actuary may not be undertaken by an actuary who is, or has been within the previous two years, an employee, director or partner of the same company or firm.
- 3.6 A Scheme Actuary must not act as Reviewing Actuary for the actuary who acts as his or her Reviewing Actuary.
- 3.7 Subject to paragraph 3.7.1, the Reviewing Actuary must not carry out more than 6 reviews for the same Scheme Actuary in any period of 9 consecutive years, unless there are special circumstances that may reasonably be considered to warrant a longer appointment (in which event, the Scheme Actuary must take all reasonable steps to appoint a new Reviewing Actuary for the next review).
- 3.7.1 Notwithstanding paragraph 3.7, if a Reviewing Actuary has completed 6 or more reviews for the same Scheme Actuary between 1 April 2008 and 31 March 2017, the Reviewing Actuary may complete one further review for that Scheme Actuary during the period ending on 31 March 2018, regardless of whether there are special circumstances that warrant the continuation of this appointment.
- 3.8 An actuary who is asked to act as a Reviewing Actuary must ascertain from the Scheme Actuary whether or not another actuary has previously been involved in reviewing the Work done by the Scheme Actuary in the Review Period. The subsequent Reviewing Actuary must consult with the previous Reviewing Actuary to:
- (i) ask whether, in that actuary's opinion, there are any professional reasons not to accept the appointment or any particular considerations which ought to be borne in mind; and
  - (ii) if applicable, obtain a list of the sample of the Scheme Actuary's Work selected by the previous Reviewing Actuary for review.

Upon receiving such an enquiry, the other actuary must provide the required information as soon as possible.

#### **4 Scope and conduct of the review**

- 4.1 The Scheme Actuary must provide the Reviewing Actuary with a signed declaration as set out in Appendix 2, outlining the list of his or her Work, within each of the categories specified in paragraph 2.3. The list need not identify client names but must include the relevant Pensions Authority reference numbers.
- 4.2 The Reviewing Actuary must select a sample of the Work to review. Responsibility for sample selection is the Reviewing Actuary's alone, except where the Pensions Authority has notified the Scheme Actuary that a particular piece of Work is to be reviewed in accordance with section 5 of this ASP. Apart from any Work specified by the Pensions Authority for review, the Reviewing Actuary must use his or her best endeavours to select a random selection of the Work for the purposes of the review.
- 4.3 The sample of Work to be reviewed must include:
- (i) 10% of actuarial valuation reports listed, rounded up to the next whole number;
  - (ii) 10% of Actuarial Funding Certificates and associated Funding Standard Reserve Certificates listed, rounded up to the next whole number;
  - (iii) 10% of Funding Proposals listed, rounded up to the next whole number;
  - (iv) 5% of Annual Statements listed, rounded up to the next whole number;
  - (v) 5% of Regulatory Own Funds Trust RAC Technical Provisions Certificates, rounded up to the next whole number; and
  - (vi) 5% of Regulatory Own Funds Certificates, rounded up to the next whole number.
- 4.4 The Reviewing Actuary must investigate to a sufficient depth in order to sign a Compliance Certificate in the form set out in Appendix 1.
- 4.5 In order to provide a Compliance Certificate, the Reviewing Actuary must be satisfied that the reviewed Work complies with the Act and relevant ASPs in all material respects.
- 4.6 The Reviewing Actuary is not required to replicate the work of the Scheme Actuary or to check data, calculations or Scheme Documentation. However, he or she must review the adequacy and effectiveness of procedures relied on by the Scheme Actuary, including the Scheme Actuary's checks on data integrity, verification of policy or scheme information and the checking and testing of calculations and the results.

- 4.7 The Reviewing Actuary is not required to form a view as to the reasonableness of the results stated in the reviewed Work. If, however, the Reviewing Actuary considers that the results appear anomalous, the Reviewing Actuary must draw this to the attention of the Scheme Actuary.
- 4.8 To facilitate the review, the Scheme Actuary must endeavour to provide well-organised, accurate and complete documentation and well-reasoned conclusions in relation to the sample of Work selected for review, and to show that thorough controls have been applied to all processes, especially software and manual procedures.
- 4.9 The Scheme Actuary and the Reviewing Actuary must endeavour to cooperate fully with each other during the conduct of a review. The Reviewing Actuary must obtain from the Scheme Actuary any background information needed to fully understand the reviewed Work. The Scheme Actuary must provide the Reviewing Actuary with access to any relevant documents and must provide any additional explanations that may be relevant to the review.
- 4.10 In the event that either the Scheme Actuary or the Reviewing Actuary considers it necessary to terminate the review prior to its conclusion, he or she must notify the other actuary in writing as soon as possible. The Scheme Actuary must appoint another Reviewing Actuary and must notify him or her of the earlier incomplete review. The second Reviewing Actuary must review the Work that had been selected by the first Reviewing Actuary for review.
- 4.11 If the Reviewing Actuary concludes that the reviewed Work is not compliant within the meaning of paragraph 4.5 above, he or she must initially discuss this with the Scheme Actuary. It must be borne in mind that, where ASPs require the exercise of professional judgement, it is possible for two actuaries properly to hold different professional opinions. If, after consultation with the Scheme Actuary, the Reviewing Actuary remains of the view that the reviewed Work is not compliant within the meaning of paragraph 4.5 above, he or she must not provide a signed Compliance Certificate.
- 4.12 If, on completion of the review, the Reviewing Actuary does not provide the Scheme Actuary with a signed Compliance Certificate, he or she must provide a written report, addressed to the Scheme Actuary, explaining the reasons why the reviewed Work is considered to be non-compliant.
- 4.13 The Reviewing Actuary must bear in mind the action to be taken on discovering a breach of Professional Standards by another member, as set out in the Code.
- 4.14 Where the Reviewing Actuary concludes that the reviewed Work complies with the Act and relevant ASPs in all material respects, a Compliance Certificate shall be provided to the Scheme Actuary. This Certificate must take the form set out in Appendix 1 and be signed by the Reviewing Actuary.

- 4.15 Where the Reviewing Actuary has identified non-material instances of non-compliance, he or she should include the details in a summary note. (There is no requirement to record items which the Reviewing Actuary considers trivial.) This summary note should be passed to the Scheme Actuary along with the signed Compliance Certificate. It is not a requirement that this summary note be submitted as part of the Scheme Actuary practising certificate renewal application.
- 4.16 If the Reviewing Actuary provides the Scheme Actuary with a signed Compliance Certificate, he or she is not required to prepare a formal report on the review, except in the circumstances outlined in section 5 of this ASP or as otherwise agreed with the Scheme Actuary, but must retain for a period of at least three years working papers that document the review process in sufficient detail to support his or her decision to provide a Compliance Certificate. A copy of the summary note (if any) that was provided with the Compliance Certificate should also be retained for the same period.
- 4.17 The Reviewing Actuary must maintain the confidentiality of any information obtained in the process of performing the review, except in cases where the Reviewing Actuary is required pursuant to Professional Standards or by law to disclose such information.
- 4.18 On the conclusion of the annual review process (and before the end of the calendar year), the Reviewing Actuary should prepare and submit to the Society a schedule outlining the instances of non-compliance (both material and non-material) identified in his or her review of all Scheme Actuaries during a particular Review Period. This schedule should include aggregate information covering all reviews and should not identify individual Scheme Actuaries.

The Society may combine all schedules received into an aggregate schedule and share the aggregate schedule with relevant Society committees (such as the Professional Affairs and Pensions Committees) for the purpose of considering the ongoing effectiveness of the compliance monitoring regime.

- 4.18.1 For the avoidance of doubt, the schedule provided by the Reviewing Actuary should also include any Work reviewed as a result of a Pensions Authority specification (see section 5 of this ASP).

## **5 Work specified by the Pensions Authority for review**

- 5.1 The Pensions Authority may notify the Scheme Actuary that it requires that a particular piece of Work be reviewed. In this event, the Scheme Actuary must notify the Reviewing Actuary accordingly and must arrange with the Reviewing Actuary for that piece of Work to be reviewed within a period of three months following the date of receipt of notification from the Pensions Authority or by such later date as may be agreed with the Pensions Authority.



- 5.2 The nature, scope and conduct of a review that is carried out at the direction of the Pensions Authority is the same as any other review carried out for the purpose of this ASP.
- 5.3 Notwithstanding that the review of the particular piece of Work specified by the Pensions Authority may take place before the main review, it may be counted towards the required proportion of Work to be reviewed in respect of the relevant Review Period in accordance with paragraph 4.3.
- 5.4 The Reviewing Actuary must prepare and submit to the Pensions Authority a report on his or her review of the particular piece of Work. The Reviewing Actuary must provide a copy of his or her report to the Scheme Actuary. It is the Scheme Actuary's responsibility to ensure that the Reviewing Actuary's report is prepared and submitted to the Pensions Authority within the required time period.
- 5.5 If the Reviewing Actuary concludes that the reviewed Work is not compliant within the meaning of paragraph 4.5, he or she must discuss this with the Scheme Actuary. It must be borne in mind that, where ASPs require the exercise of professional judgement, it is possible for two actuaries properly to hold different professional opinions. If, after consultation with the Scheme Actuary, the Reviewing Actuary remains of the view that the reviewed Work is not compliant within the meaning of paragraph 4.5, he or she must state this in the report to the Pensions Authority.
- 5.6 The report to the Pensions Authority must:
- (a) state the Reviewing Actuary's conclusion as to whether the reviewed Work complies with the Act and relevant ASPs in all material respects;
  - (b) document the review process undertaken by the Reviewing Actuary; and
  - (c) explain the basis on which the Reviewing Actuary has formed his or her conclusion.
- 5.7 For the purposes of paragraph 5.6(b), the Reviewing Actuary must, inter alia, detail the steps that he or she has taken to satisfy himself or herself, in accordance with paragraph 4.5 of this ASP, as to the adequacy and effectiveness of the procedures relied on by the Scheme Actuary, including the Scheme Actuary's checks on data integrity, verification of policy or scheme information and the checking and testing of calculations and the results. The report must state any limitations to the scope of the review, with particular reference to paragraphs 4.5 and 4.6 of this ASP, in accordance with which the Reviewing Actuary is not required to check data, calculations or Scheme Documentation or to form a view as to the reasonableness of the results presented in the reviewed Work.

- 5.8 For the purposes of paragraph 5.6(c), the report must provide sufficient detail to demonstrate that the Reviewing Actuary has considered whether and how the reviewed Work complies with each of the material requirements of the relevant ASPs.
- 5.9 If the Reviewing Actuary concludes that the reviewed Work does not comply with the Act and relevant ASPs in all material respects, he or she must not subsequently provide the Scheme Actuary with a signed Compliance Certificate in respect of the relevant Review Period.

**6 Actions to be taken by the Scheme Actuary subsequent to the review, in the event of a finding of material non-compliance**

- 6.1 Subsequent to the review, if a particular item of the Scheme Actuary's reviewed Work has been found to be non-compliant, he or she must provide the Trustees of the pension scheme concerned with a replacement compliant report, actuarial funding certificate, funding standard reserve certificate, funding proposal, annual statement, regulatory own funds trust RAC technical provisions certificate or regulatory own funds certificate as appropriate.
- 6.2 The Scheme Actuary must also take appropriate steps to review Work not included in the review sample in light of the Reviewing Actuary's finding, and must take any appropriate corrective action in relation to such Work.

## **Appendix 1**

### **COMPLIANCE CERTIFICATE**

**To:** [insert name of Scheme Actuary]

**Review Period:**

**Date:**

#### **1. Qualification**

I am a Fellow of the Society of Actuaries in Ireland. I [hold / held until dd/mm/yyyy (delete as applicable)] a Scheme Actuary practising certificate issued by the Society of Actuaries in Ireland.

#### **2. Review**

You provided me with a signed Declaration of Work carried out during the Review Period. In accordance with ASP PEN-10 issued by the Society of Actuaries in Ireland, I have reviewed a sample of this Work.

The sample of reviewed Work comprised:

- Actuarial Valuation Report(s)
- Actuarial Funding Certificate(s) and associated Funding Standard Reserve Certificate(s)
- Funding Proposal(s)
- Actuarial Statement(s)
- Regulatory Own Funds Trust RAC Technical Provisions Certificate(s)
- Regulatory Own Funds Certificate(s)

I conducted my review in accordance with the requirements of ASP PEN-10, current at the date of this Compliance Certificate. The purpose of the review is to determine whether the reviewed Work complies with the Act and relevant Actuarial Standards of Practice in all material respects. For this purpose, the review consisted of a limited review of the methodology, assumptions, processes and analyses used by you, as outlined in the Work and supporting documentation, and of the disclosures contained in the Work.

I am not required to check or verify the accuracy or completeness of information, documents, data or calculations furnished to me, or to form a view as to the reasonableness of the results presented in the Work; nor am I expected to replicate your work.

### **3. Opinion**

In my opinion, based on the information and documents that I have reviewed, the reviewed Work complies with the Act and the relevant actuarial standards of practice in all material respects.

#### **[4. Additional Comments**

*Other comments at the discretion of the Reviewing Actuary*

These additional comments do not constitute a qualification of my opinion]

Signed

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**[INSERT NAME], REVIEWING ACTUARY**

## Appendix 2

### DECLARATION OF WORK

**To:** [insert name of Reviewing Actuary]

**Review Period:**

**Date:**

I am a Fellow of the Society of Actuaries in Ireland and I hold a current Scheme Actuary practising certificate issued by the Society of Actuaries in Ireland.

During the Review Period I signed

- Actuarial valuation report(s)
- Actuarial Funding Certificate(s) and associated Funding Standard Reserve Certificate(s)
- Funding Proposal(s)
- Actuarial Statement(s)
- Regulatory Own Funds Trust RAC Technical Provisions Certificate(s)
- Regulatory Own Funds Certificate(s)

Details of the Pensions Authority reference number for each piece of work are outlined below:

Type of Work	Pensions Authority Reference Number

Signed

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**[INSERT NAME], SCHEME ACTUARY**

## **EXPLANATORY NOTE**

### **ACTUARIAL STANDARD OF PRACTICE PEN-10, VERSION 1.2**

*This Explanatory Note does not form part of the ASP.*

Version 1.2 reflects the outcome of the deliberations of two Society of Actuaries in Ireland (Society) working parties and the Society's Pensions Committee during 2014 and 2015 to review version 1.1 of the ASP. The key changes are:

- (i) the scope of compliance monitoring has been extended to reflect the requirements of section 51A of the Pensions Act;
- (ii) the number of reviews that a Reviewing Actuary can carry out for the same Scheme Actuary has been limited to 6 reviews in 9 consecutive years, unless special circumstances apply;
- (iii) the Scheme Actuary must now provide a signed Declaration of Work (ie a list of all work subject to compliance monitoring) to the Reviewing Actuary at the start of the annual review process; and
- (iv) at the conclusion of the annual review process, the Reviewing Actuary will provide an aggregated list of all instances of non-compliance to the Society (and the Society may combine this list with other lists received and pass on to relevant committees). This is intended to provide visibility into the review process for the Society and will help with future updates to this ASP.