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## Policy for Developing Professional Practice Documents

Updated September 2024

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## **Part A About this Policy**

### **A.1 Reason for developing this Policy**

1. This Policy has been developed for the following primary purposes:
  - (a) to help Members understand the classification of documents to guide and regulate the profession adopted by the Institute, with a view to helping Members and Practice Committees determine which type of document should be developed for a particular case;
  - (b) to lay down the Institute's requirements about the circumstances in which a Professional Standard, Practice Guideline, Technical Paper or Information Note is appropriate;
  - (c) to set out the due process requirements and rules for developing and amending each type of document; and
  - (d) to provide rules and guidance for Members on good writing principles so that documents adopted by the Institute are clear, concise and effective, helping both Members and the public.

### **A.2 Compliance with this Policy**

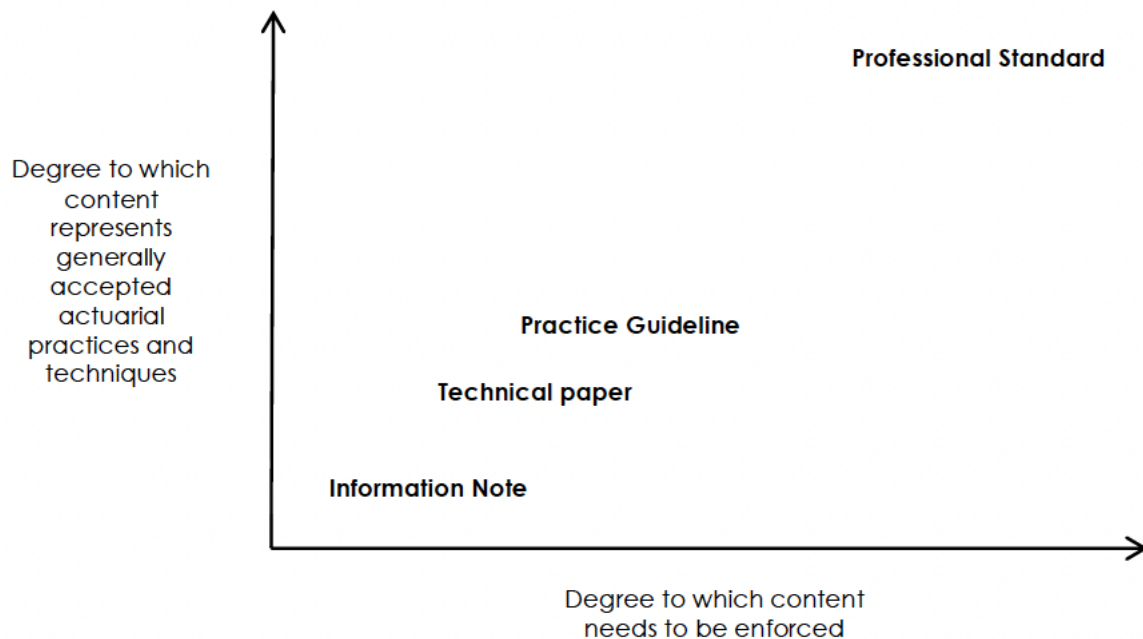
2. All Members of the Institute must comply with this Policy. From time to time, there may be drivers such that changes to a document that are not in accordance with this Policy are put forward. Any such instances must be highlighted to Council at the time that Council approval is sought.

### A.3 Classification of professional practice documents

3. The following table sets out the classification of professional practice documents:

Document	Purpose	Practice compliance	Relevant sections of this Policy
<b>Professional Standard (PS)</b>	<p>A document setting out general professional requirements of membership, or principles and practices that must be followed in a particular area of practice.</p> <p>Areas of practice subject to a PS typically have the following characteristics:</p> <ul style="list-style-type: none"> <li>• The area of practice is governed by regulation;</li> <li>• Actuarial practice is well-established;</li> <li>• There is a high degree of consensus among Members as to what is regarded as acceptable practice.</li> </ul>	Mandatory.	Parts B, E, F and I
<b>Practice Guideline (PG)</b>	A document setting out one or more well-established or generally accepted actuarial practices and/or techniques in a particular area of practice.	Not mandatory, but a Member should consider explaining any significant departure from a PG to the Principal, and record that explanation.	Parts C, E, G and I
<b>Technical Paper (TP)</b>	A document providing one or more alternative actuarial practices that could be considered in a current or evolving area of practice. A TP may also include guidance on relevant considerations and context relevant to the subject.	Not mandatory.	Parts D, E, H and I
<b>Information Note (IN)</b>	A document providing information for the purpose of encouraging debate and/or building general actuarial knowledge in a particular area of practice.	Not mandatory.	Parts D, E, H and I

4. The hierarchy may also be represented as follows:



5. The Institute's over-arching governance document is the Code of Conduct ("Code"). The Code focuses on Members' standards of behaviour. Professional practice documents focus on actuarial practices and techniques. They are written in the context of the Code and must be read and applied in that context.

#### A.4 Choosing type of document to develop

6. The Practice Committee needs to choose and the PSC needs to approve which type of professional practice document to develop and whether it be designated as an Applicable Service on the basis of the degree to which the subject matter:
- (a) needs to be enforced; and
  - (b) represents generally accepted actuarial practices and techniques.

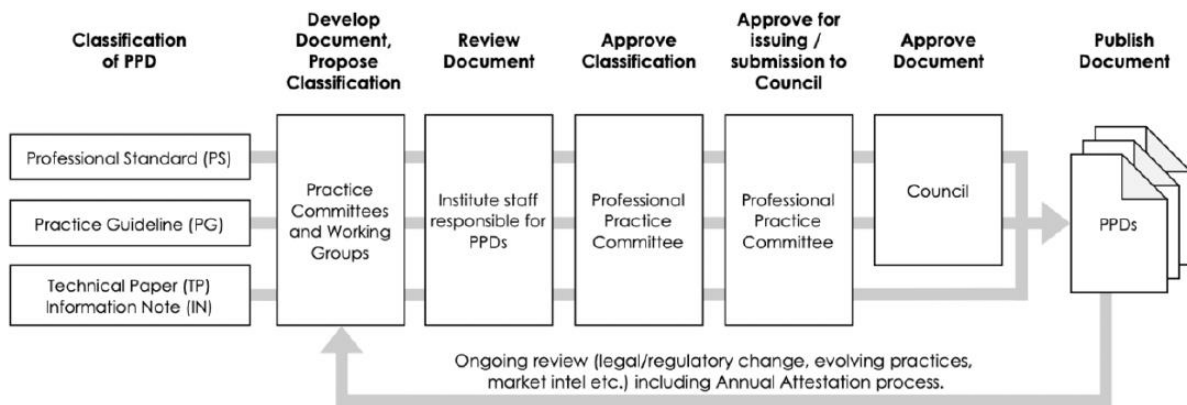
Section A.3 explains the relevant distinctions in more detail.

For the purposes of clause 6, an Applicable Service means Services that are designated as an Applicable Service in a Professional Standard or Practice Guideline. If it is an Applicable Service, then Practice Guideline 1 - General Actuarial Practice (PG 1) applies. For an Australian adaptation of an International Standard of Actuarial Practice, it will always be the case that it is an Applicable Service. In other instances, the Practice Committee will need to consider the relevance of PG 1 to the work and whether the requirements of PG 1 will create an unnecessary burden/cost to the customer.

7. The situations in which Council may issue a Professional Standard include the following:
- (a) for an established field of actuarial work on any topic about which there is broad consensus within the profession as to both the need for a Professional Standard and the content of the Professional Standard;
  - (b) if the law provides for actuarial duties, work or practice that a government body regulates; or
  - (c) if a government body asks the Institute to instruct Members how they are to perform certain actuarial activities.

## A.5 Process overview

8. An overview of the process for developing professional practice documents is shown in the following diagram:



## A.6 Replacing previous versions

9. This Policy replaces the Policy for Developing Professional Practice Documents (approved by Council in September 2020).

## Part B Rules for Professional Standards

### B.1 Definition of a Professional Standard

10. A Professional Standard is defined in the Code as:

“‘Professional Standard’ means any professional standard of the Actuaries Institute.”

A Professional Standard is a document setting out mandatory general professional requirements of membership, or principles and practices that must be followed in a particular area of practice.

Areas of practice subject to a Professional Standard typically have the following characteristics:

- The area of practice is governed by regulation;
- Actuarial practice is well-established;
- There is a high degree of consensus among Members as to what is regarded as acceptable practice.

A Professional Standard must be prepared in accordance with this Policy.

11. The due process for developing or amending a Professional Standard is set out in Part F of this Policy. The due process for withdrawing a Professional Standard is set out in Part I of this Policy.

### B.2 Objective of this Part B

12. This Part B is designed such that all Professional Standards:

- (a) are written and developed in a consistent manner;
- (b) are “clear, concise and effective”<sup>1</sup>;
- (c) use consistent and objective terminology; and
- (d) make mandatory obligations clear to Members.

13. All Professional Standards must comply with Part B of this Policy.

### B.3 Matters covered by a Professional Standard

14. A Professional Standard is to:

- (a) set out the mandatory practice requirements, principles and directions from which it is unprofessional for a Member to depart;
- (b) set out how the Member must explain the exercise of any discretion;

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<sup>1</sup> The Institute has adopted the general requirement for clarity that the Corporations Act 2001 (Cth) and the Australian Securities and Investments Commission set for financial services providers key disclosure documents.

- (c) deal with the technical aspects of actuarial work (it is not concerned with behavioural issues which are covered by the Code);
- (d) be consistent with the Code and any relevant legislation or regulatory standards;
- (e) state whether the Member providing advice under a Professional Standard needs to be an Eligible Actuary (the Practice Committee having given due regard to the eligibility of who can sign the report, the level of experience and expertise required, whilst taking regard of legislative requirements); and
- (f) include the material set out in Part B.5 below.

For the purposes of subclause (e) an Eligible Actuary is a Fellow or Accredited Member of the Institute or a Member who is eligible to act in an actuarial capacity pursuant to a requirement under legislation.

#### **B.4 Consequences of breaching a Professional Standard**

15. If a Member does not comply with a Professional Standard, then that may constitute Misconduct under the Institute's Disciplinary Scheme.

#### **B.5 Common material to be included in all Professional Standards**

16. A Professional Standard must have the following opening sections and text:

##### **1. Introduction**

##### **1.1 Application<sup>2</sup>**

1.1.1 This Professional Standard applies to Members ...<sup>3</sup>

1.1.2 [A Member who provides advice performed under this professional standard:

- (a) must be an Eligible Actuary; and
- (b) must exercise independent professional judgement and give impartial advice.

Members supporting the Member providing advice under the Professional Standard are not required to be an Eligible Actuary. However, this Professional Standard applies to Members who support another Member in providing advice under the Professional Standard, to the extent relevant to their contribution to the Services.]<sup>4</sup>

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<sup>2</sup> This section is to set out the purpose of the Professional Standard (PS), as well as describing related legislation, regulation, guidance etc. issued by other parties.

<sup>3</sup> For the purposes of this policy, references to Members and applicability will be dependent on the particular PS. Other information may be included in relation to the application of the PS which may alter subsequent numbering.

<sup>4</sup> Where Eligible Actuary is a requirement of the Member giving advice, this text will be included.



- 1.1.3 [All work performed under this Professional Standard, whether by the Member providing advice or by a Member supporting the Member providing advice, is designated as an Applicable Service. As such, Members' attention is directed towards Practice Guideline 1 (General Actuarial Practice) which applies to Applicable Services. In the case of a Member supporting the Member providing advice, Practice Guideline 1 applies as relevant to their contribution to the Services.]<sup>5</sup>

## **1.2 Previous versions**

Previous version of this Professional Standard...

## **1.3 About this Professional Standard**

### **1.3.1 This Professional Standard:**

- (a) has been prepared in accordance with the Institute's Policy for Developing Professional Practice Documents;
- (b) must be applied in the context of the Code;
- (c) must be applied by Members of the Institute when they perform work covered by the Professional Standard; and
- (d) defines the Institute's requirements for work covered by the Professional Standard.

### **1.3.2 If a Member believes that this Professional Standard is ambiguous or wishes to seek clarification of it, they may consult the Institute's Professional Practice Committee for an interpretation.**

### **1.3.3 A Member may in rare circumstances be unable to carry out their work in full compliance with this Professional Standard. If a Member finds they cannot carry out their work in a way that fully complies with this Professional Standard, they must:**

- (a) decline to carry out the work; or
- (b) end their agreement to do so.

### **1.3.4 Notwithstanding clause 1.3.3, if**

- (a) in the judgement of the Member, the Client is likely to suffer significant loss or disadvantage if the member ceases to provide the Services, and
- (b) the Services will not be Materially affected if the Member completes the work without full compliance with this Professional Standard,

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<sup>5</sup> Included if the advice is designated an Applicable Service. As a rule, all advice provided under a PS will be Applicable Service unless Council is persuaded otherwise.

the Member may complete the Services but must

- (i) clearly qualify the resulting work product, with both the title of the report and the scope of the work set out in the report acknowledging the relevant limitations,
- (ii) make all reasonable attempts to comply with this Professional Standard to the fullest extent possible, and
- (iii) disclose the areas where change would be needed to enable the creation of an unqualified work product along with the reasons for issuing qualified work.

1.3.5 If a Member does not comply with this Professional Standard, that may constitute Misconduct under the Institute's Disciplinary Scheme, although proper account will be taken of provisions of clauses 1.3.3 and 1.3.4.

1.3.6 This Professional Standard does not constitute legal advice. Any interpretation or commentary within this Professional Standard regarding specific legislative or regulatory requirements reflect the expectations of the Institute but does not guarantee compliance under applicable legislation or regulations. Accordingly, Members should seek clarification from the relevant regulator and/or seek legal advice in the event they are unsure or require specific guidance regarding their legal or regulatory obligations.

#### **1.4 Other relevant material**

1.4.1 This Professional Standard must be applied in the context of the relevant legislation, regulation and accounting standards. If there is a conflict in wording, then the legislation, regulation and accounting standards take precedence over this Professional Standard.

1.4.2 In this context, legislation, regulation and accounting standards include laws, regulations, prudential standards, subordinate standards, rules issued by government authorities and standards issued by professional bodies which have the force of law. Also included are relevant modifications or substitutions of these. Similarly, a reference to a Professional Standard includes any modification or replacement of that Professional Standard.

1.4.3 Apart from the Code, legislation, regulation or accounting standards, no other document, advice or consultation (including Practice Guidelines of the Institute) can be taken to modify or interpret the requirements of this Professional Standard.

## **2. Commencement Date**

This Professional Standard applies...

### 3. Definitions

#### 3.1 In this Professional Standard<sup>6</sup>:

**'Intended User'** means any legal or natural persons (generally including the Client) whom

- (a) the Member intends to use the output of the Services, or
- (b) at the time the Member performs the Services, the Member ought reasonably to expect will use the output of the Services.

**'Material'** means relevant to a decision of an Intended User of the Services (Section 4 addresses 'Materiality' for the purpose of this Standard). For this purpose, 'Material' does not have the same meaning as in Australian accounting standards.

**'Report'** means a document prepared by a Member under this Professional Standard ...

**'To disclose'** means to include information within a written communication, such as a Report where one is prepared.

**'To record'** means to include information within working papers or other documentation, but this information does not need to be included in written Reports or similar communication.

#### 3.2 A word that is derived from a defined word has a corresponding meaning.

#### 3.3 Other capitalised terms used in this Professional Standard have the same meaning as set out in the Code<sup>7</sup>.

### 4. Materiality

#### 4.1 The Member must take Materiality into account when performing work under this Professional Standard.

#### 4.2 Determining whether something is Material or not, or determining the threshold of Materiality, will always be a matter requiring the exercise of the Member's professional judgement. When exercising this judgement, the Member must:

- (a) assess Materiality from the point of view of the Intended User(s), recognising the purpose of the Services. Thus, a matter required to be considered under this Professional Standard, or an omission, understatement, or overstatement, is Material if the Member expects it to affect significantly either the Intended User's decision-making or the Intended User's reasonable expectations; and
- (b) consider the Services and the subject of those Services.

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<sup>6</sup> This section lists the definitions relevant to the Professional Standard and will usually include the following definitions.

<sup>7</sup> If a term to be used in a Professional Standard is already defined in the Code, then it is not to be defined in the Professional Standard and the following clause must be used in the definitions section of the Professional Standard

In setting a threshold of Materiality, a Member must consider any requirements advised by the Client, an auditor retained by the Client or a relevant regulator. Where those requirements result in the exclusion of a matter which would otherwise be included, the Member must disclose the reason for the exclusion, and its nature and extent.

- 4.3 If the Member has formed the opinion that a matter required to be considered is not Material, then the Member must record that the matter is not Material and provide reasons for forming that opinion but does not have to further consider that matter.
- 4.4 The Member must assess whether any omissions, understatements, or overstatements are Material. If the effect of these in aggregate is Material, the Member must disclose this in any Report to which it is relevant.

**5. [body of Professional Standard]**

**End of [name of relevant document]**

## **B.6 Drafting rules for Professional Standards**

- 17. Actuarial practice standards and requirements in a Professional Standard are mandatory. They must be denoted by the word “must”.
- 18. The words “should” and “shall” must not be used in a Professional Standard.<sup>8</sup>
- 19. The word “may” is to be used in a Professional Standard when a Member is to be given a choice about an activity in which they are allowed to engage — for example, the exercise of a discretion — but which they are not required to do.
- 20. Any action mandated unconditionally in a Professional Standard must be an action that the PSC believes is within the Member’s legal power. If not, the Professional Standard must mandate the action in a conditional form (for example, on a “reasonable efforts” basis).
- 21. The words “to disclose” \_mean to include information within a written communication, such as a Report where one is prepared. The words “to record” \_mean to include information within working papers or other documentation, but this information does not need to be included in written Reports or similar communication.
- 22. General guidance on writing Professional Standards can be found in Part E of this Policy.

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<sup>8</sup> Guidance on how to write material in other types of professional practice documents setting out how Members “should” do something that is not mandatory is in Part E of this Policy.

## **B.7 Commercial considerations**

23. For a new or revised Professional Standard that presents potentially significant additional cost or other burdens to the customer (when compared with services provided by other competing experts), before submitting to the PSC for approval, the working group of the Practice Committee is required to take appropriate considerations of whether:
- (a) the cost or disadvantage is outweighed by the need to protect the public interest; or
  - (b) the need for a Professional Standard is supported by a formal mandate from a government agency or regulator.

Both the PSC and Council are required to actively assess commercial considerations as part of their approval process.

## **B.8 Requirements for an Explanatory Memorandum**

24. The principal requirements for an Explanatory Memorandum are set out in Part 0 of this Policy.
25. An Explanatory Memorandum is not part of a Professional Standard.

## Part C Rules for Practice Guidelines

### C.1 Definition of a Practice Guideline

26. The Institute's Practice Guidelines:
- (a) form part of the constantly evolving knowledge of the actuarial profession in Australia;
  - (b) set out one or more well-established or generally accepted actuarial practices and/or techniques in a particular area of practice that Council considers will help Members to deliver competent Services; and
  - (c) support the requirements of the Code that Members maintain their knowledge and skill.
27. Practice Guidelines:
- (a) are not mandatory. (Any Mandatory duties for Members are covered in Professional Standards –refer Part B of this Policy.);
  - (b) do not form part of a Professional Standard; and
  - (c) are not to be written so as to interpret, or expand upon, a Professional Standard.
28. The due process for developing or amending a Practice Guideline is set out in Part G of this Policy. The due process for withdrawing a Practice Guideline is set out in Part I of this Policy.

### C.2 Objective of this Part C

29. This Part C is designed such that all Practice Guidelines:
- (a) are written and developed in a consistent manner;
  - (b) are “clear, concise and effective”<sup>9</sup>; and
  - (c) use consistent and objective terminology.
30. All Practice Guidelines must comply with Part C of this Policy.

### C.3 Matters covered by a Practice Guideline

31. A Practice Guideline is to:
- (a) document generally accepted actuarial practices and techniques that Council believes will help Members to deliver competent Services;
  - (b) be consistent with the Code, Professional Standards and any relevant legislation or regulatory standards; and
  - (c) include the material set out in Part C.4 below.

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<sup>9</sup> The Institute has adopted the general requirement for clarity that the Corporations Act 2001 (Cth) and the Australian Securities and Investments Commission set for financial services providers' key disclosure documents.

## C.4 Common material to be included in all Practice Guidelines

32. A Practice Guideline must have the following opening sections and text, except that the wording in Practice Guidelines related to International Standards of Actuarial Practice (ISAPs) may be different (reflecting instead the wording of the ISAP itself):

**1. Introduction**

**1.1 Application**

...

**1.2 About this Practice Guideline**

**1.2.1 This Practice Guideline:**

- (a) has been prepared in accordance with the Institute's Policy for Developing Professional Practice Documents; and
- (b) is to be applied in the context of the Code;

**1.2.2 This Practice Guideline is not mandatory. Even so, if this Practice Guideline covers the Services a Member provides, then the Member should consider explaining any significant departure from this Practice Guideline to the Principal, and record that explanation.**

**1.3 Other relevant documents**

**1.3.1 This Practice Guideline must be applied in the context of the relevant legislation, regulation and accounting standards. If there is a conflict in wording, then the legislation, regulation and accounting standards take precedence over this Practice Guideline.**

**1.3.2 In this context, legislation, regulation and accounting standards include laws, regulations, prudential standards, subordinate standards, rules issued by government authorities and standards issued by professional bodies which have the force of law. Also included are relevant modifications or substitutions of these. Similarly, a reference to a Professional Standard or Practice Guideline includes any modification or replacement of that Professional Standard or Practice Guideline.**

**1.3.3 Apart from the Code or a Professional Standard, from legislation or from regulatory standards, no other document, advice or consultation can be taken to modify or interpret the requirements of this Practice Guideline.**

**2. Commencement Date**

### **3. Definitions**

#### **3.1 Terms**

If a term to be used in a Practice Guideline is already defined in the Code, then it is not to be defined in the Practice Guideline and the following clause must be used in the definitions section of the Practice Guideline:

“Other capitalised terms used in this Practice Guideline have the same meaning as set out in the Code.”

#### **4. [body of Practice Guideline]**

**End of [name of relevant document]**

### **C.5 Drafting rules for Practice Guidelines**

- 33. Practice Guidelines do not set out mandatory duties for members of the Institute (these are contained in Professional Standards). To avoid confusion, the words “must” and “shall” are not to be used in a Practice Guideline.
- 34. General guidance on writing Practice Guidelines can be found in Part E of this Policy.

### **C.6 Requirements for an Explanatory Memorandum**

- 35. The requirements for an Explanatory Memorandum are set out in Part G of this Policy.
- 36. An Explanatory Memorandum is not part of a Practice Guideline.



## Part D Rules for Technical Papers and Information Notes

### D.1 Definition of a Technical Paper and Information Note

37. From time to time, a Practice Committee or Taskforce may issue a Technical Paper or Information Note on topics of interest to Members in their delivery of Services.
38. The purpose of a Technical Paper is to provide one or more alternative actuarial practices that could be considered in a current or evolving area of practice, and it may include guidance on relevant considerations and context relevant to the subject.
39. The purpose of an Information Note is to provide information for the purpose of encouraging debate and/or building general actuarial knowledge in a particular area of practice.
40. Technical Papers and Information Notes are to be issued as set out in Part H.
41. Both Technical Papers and Information Notes are:
  - (a) not mandatory;
  - (b) not to be written so as to interpret, or expand upon, a Professional Standard or Practice Guideline.

### D.2 Drafting rules for Technical Papers and Information Notes

42. Each Technical Paper and Information Note must:
  - (a) clearly include the date of issue;
  - (b) nominate a Member from the relevant Practice Committee or Taskforce to whom feedback or comments can be supplied; and
  - (c) include the following standard wording:

This [Technical Paper/Information Note] does not constitute legal advice. Any interpretation or commentary within the Technical Paper or Information Note regarding specific legislative or regulatory requirements reflects the expectations of the Institute but does not guarantee compliance under applicable legislation or regulations.

Accordingly, Members should seek clarification from the relevant regulator and/or seek legal advice in the event they are unsure or require specific guidance regarding their legal or regulatory obligations.

Members should also refer specifically to the following Professional Guidance [and/or ASIC/APRA Regulations]:

- Document 1;
- Document 2;
- Document 3 etc...

The [Technical Paper/Information Note] does not override the requirements in these documents or in any other Professional Standards, Practice Guidelines or other Regulatory Standards that are relevant to this area of work.

43. General guidance on writing Technical Papers and Information Notes can be found in Part E of this Policy.

## Part E Writing for clarity

### E.1 Making a practice document clear

44. To help make the practice document “clear, concise and effective”:
- (a) think rigorously about the material from the reader’s point of view — then write from that point of view; and
  - (b) focus on the purposes of the practice document. For example, for a Professional Standard, the purposes include: to regulate behaviour, to direct people what to do, and to make it easy for them to understand what it is they need to do.
45. Following are some guidelines that help to make writing clear.

### E.2 Language —words and sentences

46. Technical actuarial terms are fine in a practice document. However, when it comes to other words and phrases, prefer familiar words and everyday language — for example, prefer “end” rather than “terminate”, and “about” rather than “in relation to”.
47. Prefer the active voice — for example:
- “A member does not need to do X unless it is required by the law.”  
is better rewritten as:  
• “A member does not need to do X unless the law requires it”.
48. Prefer verbs rather than nouns — for example:
- “She is conducting a review of the data provided”  
is better rewritten as:  
• “She is *reviewing* the data provided”.
49. Use short sentences — try to have fewer than 25 words in a sentence. (You should be embarrassed if you write more than one 40+ word sentence a page.)
50. If you have a long sentence, check whether it contains more than one idea. If it does:
- (a) try putting a full stop between ideas — then tweak the text to preserve the flow. Generally, you should have only one idea in each sentence; or
  - (b) try putting each idea in separate bullet points that flow from some introductory text.
51. Remove unnecessary words from every sentence — \_short or long. For example, instead of writing “A Member must have regard to . . .”, write “A Member must consider . . .”. George Orwell famously said “If it is possible to cut a word out, always cut it out”.
52. Remember, these tips are only guidelines. Sometimes, you’ll need to breach them — just as this Policy does in some places.

### **E.3 Structure — the ordering and grouping of ideas**

- 53. Put the main message at the start of a document, a chapter, a section.
- 54. Present information in an order that makes most sense to the reader.
- 55. Group related information.
- 56. Use meaningful headings that convey key messages or that ask questions readers will find engaging.
- 57. Make sure headings accurately describe the information they head. If you change topic, then you need a new heading — so you probably need at least 3 headings a page.

### **E.4 Design — beyond the words**

- 58. Use tables, charts, etc to help convey messages.

### **E.5 How to provide “guidance” or other**

- 59. Take great care when seeking to guide actuaries on how something (that is not mandatory) “should” be done.
- 60. Experience has shown that finessing the language about non-mandatory guidance can complicate and delay the preparation and review of practice documents. In light of that experience, certain phrases are to be used in practice documents for the sort of guidance that approaches being “mandatory”. The phrases reflect the 2 levels of that sort of guidance that drafters have sought to set, as shown in the table in the next section.
- 61. If a Technical Paper or Information Note sets out aspects that Members may find useful to consider in undertaking particular work, then the word “could” is to be preferred.

## E.6 Two levels of “guidance” for non-mandatory provisions: language to use; content to include

Level of guidance	Sentiment and aim behind guidance	Language to use and content to include — with examples
<b>Typical practice</b>	This is what many/most actuaries do. It is normal professional practice. But Members are free to do something else	<p><b>Use:</b> “typically”, “common practice”</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>• “An actuary valuing asset type X would typically use an ABC approach”.</li> <li>• “It is common practice to record details of the...”</li> </ul>
<b>Deviations from approach are rare</b>	<p>Although deviations from this practice are possible:</p> <ul style="list-style-type: none"> <li>• any deviation would be assumed to be less than professional; and</li> <li>• a Member would be expected to most carefully justify the deviation.</li> </ul>	<p><b>Use:</b> “expected” and a caution to justify.</p> <p><b>Examples:</b></p> <ul style="list-style-type: none"> <li>• “An actuary valuing asset type X would be expected to use an ABC approach. If they used any other approach, they would be wise to carefully justify that approach in their report/notes”.</li> <li>• “A Member is expected to record details of the PQR. If they do not record those details, then in their report/notes, they would be wise to carefully justify why they didn’t.”</li> </ul>

E.7 Referring to legislation

62. Refer to a legislative requirement:
- (a) in a way that sets the requirement as mandatory and that helps readers;
  - (b) without putting the mandatory requirement at risk of becoming out of date if the law changes.
63. For example:

Instead of writing...	Write...
The actuarial certificate must be in a form that the Taxation Commissioner has approved in Taxation Ruling IT 12345.	<p>The actuarial certificate must be in a form that the Taxation Commissioner has approved. At the time this Professional Standard was issued, the relevant form and approval were in Taxation Ruling IT 12345.</p> <p>or</p> <p>The actuarial certificate must be in a form that the Taxation Commissioner has approved. *</p> <p>* At the time this Professional Standard was issued, the relevant form and approval were in Taxation Ruling IT 12345.</p>

## Part F Due process for developing and amending Professional Standards

### F.1 Introduction

64. The Institute establishes and maintains the Code and Professional Standards (together, “standards”) to govern the way its members provide Services, including actuarial advice.
65. The purpose of this Part F is to set the due process for:
- (a) developing new standards — \_whether from scratch or by converting a mandatory Guidance Note or Practice Guideline to a new standard; and
  - (b) amending existing standards.

### F.2 Different process for different levels of activity

66. The process:
- (a) for updating legislative or regulatory references in standards, making minor corrections or making amendments following an interpretation of a Professional Standard by the PSC, is set out in Part F.10; and
  - (b) for any more substantial changes or developments is set out in Parts F.5 to F.9.

### F.3 Council powers to issue a Professional Standard

67. The situations in which Council may issue a Professional Standard include the following:
- (a) for an established field of actuarial work on any topic about which there is broad consensus within the profession as to both the need for a Professional Standard and the content of the Professional Standard;
  - (b) if the law provides for actuarial duties, work or practice that a government body regulates; or
  - (c) if a government body asks the Institute to instruct Members how they are to perform certain actuarial activities.
68. If Council issues a Professional Standard in response to a legal requirement or request from a government body, then Council may issue that Professional Standard regardless of whether there is professional consensus as to the need for, or content of, the Professional Standard. In such cases, and before the Professional Standard is issued, Council is to ask the relevant government body to comment on the Professional Standard’s contents. Council will take any such comments into account.

## F.4 Definitions

69. In this Part F, “meet(s) the Approval Criteria” means the proposed Exposure Draft or final standard:
- (a) conforms with this Part F and is in accordance with any Drafting Accord approved by the PSC;
  - (b) has been prepared in accordance with the due process requirements of this Part F;
  - (c) is consistent with:
    - (i) the rationale and background set out in the Explanatory Memorandum;
    - (ii) the Code;
    - (iii) other relevant Professional Standards;
    - (iv) any relevant legislation or regulatory standards; and
  - (d) appropriately reflects any comments or reactions from relevant regulators or agencies.

## F.5 Proposal Stage

### F.5.1 Initiate a Proposal to the Professional Practice Committee (PPC)

70. Anyone may propose in writing to the PPC that a standard be developed or amended (“Proposal”).

### F.5.2 PPC review of a Proposal

#### *PPC may reject a Proposal*

71. If the PPC is not satisfied that the Proposal is necessary to enhance the profession of Actuary or to protect the public interest, then:
- (a) if the Proposal has been initiated by the Government, a regulator or other Government agency, then the PPC is to refer the Proposal to Council for it to decide whether the Proposal should proceed or be rejected. In the referral, the PPC is to outline why it is not satisfied that the Proposal is necessary to enhance the profession of Actuary or protect the public interest; and
  - (b) in all other cases, the PPC is to respond to the proposer in writing as to why the PPC rejected the Proposal and is to copy that response to Council for noting.

***PPC may accept a Proposal***

72. If the PPC accepts that a Proposal is necessary to enhance the profession of Actuary or protect the public interest, by assisting the delivery of competent Services, then the PPC:
- (a) may require the relevant Practice Committee to develop a drafting accord ("Drafting Accord") or to commence writing; or
  - (b) if the Proposal relates to a multi-practice standard, may require a relevant Taskforce, Committee or similar group to develop or amend the standard or to develop a Drafting Accord. In that case, all references to "Practice Committees" in the balance of this Part F refer to the Taskforce, Committee or group, as required.
73. The PPC is to prepare a paper to Council setting out the Proposal for Council's noting.

**F.5.3 Develop and approve a Drafting Accord**

***Purpose and content of a Drafting Accord***

74. The purpose of a Drafting Accord is to clarify the objectives, process and timeframe for developing or amending the standard.
75. The PPC will decide whether a Drafting Accord will be required in a particular case. Usually, a Drafting Accord would be required only for the developing of a new Professional Standard or for a major reworking of an existing Professional Standard.
76. A Drafting Accord is to set out:
- (a) the scope of the proposed standard or amendments to a standard;
  - (b) an outline of the structure of the proposed standard or amended standard;
  - (c) the relevant principles that apply to the proposed standard or amendments to the standard;
  - (d) how the Practice Committee will implement, maintain and enforce appropriate quality controls and resources throughout the writing process; and
  - (e) a timetable for the progress of the new or amended standard through the stages set out in this Part F.

***Process for approving a Drafting Accord***

77. The Practice Committee is to send a representative to a PPC meeting to submit the proposed Drafting Accord to the PPC for approval.
78. If the PPC approves the Drafting Accord (either with or without amendment), then the PPC is to notify the relevant Practice Committee that it may commence writing.
79. If the PPC does not approve the Drafting Accord, then the relevant Practice Committee is to prepare a revised Drafting Accord and re-submit it to the PPC for approval until the PPC is satisfied with the Drafting Accord.



## **F.6 Writing Stage**

### **F.6.1 Form the Drafting Committee**

80. Once the PPC has notified the relevant Practice Committee that it may commence writing a standard or amendments to a standard, the Practice Committee is to form a Drafting Committee.
81. The Drafting Committee must:
  - (a) be comprised of Members with experience that is recent and relevant to the particular Proposal; and
  - (b) throughout the writing process, consult with the relevant Practice Committee, the PPC and other stakeholders.

### **F.6.2 Consider the need for an Issues Brief**

82. Before the Drafting Committee commences writing, it is to consider whether to release an Issues Brief to Members. Usually, an Issues Brief would be released if major or controversial changes to a standard are being contemplated.
83. An Issues Brief can reduce or avoid wasted effort by:
  - (a) providing an opportunity to gather initial feedback from Members and others on issues; and
  - (b) enabling a more focused and consensus-driven understanding of the issues before writing begins.
84. Sample Issues Briefs are available from the Institute.

### **F.6.3 Draft to reflect Approval Criteria**

85. The Drafting Committee must make sure that a new or amended standard is written so as to meet the Approval Criteria.
86. The Institute staff member who has responsibility for practice documents is available to assist and advise the Drafting Committee, as required.

### **F.6.4 Prepare the Explanatory Memorandum**

87. The Drafting Committee must prepare an Explanatory Memorandum to accompany the Exposure Draft(s), and the final version, of the new or amended standard when issued to Members. The Explanatory Memorandum must include the full background and rationale for developing or amending a standard. The Explanatory Memorandum is not part of the standard.

## **F.7 Exposure Stage**

### **F.7.1 Practice Committee obligations before seeking PPC release approval**

88. Before the relevant Practice Committee presents the Exposure Draft and Explanatory Memorandum to the PPC, the relevant Practice Committee must approve the drafts.
89. To approve the drafts, the Practice Committee must be satisfied that:
- (a) they are consistent with any relevant Drafting Accord (or that the Drafting Accord should be amended to be consistent with the drafts);
  - (b) they are clear, concise and effective;
  - (c) they are technically sound and consistent with the legislation and regulatory standards; and
  - (d) the Drafting Committee has properly considered any comments received on any previous Exposure Draft(s).

### **F.7.2 PPC approval of release of Exposure Draft**

90. The relevant Practice Committee must arrange for a member of the Practice Committee or the Drafting Committee to attend a PPC meeting to present the approved Exposure Draft and Explanatory Memorandum.
91. The PPC decides whether to approve the release of the Exposure Draft and Explanatory Memorandum for comment (it may require changes to the drafts). In so deciding, the PPC is to consider:
- (a) whether the new or amended standard is suitable to be classified as a Professional Standard.
  - (b) the effectiveness of the new or amended standard in meeting the intent of any relevant Drafting Accord; and
  - (c) whether the proposed standard meets the Approved Criteria.<sup>10</sup>

### **F.7.3 Exposure to Members**

92. If the PPC approves the release of the Exposure Draft and Explanatory Memorandum, then the Institute staff member who has responsibility for practice documents is to circulate them to:
- (a) Members for written comment;
  - (b) any other interested persons or organisations for written comment; and
  - (c) any legal or other professional adviser whose advice about the proposed new or amended standard the PPC requires.

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<sup>10</sup> Defined in Part F.1F.4 of this Policy.

93. The Practice Committee or Drafting Committee may request the Institute to organise a workshop or meeting at which Members can comment on an Exposure Draft.
94. Normally, the deadline for written comments is to be at least fourteen days after the date on which the drafts are circulated. However, to support robust consultation, the PPC is to allow a longer period if possible.

#### **F.7.4 Acknowledge and summarise comments**

95. The Institute staff member who has responsibility for practice documents must acknowledge the receipt of written comments and forward them to the Drafting Committee.
96. The Drafting Committee must prepare a summary of the comments and of any discussion at a workshop or meeting held under paragraph 93.

#### **F.7.5 Need for any further amendments**

97. If the comments cause the Practice Committee to consider that major changes are required, then the Drafting Committee is to re-write the Exposure Draft and Explanatory Memorandum. In doing so, it is to:
  - (a) repeat the steps set out in Parts F.7.1 and 0 of the Exposure Stage; and
  - (b) include with the release of each Exposure Draft, the history of the proposed or amended standard and a description as to how any comments and discussion on the previous Exposure Draft were responded to in the later draft.

#### **F.7.6 Approval to move to the Decision Stage**

98. When the Practice Committee considers that no, or only minor, amendments are required, it can submit to the PPC that the proposed standard be moved to the Decision Stage. To make that submission, it is to arrange for a member of the Practice Committee or the Drafting Committee (or both) to present to the PPC on the Practice Committee's submission.
99. The Practice Committee is to provide in its submission to the PPC:
  - (a) the Drafting Committee's summary of:
    - (i) the comments received on the Exposure Draft;
    - (ii) any discussion at a workshop or meeting; and
    - (iii) how, generally, the later re-writing responded to the comments and discussion; and
  - (b) a statement from the Drafting Committee as to:
    - (i) the degree to which there is consensus among the Members as to the proposed changes; and
    - (ii) whether the proposed changes have taken into account any comment or reaction from relevant regulators or agencies.

## F.8 Decision Stage

100. The PPC is to scrutinise the proposed new or amended standard to:

- (a) check whether the draft meets the Approval Criteria;<sup>11</sup>
- (b) consider whether there has been sufficient consultation about the proposed new or amended standard;
- (c) review the Drafting Committee's summary of:
  - (i) the comments received on the Exposure Draft;
  - (ii) any discussion at a workshop or meeting; and
  - (iii) how, generally, the later re-writing responded to the comments and discussion; and
- (d) review the Drafting Committee's statement as to:
  - (i) the degree to which there is consensus among the Members as to the proposed changes; and
  - (ii) whether the proposed changes have taken into account any comment or reaction from relevant regulators or agencies.

101. Following this scrutiny, the PPC may decide that:

- (a) further consultation on the proposed new or amended standard is needed (in which case, it will refer the proposed standard back to the Practice Committee for further action); or
- (b) it wishes to obtain independent advice in relation to the proposed standard.

102. After this scrutiny, and if no further consultation or independent advice is required, the PPC is to decide whether the proposed new or amended standard is to:

- (a) move to the Approval Stage; or
- (b) be sent back to the Exposure Stage.

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<sup>11</sup> Defined in Part F.1F.4 of this Policy.

## F.9 Approval Stage

103. If the PPC decides that a proposed new or amended standard should move to the Approval Stage, then it must submit a recommendation to Council that the new or amended standard be adopted.
104. The recommendation must:
- (a) indicate:
    - (i) whether there is broad consensus among members of the Institute as to the need for, and content of, the proposed standard; and
    - (ii) that the standard is in the public interest.
  - (b) confirm that the standard meets the Approval Criteria; and
  - (c) contain a brief history of the proposed or amended standard, a reasonable analysis of the comments received, and the effective date of commencement.
105. If Council does not accept the PPC's recommendation, then it will send the draft back to the PPC with the reasons for its rejection and with a recommendation for further action.

## F.10 Legislative changes or other minor amendments to standards

106. The PPC may direct the relevant Practice Committee to form a Drafting Committee to write amendments and an Explanatory Memorandum summarising the changes if the PPC receives a Proposal for a standard to be:
- (a) updated to reflect legislative or regulatory changes;
  - (b) changed or corrected in a minor way; or
  - (c) amended in response to an interpretation of the standard given by the PPC.
107. Once the writing is complete, the Practice Committee may submit the proposed standard and draft Explanatory Memorandum to the PPC. The PPC may:
- (a) decide that the standard is to move to the Approval Stage; or
  - (b) refer the standard back to the Practice Committee for further work.
108. If the PPC decides that the standard is to move to the Approval Stage, then the PPC must recommend that to Council and outline the reasons.
109. If Council does not approve the amended standard, then it is to send the draft back to the PPC with reasons for its rejection and with a recommendation for further action.
110. A standard amended under Part F.10 does not need to comply with any other section of this Part F other than Part F.11.

### **F.11 Format, distribution and retention of versions**

111. Once Council has approved a new or amended Professional Standard, the Institute staff member who has responsibility for practice documents is to:
- (a) correctly format and number the final version of the Professional Standard in accordance with the numbering system for practice documents approved by Council;
  - (b) manage the timely publication of the Professional Standard and Explanatory Memorandum to Members, as well as any interested external parties; and
  - (c) maintain copies of all Professional Standards on file for at least ten years after they cease to have effect.

## Part G Due process for developing and amending Practice Guidelines

112. A Practice Committee or Taskforce must present the Exposure Draft(s) of a Practice Guideline to the PPC so that it may be reviewed and have the classification approved.
113. Council may approve a Practice Guideline on the recommendation of the PPC.
114. An Explanatory Memorandum must be prepared to accompany the Exposure Draft(s), and the final version, of any new or amended Practice Guideline when issued to Members. The Explanatory Memorandum must include:
  - (a) the full background and rationale for developing or amending the Practice Guideline; and
  - (b) a description as to how any comments or discussion on the previous Exposure Draft (if any) were responded to in later Exposure Drafts or the final version.
115. If PPC presents a new or amended Practice Guideline to Council for approval, then it must include an accompanying paper to Council which:
  - (a) explains how and why the Practice Guideline has been developed or amended;
  - (b) confirms that the Practice Committee has properly consulted with relevant and interested Members and, if necessary, external parties;
  - (c) discusses the extent to which the Practice Guideline represents well-established or generally accepted actuarial practices and techniques, and the extent to which Members support it;
  - (d) confirms that the Practice Guideline has been written in accordance with this Policy; and
  - (e) confirms that the Practice Guideline is consistent with the Code, Professional Standards, and any relevant legislation or regulatory standards.
116. Once Council has approved a new or amended Practice Guideline, the Institute staff member who has responsibility for practice documents is to:
  - (a) correctly format and number the final version of the Practice Guideline in accordance with the numbering system for practice documents approved by Council;
  - (b) manage the timely publication of the Practice Guideline and Explanatory Memorandum to Members, as well as any interested external parties; and
  - (c) maintain copies of all Practice Guidelines on file for at least ten years after they cease to have effect.

## Part H Due process for developing Technical Papers and Information Notes

117. A Practice Committee or Taskforce must present the Technical Paper or Information Note to the PPC so that it may be reviewed and have the classification approved.
118. The relevant Practice Committee or Taskforce must formally document the proposal to issue or amend a Technical Paper or Information Note in its meeting minutes.
119. Following approval from the PPC, the Institute staff member who has responsibility for practice documents is to arrange for issuing the Technical Paper or Information Note to Members.
120. All Technical Papers and Information Notes must nominate a Member who is responsible for:
  - (a) compiling and assessing any feedback or comments; and
  - (b) reporting them to the Practice Committee or Taskforce.
121. At least once a year, the relevant Practice Committee or Taskforce must consider the currency of each Technical Paper and Information Note it has issued (or jointly issued with another Practice Committee or Taskforce) and that is still in force. It must determine whether the document needs to be updated or withdrawn.
122. The relevant Practice Committee or Taskforce must inform Council of any key issues arising for the profession as a result of feedback or comments received in relation to a Technical Paper or Information Note.



## Part I Withdrawal of practice documents

123. Council may withdraw:
- (a) a Professional Standard on the recommendation of the PPC; and
  - (b) a Practice Guideline on the recommendation of a Practice Committee or Taskforce.
124. In the case of Technical Papers and Information Notes, the relevant Practice Committee or Taskforce which issued the note may withdraw it, provided that it formally documents the withdrawal of the Technical Paper or Information Note in its meeting minutes. The Institute staff member who has responsibility for practice documents must provide timely notification of the withdrawal of the relevant note to Members, and any interested external parties.
125. In both cases set out in paragraph 123, the relevant Committee or Taskforce making such a recommendation must provide a reasonable level of explanation to Council as to why the practice document should be withdrawn.
126. If Council approves the withdrawal of the practice document, then the Institute staff member who has responsibility for practice documents must provide timely notification of its withdrawal to Members, and any interested external parties.