

1. What are your views on the proposed changes to the scope of TAS 300? Are there any other areas of pensions work that you consider to be inadequately covered by TAS 300 and should be included?

The proposed changes to scope seem sensible. Note that most practising pension actuaries will likely spend a significant amount of time advising on the matters covered under TAS 300 in relation to scheme factors, funding and financing compared to the other parts covered under TAS 300, so it is important these points are communicated to practitioners appropriately.

2. Do you agree our intention to defer any changes to requirements under scheme funding and financing until there is greater legislative certainty? Do you have any other specific concerns in relation to provisions on scheme funding and financing that you believe require addressing over a shorter period?

Deferring until there is greater legislative certainty seems sensible to avoid the costs of implementing changes now which may then only need to be revisited once the new funding regime is finalised. This will avoid duplicating time, effort time and the incurring of additional compliance costs, which might be borne internally or passed on to intended users.

Regarding any other specific concerns, as mentioned in the FRC's introduction, that there may be some merit in giving non-mandatory guidance on the use of post valuation experience in funding valuations. In our experience, the projection part of a funding valuation is a 'tick box' exercise undertaken right at the end of the valuation process, with little value to the user. This has been brought to the fore by the rise in gilt yields in Q4 of 2022.

3. What are your views on the proposed changes to TAS 300 in relation to the frequency of review of the actuarial factors? What are your views on the proposed changes to TAS 300 in relation to the timing of review of actuarial factors?

We are generally in agreement with and welcome the proposals on the frequency of factor reviews. In practice there will be many schemes where a greater than a 3-year cycle will be appropriate (eg micro-schemes and schemes with few deferreds).

Regarding 3.2 we are not convinced, given recent events in the gilt market for instance, that we need this constraint. For example, a review being undertaken for a scheme with a valuation date of 30 June 2022 might, under these proposals, lead the practitioner to set out initial advice and undertake work on method and assumptions some time before June 2022. As funding discussions progress, and as market indicators and/or views on investment strategy emerge or develop during the 15-month window for completing the funding assessment, a totally different factor environment will have emerged. It would be preferable for the practitioner to use their judgement and have the latitude that currently exists.

Could this be a highlighted point without being a formal requirement (e.g. the non-mandatory guidance referenced above?)

4. Do you consider the proposed changes to Section 3 would enable decision-makers to reach a fully informed view in setting actuarial factors?

In our view, a fully informed view also requires several non-actuarial considerations to be borne in mind, such as whether large step changes in factors are appropriate, simplicity for members, timing of changes, system updates as well as legal considerations - the latter is particularly relevant where rules are vague on which party sets the factors.

We believe there is potential for 'overkill' in P3.3 regarding the number of comparison bases practitioners may be being required to present. There is a real danger that the key messages will be lost in a plethora of numbers and the corresponding length of communications to describe the various approaches. It should be sufficient for the practitioner to use their judgement to determine which bases are best suited to present based on the circumstances (eg size, where current factors currently sit) of the scheme in question.

Adding unnecessary complexities risks these being consigned to an appendix and being perceived to be of secondary importance. Incorporating additional bases for the sake of complying with TAS 300 could even devalue the comparisons that would already be in the report under the current TAS 300.

5. Do you consider that the remit of TAS 300 includes specifying how actuarial factors are set, either in relation to the value for money members should get from cash commutation or in making allowance for future changes to investment strategy in CETV factors? Please explain your rationale.

No. It will be too constraining on practitioners and likely to be at odds with the number of variables involved in advising on commutation factors, in particular the provisions contained in a scheme's rules.

'Value for money' is not uniquely defined anywhere and is very much in the eye of the beholder. Should adjustments be made for ill-health for instance? How would this be determined? The tax position of the recipient will sway views too.

It has never been, in our experience, a primary concern for a scheme to provide the equivalent value that would derive from a CETV basis. A comparison with a scheme's CETV basis has some logic but we see that the 'best estimate' nature of a CETV means the approach to setting CETVs is necessarily different. In most cases, CETV factors change on a monthly basis whereas cash commutation factors are generally fixed for a period of time to provide stability and assist in members' retirement planning - as such, the underlying value will necessarily differ at any point in time.

Also, Trustees can set CETVs above best estimate which, although rare, would undermine the comparison in such cases.

6. Are there other provisions relating to actuarial factors which you believe should be introduced?

In keeping with a principles based approach, the introduction of additional requirements is to be avoided.

7. What are your views on the proposed provisions in section 5 in relation to bulk transfers? Do you think that the proposed provisions would ensure the actuarial advice given to decision-makers would allow them to be fully informed when considering potential bulk transfers?

We believe that for most insurer transaction exercises, price will be the main determinant. Our recent experience is that a lot of Trustee support work does not necessarily constitute technical actuarial work being performed: most of the judgement is in relation to non-actuarial aspects such as the investment, legal and project management elements.

8. Do you consider that the proposed changes to TAS 300 on modelling work relevant to superfunds would help mitigate the risks associated with pensions practitioners' lack of familiarity with features of the modelling required?

The suggested proposals have some merit in that we agree this will be an unfamiliar area for most practitioners. For small schemes there would be a concern about the practicalities and cost of undertaking too much analysis.

9. Are there other provisions relating to bulk transfers which you believe should be introduced into TAS 300?

We suggest that guidance could be given to the role of technical actuarial work in say insurer buy-in or buy-out transactions where scheme benefits are 'forced' to be altered/removed because they cannot be accommodated by the insurer. This may happen if, say, fixed commutation factors cannot be reasonably insured and are replaced by variable factors, or if other options such as fixed early and late retirement factors or other guaranteed scheme conversion benefits cannot be insured.