

**Consultation on TAS Pensions
Reply to invitation to comment**

1. We agree with the proposed purpose the pensions TAS but are concerned that this is defined too widely. The proposed definition is too broad because it attempts to satisfy the (undefined) needs of a wide range of potential users rather than the primary client.

We would also be concerned if 2.3b) is interpreted to place the responsibility for ensuring accurate benefit calculations for individual members (for example transfer value payment calculations) with the actuary. Often there is little or no day to day actuarial involvement in such calculations. The responsibility should rest with the trustees whose governance duties include monitoring of the scheme administration.

2. Yes.

However, we also strongly believe that the client should be able to decide the scope of the work depending on their own materiality requirements. This seems sensible especially for small entities for whom the compliance costs could outweigh the benefits (e.g. there are pension schemes with very few and in some cases only 2 members). Clients often want to restrict the scope of actuarial work, where possible, to reduce costs and it would be unfortunate if the TAS overruled this.

3. We do not feel strongly about the work in scope except that this could effectively discourage clients from taking actuarial advice in many circumstances. As for 2. above, we believe the client should be able to limit the scope of the work depending on their own materiality requirements.
4. In general, we are concerned that clients will be discouraged from taking non-reserved actuarial advice if clients are unable to restrict the scope of the work.

For example, for pension scheme wind-ups (refer paragraph 4.19), in the case of small schemes this work is often not carried out by actuaries (e.g. IFAs are involved). A lot of the work is not of an actuarial nature but is more to do with checking benefits and insurance provisions. Trustees of small schemes often want to severely restrict the scope of actuarial work to save costs. So perhaps 4.20 should permit the client to restrict the operation of TAS where they appreciate the potential consequences.

5. Yes.
6. No. This would be likely to limit the input from actuaries if the compliance requirements are too onerous and costly.
7. Again, the scope of the actuarial work and the limitations should be set by the client.

8. Given the risks involved for members we believe that there is a case for including this work within scope of the pensions TAS.
9. No.
10. No.
11. No.
12. No.
13. 6.3 – we would agree that BAS should not set benchmarks for assumptions but note that actuaries do not have the skill set for setting best estimate assumptions. If pensions work will require best estimates are required under Pensions TAS then we believe that the BAS should set benchmarks for those assumptions. We believe it would not be appropriate for BAS to set benchmarks other than for best estimates.

6.14 – we suggest inserting the words “Where appropriate” at the start of the principle. We agree with 6.15.

6.19 – we suggest that the term “selecting assumptions” is used to bring the principle within the scope of paragraph 6.5.

6.31 – we would be in favour of the use of fit for purpose comparators, for example reference to gilt yields may be useful when assessing assumptions for Technical Provisions. We would not agree with the use of a best estimate comparator unless this was provided by BAS (see reply 6.3 above). We cannot see any usefulness for comparators when assumptions are set by another body e.g. the Pension Protection Fund.

6.36 – we propose that the word “appropriate” is inserted before “publicly available forecasts”. Many forecasts are not widely used or considered reliable.

6.42 – for small schemes an estimate of the current mortality rates is unlikely to be statistically credible. We propose adding the words “if available” to the end of the last sentence of the principle.

6.53 – we do not agree that it is helpful to split running costs in this way and think that in many cases it would not be possible in practice. The method for splitting of costs should be decided by the client.

6.61 – the meaning of “possible annuity rates available from providers” is not clear. In many cases annuity rates will not be available and it is not possible to know what the “possible” rates would be. We suggest that the principle is reworded to make clear that annuity rates should only be taken into account where they have been made available to the actuary.

6.63 – we suggest that the principle should include terminology consistent with 6.5 because the trustees choose both sets of assumptions.

14. Refer reply to 6.3.

15. No.

16. No.

17. No.

18. No.

19. We strongly disagree with the introduction of best estimate liabilities for comparison with prudence in Scheme Funding exercises. The trustees are not obliged to give reasons for the level of prudence changing and may well refuse to explain this to the actuary. This will also be complicated by changes in the best estimate approach. There is no clear rationale for obtaining best estimates and different actuaries will come to different conclusions.

20. No we do not agree with your conclusions. We believe that the Scheme Funding report should satisfy the requirements of the client (the trustees) and that application of pensions TAS for a broader audience would lead to significant practical difficulties.

21. Yes.

22. No.

23. Pensions TAS.

24. We agree that maintaining a published glossary is useful.

25. No.

26. No.

**Final Salary Pensions
Scottish Widows**