

## **About First Actuarial**

This response is provided by First Actuarial LLP. First Actuarial is a consultancy providing pension scheme administration, actuarial and consultancy services to a wide range of clients across the UK. We advise a mixture of open and closed defined benefit schemes with our clients concentrated in the smaller end of the pension scheme market. Our clients range across a number of sectors including manufacturing, financial services, not for profit organisations and those providing services previously in the public sector. Our response has been prepared following internal discussion and consultation amongst interested parties within the firm.

## **Response to consultation questions**

### **Q3.1 Do you have any comments on the draft Framework for FRC Actuarial Standards (paragraphs 3.5 to 3.8 and Appendix A)?**

We have no comments on paragraphs 3.5 to 3.8 and we have just one comment in relation to Appendix A. We are slightly concerned by the wording in paragraph 4.11 of Appendix A. It is not clear to us who would be deemed to have responsibility for the work. For example, if a qualified actuary produces a piece of work – or amends a piece of work drafted by an actuarial student or a non-actuary – and passes it to (for example, in the pensions' field) the Scheme Actuary who then signs out the work without making any further amendments, would it be the qualified actuary as well as the Scheme Actuary who would be deemed to have responsibility for the work? Or would it just be the Scheme Actuary? We think this needs further clarification. If it is the case that both actuaries would be deemed responsible, that would seem to us to be unreasonable. We read from 4.12 that perhaps it is only the signing actuary (i.e. the Scheme Actuary in this case) that would be deemed to be responsible, but we think this needs clarification as it is currently ambiguous.

### **Q3.2 Do you have any comments on our proposal to withdraw and archive the existing Scope & Authority (paragraphs 3.26 to 3.29)?**

No, this approach seems sensible.

### **Q3.3 Do you have any comments on our proposed approach to the Significant Considerations documents (paragraphs 3.30 to 3.31)?**

It would be helpful if these documents could simply be archived and still be accessible, rather than being withdrawn completely.

### **Q4.1 Do you agree that the extension of the scope of application of TAS 100 to all actuarial work would be of benefit to users of actuarial work? If you disagree, please explain why.**

Yes. The TASs provide sensible principles that are not too onerous to comply with and we believe they aid the comprehensibility and quality of actuarial advice provided. As such, we are happy for the scope of TAS 100 to be widened to encompass all actuarial work. Furthermore, we believe it will be easier for the providers of actuarial work in that there will no longer be a need to check which work is within and without scope of the TASs.

However, we will leave it to the holders of unique posts to comment on the implications for them. The only potential problem we can see of extending TAS 100 to cover all actuarial work, including that produced by unique post holders, is if any of the requirements of TAS 100 conflict with guidance or regulations that apply to the unique post holders.

### **Q4.2 Do you agree with the proposed definition of actuarial work? If not, please**

**provide reasons and suggest an alternative approach (paragraph 4.11).**

No, we believe it is ambiguous. The fact that the term “actuarial science” has had to be spelled out in the consultation document suggests to us the need for it to be defined in the TAS itself, or at the very least, for an indication of its meaning to be included in the TAS.

Furthermore, we are confused by the combined wording of paragraphs 4.20 and 5.31 of the consultation document.

Paragraph 4.20 says, *“There may be large pieces of work where there is a self-contained component of work which is actuarial work. The component piece of work must comply with TAS 100, however, the additional work does not need to comply provided it contains no other elements of actuarial work.”*

Paragraph 5.31 says, *“For many pieces of work there is more than one communication. Compliance with the reporting principles of the current TASs is required for the aggregation of reports rather than each report separately. We propose that there is a similar approach for TAS 100 and have included a statement that the requirements of TAS 100 on communications apply to the aggregate communications for a piece of work and not to each individual communication.”*

Is the intention that if component reports contain no advice that is deemed to be actuarial in nature, even though those reports are part of a wider piece of work which is actuarial in nature – for example, on a scheme funding valuation of a pension scheme – that those component reports do not need to form part of the aggregate report?

#### **Q4.3 Do you agree with the analysis of different areas of work in Appendix E?**

Yes, we agree with the analysis, but we think it would be useful if the appendix formed part of the TAS itself, or at the very least, formed part of the “new framework” document (which will be replacing the existing scope and authority document). Furthermore, it might be helpful to expand on the examples in terms of bringing out some of the specific circumstances in which work would and would not fall into scope.

We are also slightly confused by paragraph 4.26 of the consultation document, which says, “...In addition, the conclusions do not necessarily have any implication regarding the requirement for compliance with other actuarial standards ...”

We assume that if work falls into scope of a specific TAS, it automatically falls into scope of TAS 100 (in much the same way as if work currently falls into scope of, say, TAS Pensions, it automatically falls into scope of TASs R, M & D); is our interpretation of the way in which TAS 100 and the specific TASs will interact correct? If so, is the wording in paragraph 4.26 referring to the fact that work which is in scope of TAS 100, may not necessarily be in scope of one of the specific TASs, rather than the other way around?

#### **Q5.1 Do you agree with the proposed high-level principles (paragraph 5.3)?**

Yes, apart from the data principle. We believe that the requirement for data to be “sufficient and reliable” needs to be caveated, as this may not always be possible. See comments below on the accompanying provisions to the data principle for more details.

#### **Q5.2 Do you agree with the proposed provisions in TAS 100 on data (Appendix B)?**

No. Provision 2.5 would seem to conflict with the data principle.

The data principle says “**Data** used in **actuarial work** shall be sufficient and reliable for the purpose of that Work...”

Provision 2.5 says “**Communications** shall state any limitations in the **actuarial information** resulting from the use of insufficient or unreliable data and provide an indication of their impact on the **actuarial information**.”

Provision 2.5 would seem to allow the use of insufficient or unreliable data providing the limitations in the resulting actuarial information provided are stated and an indication of the impact on the actuarial information is provided; but the data principle would not seem to allow the use of insufficient or unreliable data.

Furthermore, we believe provision 2.2 needs to be adjusted to say “If *initial* data is insufficient or unreliable...” because otherwise the wording will conflict with the data principle which does not allow the use of insufficient or unreliable data. It then covers the situation where the initial data is insufficient or unreliable, further data or clarification is sought, but the final data remains unchanged.

### **Q5.3 Do you agree with the proposed provisions in TAS 100 on assumptions (Appendix B)?**

Yes, but we think a further provision should be added, which is that “No adjustment shall be made to any assumption used in **actuarial work** to compensate for a shortcoming in another unrelated assumption.”

### **Q5.4 Do you agree with the proposed provisions in TAS 100 on modelling (Appendix B)?**

Yes, although we feel that the requirement in TAS M that “models shall be no more complex than can be justified” is a good one and should be a provision in TAS 100.

### **Q5.5 Do you agree with the proposed provisions in TAS 100 on communications (Appendix B)?**

Paragraph 5.13 of the consultation document says that the term communication is designed to cover both permanent and non-permanent communications including oral reports. The definition of “communication” in the glossary at Appendix C backs this up by saying that it is “A statement of **actuarial information** in permanent or non-permanent form.” In light of this, should the communications provisions be amended so that rather than simply saying “Communications...” they say “In aggregate, communications...”. Otherwise, it could be construed that, for example, any advice given over the telephone would require the provider of that advice to state the purpose of the call, the users of the advice they are about to give and confirm who commissioned the work. This is an issue in all provisions (not just those coming under the communications principle) that cover communications. TAS R circumvented this issue by having component and aggregate reports, with only one requirement relating to component reports and the rest relating to aggregate reports.

Furthermore, we feel that two key provisions that were contained in TAS R have been omitted. These are that “communications should contain sufficient information to enable users to judge the relevance to decisions for which they will use it” and “Communications shall explain what the results of any material calculations are intended to represent.”

### **Q5.6 Do you have any comments on the application of TAS 100 (paragraphs 5.25 to 5.29)?**

No.

**Q5.7 Do you agree that a compliance statement should be required (paragraph 5.30)?**

No, we are not sure this adds much for the user.

**Q5.8 Do you agree with the proposed approach on guidance material (paragraphs 5.32 to 5.34)?**

We are happy for guidance not to be provided, but if this is the approach that will be adopted, we would like the old TASs and the 'Significant considerations' document to simply be archived and still accessible, rather than being completely removed from the FRC website. This will be particularly important for actuaries who have qualified or entered the profession after the current TASs have been removed and want to understand the intention behind the TASs, which have developed over time.

**Q5.9 Do you agree with the proposal to include defined terms in a separate glossary (paragraph 5.35)?**

Yes, we are happy with that approach.

**Q5.10 Do you consider the definitions of the terms in the glossary are clear (paragraph 5.35)?**

No, not all of them. See our response to consultation question 4.2 for our comments on the definition of actuarial work.

**Q5.11 Do you have any other comments on the exposure draft of TAS 100?**

Only that paragraph 5.22 of the consultation document says "Paragraph C.5.2 of TAS R requires reports to include an indication of uncertainty. Paragraph C.5.4 of TAS R sets out possible approaches to do this including showing the numerical consequences of changes in assumptions. In practice we would expect that reports will show the sensitivity of results to variations in key assumptions where this is material to users' decisions. We have, therefore included this as a supporting provision which is consistent with paragraph 3.7.7 of ISAP 1. *Communications shall describe any margins for adverse deviations allowed for in the actuarial work (provision 5.6).* Do you instead mean that this is covered by provision 5.2 (5.2. *Communications shall include the results of the actuarial work and the sensitivity of the results to variations in key assumptions.*)?"

**Q6.1 What areas of work specified in scope of the current Specific TASs do you consider should not be subject to more detailed actuarial standards (paragraph 6.8)?**

We are pensions actuaries, so we are only able to comment on the Pensions TAS and the Transformations TAS. However, we don't believe that there are any areas of work that are in these TASs that shouldn't be in the new TASs.

**Q6.2 What work which is not currently in the scope of the Specific TASs do you consider should be subject to the more detailed standards (paragraph 6.8)?**

Those detailed in paragraph 8.17 of the consultation document. We also think that pension scheme buyout estimates provided to sponsors of DB schemes should also come within scope of the revised Pensions (specific) TAS.

**Q6.3 Do you agree with the proposed structure of the TASs (paragraphs 6.9 to 6.12)?**

Yes.

**Q6.4 Do you have any other comments on the proposals for technical actuarial standards in section 6?**

No.

**Q7.1 Do you have any comments on the proposed implementation of the new framework in Section 7?**

No.

**Q7.2 Are the proposed interim arrangements clear (paragraphs 7.7 to 7.9)?**

Yes.

**Q8.1 Do you agree that TAS 100 could be applied to a wide range of actuarial work without disproportionate costs?**

Yes. It doesn't strike us as being an onerous exercise to ensure compliance with TAS 100.

**Q8.2 Do you have any comments on our analysis of the impact of the changes set out in section 8?**

No.