

FRC Post Implementation Review : Technical Actuarial Standards Call for Feedback - May 2022		
	FRC consultation question	ACA response
Q1	Name	James Beardmore, Chair, Professional Affairs Committee
Q2	Individual or Organisation	On behalf of the Association of Consulting Actuaries
Q3	Email	
Q4	Confidentiality	No
Q15	To what extent has TAS 300 been effective in supporting high quality technical actuarial work in the pensions sector?	We reiterate the comments provided on 7 May 2021 for FRC's earlier Call for Feedback on the TASs. We believe that TAS 300 has been effective in supporting high quality technical actuarial work in the pensions sector. TAS 300 allows judgment which encourages actuaries to consider their work more carefully, and generally is easily applied to non-IFoA members.
Q16 (i)	What aspects of TAS 300 have caused difficulties?	We reiterate the comments provided in May 2021. Difficulties include deciding what work is inside/outside the scope of TAS 300 and hence the applicability of the compliance statement (for IFoA and non-IFoA members) to that body of work.
Q16 (ii)	Please explain what those difficulties were and how you were able to overcome them.	These difficulties have been overcome with specific training, additional guidance, and setting up detailed compliance processes within firms. In many cases of uncertainty over scope, it is likely that work has been carried out as if TAS 300 applied and perhaps a compliance statement has been provided when it may not have been necessary).
Q17(i)	How are recent or anticipated changes in the regulatory framework requirements in relation to scheme financing changing the nature of advice and support provided by practitioners?	<p>Changes in the regulatory framework for scheme financing are changing the nature of advice and support in the following ways:</p> <ol style="list-style-type: none"> <li>(1) Greater emphasis on the future progression of scheme financing (as opposed to a valuation date snapshot) incorporating future changes in lower risk investment strategies and investment returns, and as a corollary greater emphasis on the solvency measure. Allowance is also needed for climate change impacts on assumptions and covenant changes.</li> <li>(2) The arrival of CMP schemes requires new calculations, advice, and reporting consistent with new legislation such as the use of "central estimates" rather than prudent assumptions, the inclusion of projected benefit adjustments and the scheme actuary's "sound design" report rather than a conventional scheme funding report. This takes effect from 1 August 2022, so TAS 300 amendments are required as soon as possible to ensure it reflects the requirements for these schemes and does not (as currently set out) set inappropriate requirements.</li> </ol>

		<p>(3) In addition to scheme actuary work for the trustees of CMP schemes, which is in scope under the existing drafting of TAS 300, consideration should be given to work advising an employer in relation to CMP schemes. In our view this should also be in scope.</p> <p>(4) More advice in the area of risk transfer/reduction, which will sometimes change the way in which advice is delivered (eg interactive funding level trackers and similar – this can also apply for other two comments above).</p> <p>(5) Depending on the detail of the forthcoming funding regulations and the new funding code, there may be other changes required to the nature of advice and support.</p> <p>(6) Changes may also flow from the IFoA corporate advice thematic reviews.</p>
Q17 (ii)	What changes should be made to TAS 300 to reflect these?	<p>TAS 300 could be changed in the following ways (using the same numbering for the responses to Q17 (i) above):</p> <p>(1) Paragraph 12 of TAS 300 could be slightly modified to also tie this specifically to the long-term funding target (on the understanding that some broader issues will be picked up in the proposed modifications to TAS 100).</p> <p>(2) To aid clarity there could be a separate section only for CMP schemes otherwise paragraphs 6 to 16 of TAS 300 will need amending with suitable words to take account of the points raised in response Q17 (i) (2) above. Specifically, changes are needed for:</p> <ul style="list-style-type: none"> <li>• Paragraphs 6 and 7 to reflect the fact that prudence is not appropriate for CMP schemes and central estimates are required</li> <li>• Paragraph 11 to extend the reference to governing bodies' duties to include benefit levels</li> <li>• Paragraph 12 to replace references to projected funding levels and their volatility (not appropriate for CMP) but including projected benefit adjustments and their volatility, and the risk of a cutback in benefits</li> <li>• Paragraph 13 to remove disclosures that are not relevant for CMP schemes</li> <li>• Paragraphs 14-16 to remove reference to a Scheme Funding report and to include reference to a separate "sound design" report to reflect the requirements of CMP schemes with corresponding changes in TAS Appendix A or an additional Appendix.</li> </ul> <p>(3) As these risk transfer areas of work are not statutory in the same way as funding reports etc. we suggest these areas are included under paragraph 18 of TAS 300 in a similar way.</p>

		Limiting the scale of changes to TAS 300 to those amendments that are absolutely necessary (or relate to areas that were previously not covered by TAS 300) will help to minimise disruption within firms that have TAS processes well established in their existing operational processes.
Q18 (i)	How has the development in pensions freedoms in recent years impacted on your technical actuarial work for actuarial factors?	Pensions freedoms have required increased focus on assumptions for factors for example the propensity of different types of members to take transfer values close to retirement age, and has required an increase in advice for the range of factors being used for example provisions of pension increase exchange factors. Again, new ways of delivering advice are being used.
Q18 (ii)	What changes should be made to TAS 300 to reflect these?	We agree the general conclusions of the IFoA thematic review for greater frequency of actuarial factor reviews and client disclosure of the implications of selecting different levels of factors, together with increased client disclosure from a public interest standpoint that factors are derived as applicable across a general population, and not necessarily applicable to any one individual's circumstances.
Q19	Are there other areas of pensions-related technical actuarial work where you would welcome further technical actuarial standards	In the same way as risk transfer work could be brought into paragraph 18 of TAS 300 (see response to Q17 (ii) (3) above), some consideration may also be given to the technical actuarial work undertaken for preparing liability driven investment (LDI) matching benefit cashflows, and also for climate change scenario liability and funding level projections (if not being covered by TAS 100 – the consultation on changes to TAS 100 in this regard has been released since this call for feedback was issued).

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