CAPITA

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Dear Sirs

Response to The FRC Consultation – A new framework for Technical Actuarial Standards

Capita Employee Benefits is one of the largest employee benefits consultancies in the UK. Formed in October 2012, the firm brought together the award-winning consultancy and technology solutions of Bluefin Corporate Consulting, and the award-winning pension administration services of Capita Hartshead.

As a combined business we now offer a comprehensive range of employee benefits and pensions services, with expertise in administration, consultancy and technology: DB and DC trust, Master Trust, GPP, healthcare, risk, and flex – supported by specialists in HR consultancy, benefits administration and technology, communications consultancy, graphic design and employee education.

Capita Employee Benefits employs over 2,400 members of staff and services over 1,600 corporate clients and 4 million individual pension scheme members/company employees across the UK and in Ireland.

Capita Employee Benefits employs more than 50 qualified actuaries, the majority of whom hold scheme actuary practicing certificates. A number of our actuaries provide investment consulting advice to corporate pension schemes, and a number of our actuaries provide pension advice to sponsors of defined benefit pension schemes. Capita Employee Benefits provides actuarial advice to over 400 corporate pension schemes of varying size, from very small pension schemes with assets/liabilities of less than £10million to larger pension schemes with assets/liabilities of up to £1billion.

We welcome the opportunity to respond to the consultation – A New Framework for Technical Actuarial Standards.

Key points in response to the consultation

- Whilst we support the concept of principles based regulation and the simplification of the Technical Actuarial Standards (TAS) framework, we note that there were significant implementation costs associated with the introduction of the current TAS regime (some of these costs would have been absorbed by firms and some of these costs would have been passed on to users). Having incurred these costs, we have a TAS regime that has been 'bedded down' in respect of the activities which currently have to comply with TAS. We anticipate that there will be implementation costs with the new regime; this is unfortunate given such a short period since the current regime was introduced. For activities which already fall within the TAS regime, implementation costs will include: reviewing and updating processes/procedures/software; reviewing and updating reporting templates; training staff; reviewing and updating marketing material; reviewing and updating compliance controls. For activities which are not covered by the existing TAS regime but would fall under the new regime, the implementation costs will be materially higher.
- We think that there is a good argument that Specific TASs are unnecessary and that TAS 100 can stand alone. If there is felt to be a need for guidance on particular technical issues, then the status of that guidance can be subsidiary to that of a TAS. In terms of the proposed new framework, the third layer (TAS 200, TAS 300, etc.) would then disappear and (what is currently) the fourth box (Guidance) would contain all of the subsidiary material believed to be necessary. It would have been helpful to have seen drafts of the proposed Specific TASs and proposed guidance in order to respond more fully to this point; the interaction and/or overlap of TAS 100 with Specific TASs (or subsidiary guidance in specific areas) is important. It is particularly important where it is intended to extend the scope of the Specific TASs (or subsidiary guidance in specific areas). We would therefore ask that any further consultations on draft Specific TASs (or subsidiary guidance in specific areas) take place before TAS 100 is issued in final form.
- We have serious concerns about the proposal to operate two separate TAS regimes in tandem. For example, it appears that if an actuarial valuation of a pension scheme is carried out in early 2016, the proposals would imply that an actuary advising the scheme sponsor on scheme funding would be operating under TAS 100, whereas the scheme actuary would be operating under the current TAS regime. We do not believe that having two regimes operating at the same time would be credible in the eyes of users.
- We believe further thought should be given to interim arrangements if a new regime for TASs is introduced. Some actuarial exercises take many months to complete and the introduction of a new TAS regime is likely to result in some exercises beginning under the current TAS regime and completing under a new TAS regime. It is not in the interest of users if some exercises (or parts of exercises) have to be revisited to make them 'compliant' with a TAS regime that was not in place when the exercises began.
- We are doubtful that non-actuaries would voluntarily wish to comply with TAS 100. We note that the FRC encourages other regulators to consider the application of TAS 100 in specific areas, but unless those other regulators determine to impose TAS 100, we believe that it is only actuaries and actuarial firms who will be subject to the TAS regime.
- We believe that there is a significant danger to the public interest if TAS 100 is extended to apply to all actuarial work. The current regime for TASs applies mainly in respect of work that is reserved to, or required from, actuaries or actuarial firms, and so seldom creates an uneven playing field between actuaries and other professionals. The proposal to extend TAS 100 to cover all actuarial work has significant implications for work that is not reserved to, or required from, actuaries. Given our belief (articulated above) that few (if any) professional advisers will volunteer to comply with TAS 100, there is a danger that professional advisers other than actuaries will adopt procedures/processes/controls that are materially weaker than the requirements of TAS 100 on grounds of cost. This could see work that might otherwise have been carried out by actuaries who are governed by the actuaries' code instead being carried out by professional advisers who might apply weaker standards that are less likely to deliver a quality outcome to the end user. Some examples of potential impacts:
    - There is some evidence that investment managers are seeking to extend their brief to providing 'advice', particularly in relation to asset/liability modelling and liability driven investment hedging analysis, and in some cases this extends to 'advice' on growth assets. There is a danger that current and potential users of actuaries in investment areas may, on grounds of cost, opt for what

might be less comprehensive 'advice' options which may not be in the users' best long-term interests.

- Smaller pension schemes with limited budgets and where sponsors and trustees may have limited knowledge of pension matters already have some difficulty in accessing investment advice at reasonable cost. There are examples where trustees have used the IFA market. We recognise that an IFA can provide an excellent service in relation to individuals and in relation to corporate entities, but it is at least questionable whether IFA-type advice is suitable for a defined benefit pension scheme.
- In some relatively new areas, such as ERM, actuaries are in competition with other professionals such as accountants. By extending the TAS requirements to these areas, it creates an uneven playing field as the actuary brings with him/her the cost of TAS compliance to a potential user which other professionals do not.

- We have serious reservations about the requirement under paragraph 3.6 of TAS 100 that an actuary '...shall state whether any assumptions set by a third party are not reasonable.....and provide an indication of their impact...' We understand that this is to mirror the wording of ISAP 1 but we do not believe that it is necessary to mirror the exact requirements of ISAP 1 in order to demonstrate material consistency with ISAP 1. We believe that the wording in paragraph C.4.9 of TAS R can be retained and that it is materially consistent with ISAP 1.
- We believe there can be times when it is appropriate to provide advice based on limited or imperfect data. Provided that the nature and potential impact is described to the user, and/or the user sanctions the use of limited or imperfect data, we believe that, in some circumstances, this will serve the interests of the user and meet the public interest.
- Under the existing TAS regime, there are provisions that permit a user, in limited circumstances, to direct the actuary to depart from some or all of the requirements of a TAS. Although our experience is that these provisions are used only rarely, we believe that it is appropriate that there should still be an option for users to direct the actuary to depart from some or all of the requirements of a TAS.
- In TAS 100, 3.5 requires neutral estimates, 5.2 requires sensitivities and now 5.6 requires a description of margins for adverse deviations. We feel that 5.6 goes beyond what is required for principles based guidance and is not required in addition to 3.5. We believe that 3.5 is consistent with ISAP 1 and that 5.6 can be removed.
- It is our view that communication of:
  - data checks and controls;
  - changes in models; and
  - changes in measures

  is not necessary and could cloud key actuarial information. We are comfortable with the requirement to document these (rather than communicate) and we believe that a statement of compliance with TAS 100 should be sufficient for users.

- We have serious reservations about the definition of actuarial work:

  'as work

  1) which involves the exercise of judgement and where the use of principles and/or techniques of actuarial science is central; or
  2) which the user is entitled to treat as actuarial work because it is presented as actuarial, whether expressly or by implication.'

     - It is not clear whether the word 'central' applies to the 'exercise of judgement' and to 'the use of principles and/or techniques of actuarial science' or only to the latter. 'Judgement' is used in most actuarial work, but may not always be 'central' to that work. It should be made clear that the work is only deemed to be actuarial if the exercise of judgement is significant to the outcome.

- The word 'central' is open to interpretation and we can foresee this causing difficulty of 'over-compliance' until actuaries and users become accustomed to an accepted understanding.
- We believe that the last five words 'whether expressly or by implication' in the second part of the definition are unhelpful and unnecessary. The actuaries' code requires that actuaries engage with users on a basis that is clearly understood by all parties. There is no need for anything to be implied. As drafted, the wording could fuel disputes between the actuary and the user.

Responses to the specific questions raised

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

It is difficult to provide any meaningful response to this question without having seen drafts of all of the documents that will constitute the framework, and having considered their content. However, as pointed out above, we think that there is a good argument that Specific TASs are unnecessary and that TAS 100 can stand alone. If there is felt to be a need for guidance on particular technical issues then it should be just that – guidance – and subsidiary to TAS status. One of the issues with the current regime for TASs is duplication and overlap.

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

Provided that it still accessible should a need arise in future to examine historical actuarial advice in its context, we have no issue with this.

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

As above, provided that they are still accessible should a need arise in future to examine historical actuarial advice in its context, we have no issue with this.

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.

As will be clear from earlier comments, we have serious reservations about the extension of the scope of application of TAS 100 to all actuarial work.

The current TAS regime extends mainly to reserved/required work or work which is mainly done by actuaries, and so there is unlikely to be many areas where another professional who is not subject to the TASs will be in competition with actuaries. The extension of the scope of the TASs would mean that in many areas in which actuaries currently work with, or compete with, other professionals (including, investment, risk assessment/management, banking, financial modelling) there would be an uneven playing field between actuaries and non-actuaries, with actuaries carrying a higher burden of compliance costs. Our view is that rather than improving standards of service to the end-user, this could lead to a decline in standards of service if businesses decided to move work away from actuaries to non-actuaries. This would not be in the public interest. It may also make employers reluctant to employ actuaries if it appears cost-effective to employ a non-actuary. Again, the effect might not be in the public interest if the influence, experience and expertise of actuaries is lost to these areas.

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).

See above. Our reservations about the definition of actuarial work are very serious and we make no apologies for repeating our comments from the "key points" section above. The proposed definition of actuarial work is:

'work

1) which involves the exercise of judgement and where the use of principles and/or techniques of actuarial science is central; or

2) which the user is entitled to treat as actuarial work because it is presented as actuarial, whether expressly or by implication.'

It is not clear whether the word 'central' applies to the 'exercise of judgement' and to 'the use of principles and/or techniques of actuarial science' or only to the latter. 'Judgement' is used in most actuarial work, but may not always be 'central' to that work. It should be made clear that the work is only deemed to be actuarial if the exercise of judgement is significant to the outcome.

The word 'central' is open to interpretation and we can foresee this causing difficulty of 'over-compliance' until actuaries and users become accustomed to an accepted understanding.

We believe that the last five words 'whether expressly or by implication' in the second part of the definition are unhelpful and unnecessary. The actuaries' code requires that actuaries engage with users on a basis that is clearly understood by all parties. There is no need for anything to be implied.

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

We have issues with some of the statements in Appendix E.

- In the first part of E3, we agree that, as described, the calculations are arithmetical calculations. We find it difficult to see how they can become actuarial calculations simply because they are presented as such. We would suggest that any presentation of the calculations as 'actuarial' is actually misleading to the user. Consequently, this raises questions about the robustness of the definition of actuarial work as set out in the consultation.
- We also have some reservations regarding the final sentence of E3. We agree that the use of actuarial techniques and (material?) judgement would constitute actuarial work. Specifying actuarial factors might reasonably fall within this definition. The production of actuarial factors according to instruction, however, might conceivably be an arithmetic function, if the specification is detailed and the appropriate data accessible. A similar argument might apply to E4.
- E6 illustrates the reservations we have expressed earlier about extending the scope of the TASs. The descriptions of the calculations in E6 could apply to calculations carried out by a non-actuary – e.g., an underwriter. Where there are activities that can be carried out by an actuary or another professional, the requirement that actuaries must comply with TASs creates an imbalance, particularly if there are cost implications that create differentials. In our view, the imbalance is more likely to lead to work not being done by an actuary, and so exposing the public to a potential reduction in standards, rather than the desired effect of non-actuaries choosing to comply with the TASs.
- We find the final statement of E8 rather weak. As we understand it, no other regulators have indicated that they intend to mandate adherence to TASs, and while we note that users may require advisers to adhere to TASs, we believe this will be very much the exception rather than the rule. The reality is that the extension of the TASs to, for example, asset/liability modelling carried out by actuaries creates an uneven playing field for actuaries and non-actuaries. Not only would we expect this to lead to a transfer of work away from actuaries, but we believe that employers might favour employing non-actuaries in the relevant roles. There is a danger that users might choose to take investment advice from organisations whose ranges of services and/or areas of expertise are not aligned with the needs of users.
- We find E12 and E13 rather weak. The example illustrates the points made earlier. The work does not have to be carried out by an actuary, but if carried out by an actuary would be deemed 'actuarial work' and fall within the scope of the TASs and so, as pointed out earlier, not only would we expect this to lead to a transfer of work away from actuaries, but we believe that employers might favour employing non-actuaries in the relevant roles.
- We find the example in E16 and E17 rather narrow. The identification of, measurement of and management of risk, is high on the list of priorities of most business entities, not least PLCs. The CRO function extends well beyond insurance companies. A significant part of the work carried out will

involve actuarial techniques, whether carried out by an actuary or non-actuary. Requiring that actuaries adhere to the TASs creates the uneven playing field described earlier.

- E24 acknowledges that there will be imbalance between actuaries and non-actuaries working in wider fields and we refer to our earlier point that, in our opinion, this could drive work away from actuaries which might not serve the public interest.

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

We agree with the 6 headings chosen although the wording underneath seems, on occasion, to be more akin to aspirations than principles.

Judgement – we agree with this principle but the actuary cannot control the understanding of the users so the wording should end at '...informed decisions.'

Data – as pointed out earlier, we believe that, in limited circumstances, it can be appropriate to prepare actuarial work using limited or incomplete data, with the informed consent of the user. The words 'sufficient' and 'reliable' may therefore inhibit users being able to obtain actuarial advice (albeit qualified) when there is little prospect of obtaining data that would be regarded as 'sufficient and reliable'.

Assumptions – this principle is acceptable where the actuary proposes or determines the assumptions, but does not take account of situations where the assumptions are proposed by the actuary but determined by the user and then used by the actuary in his/her calculations. It is our view that TAS 100 (and this principle in particular) doesn't address situations where the assumptions are determined by someone other than the actuary (for example by legislation or by the user).

Models – we welcome this wording.

Communications – we agree with this principle but, as above, the actuary cannot control the understanding of the users so the word 'understanding' should be replaced by 'regarding'.

Documentation – no comment on this wording.

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

We believe that 2.1 is superfluous.

See comment above. Our view is that 2.2 is not always possible. The word 'sufficient' isn't defined and could lead to over-compliance. We would expect that in some cases data will be (very) limited - and imperfect - but may be all that is available, and so it may be appropriate to use data which is neither sufficient nor reliable, with informed consent, and subject to the outcome being sufficiently qualified.

In respect of 2.4, we believe that it is disproportionate to communicate to users the checks and controls that have been applied to data. Checks and controls should be documented but it should be sufficient to make a statement that the actuary has complied with TAS 100.

We think there is inconsistency between 2.5 and principle 2. We support 2.5 (see our comments earlier), but principle 2 suggests that it should not be possible to proceed on the basis of insufficient or unreliable data. We suggest that principle 2 is amended so that it is consistent with 2.5.

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

It is our view that TAS 100 doesn't adequately deal with the situation where the assumptions are set by someone other than the actuary (for example by legislation or by the client) and should be re-worded to better reflect this. It may not be possible to adhere to 3.1, 3.2 and 3.4 in circumstances where the assumptions are determined other than by the actuary. The current TAS regime permits that a reference to the legislation or source of the assumptions (e.g., PPF in the case of a section 179 actuarial valuation) is sufficient rationale where the assumptions are prescribed or set by the user. We think that TAS 100 should incorporate this.

We have strong views on the requirement in 3.6 to provide an indication of the impact of unreasonable assumptions set by a third party. We believe that this requirement should be removed. This goes beyond

the requirements of legislation and will require additional, subjective work to compare an unreasonable assumption with a reasonable one (which legislation doesn't require) and compare results. This should not be a requirement of the TAS regime. In particular

- 'Reasonable' is not a uniquely defined term (and there will, therefore, often be a range of potential reasonable assumptions to compare with).
- In a situation where a third party is legally responsible for setting assumptions (e.g., trustees setting scheme funding assumptions), it is neither necessary nor appropriate for the actuary to comment on the third party's final assumptions.

The existing wording (Pensions TAS D2.7) should be retained to cover this point.

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

We disagree with 4.4. We do not believe it will add any significant value to the user, and, in fact, has the potential to cloud the messages being given. If there is a material impact as a result of a change in the model then this will be communicated as part of any analysis of change (5.4).

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

We believe that the requirement to set out 'measures' is confusing for both actuaries and for users and suggest that the reference to 'measures' should be removed from the TAS regime.

We have concerns about 5.6.

- The requirement seems to overlap heavily with the requirement for neutral estimates in 3.5 and the inclusion of both is not necessary.
- The requirement would extend to situations where the actuary is not setting the assumptions and goes significantly further than is required by legislation.
- Use of the term 'describe' would appear to permit a qualitative approach but we are concerned that there may be other interpretations leading to potential over-compliance.

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

(5.28) We disagree that it is inconceivable that if the work is material every element of TAS 100 can be dismissed and use as an example a Deficit Reduction Contribution certificate. This can only be given by a scheme actuary and so we believe that the user is entitled to treat it as actuarial work under the TAS definition. However, in the case of a defined benefit scheme with no ongoing accrual and where there have been no benefit modifications or augmentations, the calculation method is set out in full and the exercise is mechanical. Even where there is an element of judgement (such as forming a view on whether the contribution data supplied is adequate/appropriate), the exercise is routine. So TAS 100 compliance (and statement of compliance) seems superfluous.

5.29 The data/communication requirement of paragraph 2.4 of TAS 100 seems inconsistent with the proportionate approach described in this paragraph. We believe 2.4 is too prescriptive and inappropriate for a principles based framework.

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

Our view is that, as long as the statement can apply across an aggregation, then we are not unhappy with this. Inclusion of this statement as an alternative to including details of checks and controls and measures would be helpful. However, it does seem at odds with the materiality wording and some readers might (reasonably) exclude the statement on those grounds. It may therefore be appropriate to retain the existing approach which mandates a compliance statement and disclosure of material non-compliance.

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

Yes, we welcome this.

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

Yes, we welcome this change.

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

As noted previously, we would prefer to move away from the use of the terms 'method' and, in particular, 'measure' in the TASs. We do not believe that users find the terms helpful.

We believe that the definition of 'users' should not extend to third parties for whose benefit a communication is given, or to regulators. For example, trustees of a pension scheme may commission advice for the ultimate benefit of scheme members, but this does not entitle the members to be treated as 'users'.

We note that 'aggregation' and 'piece of work' are not formally defined yet the definitions of these are likely to be critical.

The definition of 'actuarial work' is included in the glossary so does not need to be repeated in TAS 100. See earlier comments regarding the definition of actuarial work.

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

'Disclosure: Communications shall include a statement confirming compliance with TAS 100. Particulars of any material departure from TAS 100 shall be disclosed to the user with the reasons for the departure.'

It is difficult to think of circumstances where there would be material departures from the requirements of a TAS (other than where the actuary is instructed by the user not to comply with the full requirements of a TAS).

We note that the link between the definition of an aggregate report and the decision point has been dropped and aggregation now applies to a 'piece of work' (which is undefined). We believe that this should be re-visited as it introduces confusion and uncertainty and may well lead to actuaries treating more communications as a 'piece of work' and complying fully each time. Our view is that TAS 100 should reflect the existing TAS wordings and definitions.

As set out earlier, the existing 'Scope and Authority' specifically allows departures from TASs where those responsible for commissioning work have instructed the actuary to depart from specified (or all) requirements of TASs. Our view is that this approach should continue to be allowed in the new regime.

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)?

See earlier comments. We question whether there is a need to have Specific TASs. If further guidance is required (and in many instances we do not believe that further guidance is required) it should have 'guidance' status rather than TAS status.

The following is a list of work currently in the scope of the Pensions TAS which in our view should fall outside the requirements for a Specific TAS and which could adequately be covered by TAS 100:

- Provision of statutory certificates (including auto-enrolment certificates, certificates for bulk transfer values without consent, contracting out certificates and employer debt certificates – but not supporting work)
- Certifying deficit reduction contributions and block transfers for PPF levies
- Actuarial reports on annual valuations
- GMP conversions
- Modification of subsisting rights
- Augmentation costs

- Certificates of payments of surplus to employers in an ongoing scheme
- Advice on non-statutory DC projection assumptions
- Advice to Trustees on amendments to governing documents which might affect benefits.

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)?

In our view work should only be subject to a Specific TAS where there is a clear need to provide further guidance beyond that given in TAS 100. (Note that, as pointed out earlier, our preference would be that any further guidance should have the status of 'guidance'. Given this, and the proposed extended scope of TAS 100, we do not expect that there should need to be new work coming into the scope of a Specific TAS.)

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

We agree that the approach described in 6.11 is more practical than that described in 6.10 given the number of potential areas of work that could be covered. It would be useful to see a list of the areas proposed. As stated earlier, we believe that there is a strong argument that, for principles based regulation, Specific TASs should not be required. Where some form of guidance is required (and we would be interested to see a list of those areas where it is felt that guidance is required), in our view, the 'guidance' should not have the status of a TAS.

If it is felt that there is a need to have a Specific TAS for pensions (and we are not convinced that there does have to be a Specific TAS for pensions), we would suggest that it incorporate all aspects of the current transformations TAS that relate to pensions. In the pensions arena, we see no need to have a separate transformations TAS.

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

As noted above, we would like FRC to reconsider the need for Specific TASs. The principles which actuaries should follow are generic enough to be included in TAS 100. Specific TASs could therefore be abolished.

Q 7.1 Do you have any comments on the proposed implementation of the new framework in Section 7?

The time frame for the introduction of the new TASs appears quite short and there is quite a bit of work still to do, particularly in relation to the Specific TASs. If it is decided that there is a need for Specific TASs (and we are not convinced that there is a need), we would suggest that these are issued in draft form before TAS 100 comes into effect. We believe that a more effective regime can be achieved by considering all of the draft TASs (including TAS 100) at the same time, rather than implementing TAS 100 in isolation. In order that these important issues can be given due consideration, we would suggest that a longer timescale for the introduction of TAS 100 and that the (draft) Specific TASs (if any) and (draft) guidance (if any) are issued so that their contents can be considered in the light of the TAS 100 before TAS 100 is implemented.

We would also request that the implementation does not result in the same piece of work, or work done for two parties with a commonality of interest, being done under two distinct regimes. For example, as drafted, there could be a situation in which the scheme actuary could advise trustees of a pension scheme in connection with pension scheme funding where the current TAS regime applies, with the sponsor being advised in connection with the same issue by an actuary who has to comply with TAS 100.

We believe that any implementation date should only apply to a piece of work (in its entirety) that commences after the implementation date. This would avoid a piece of work having to comply with two different TAS regimes.

Q 7.2 Are the proposed interim arrangements clear?

There is room for misunderstanding around these arrangements so more detail may be required. A later start date for TAS 100 for work not currently under the existing TAS regime may assist in easing the interim arrangements.

Q 8.1 Do you agree that TAS 100 could be applied to a wide range of actuarial work without disproportionate costs?

No. There will be costs which will not be insignificant in the early years of the new regime.

For work that currently complies with the existing TASs, TAS 100 has new requirements and, as drafted, has changed some existing requirements to be more consistent with ISAP 1. There will be a significant amount of work in reviewing existing work protocols/processes/standards and there will also be costs in training and communicating the new requirements.

For work that does not have to comply with the existing TASs, there will be costs in reviewing, possibly changing and then documenting compliance. Even if there is little impact on the quality of the work, this cost will be incurred as actuaries will need to consider the implications of the new requirements and potentially design appropriate processes and procedures, review models and documentation, and conduct training.

Q 8.2 Do you have any comments on our analysis of the impact of the changes set out in section 8?

No further comments.

We hope that you find the above responses helpful and that the points we make are clear. We would be happy to develop our thoughts and/or elaborate on any of the above points if you would find this helpful. We would also be happy to meet with the FRC to respond to any questions you may have in connection with this response.

Yours faithfully

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