

Name of Organisation	Association of Consulting Actuaries (ACA)
<p>Question 1: What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?</p>	<p>We agree that incorporation of items currently in the Glossary is helpful to reinforce awareness of all the pieces (such as the reliability objective), and for ease of access.</p> <p>Consistent understanding of terms across all glossaries will be needed once the full suite of TASs and standards is amended (eg APS X1 also has a definition for “User”).</p> <p>We do not agree the removal of “component communication” and the recasting of “communications”. Actuarial work is often delivered in component form and it would seem that the new definition of “communications” will require every communication to be fully TAS compliant, as opposed to the set of communications required for a decision needing to be fully TAS compliant.</p>
<p>Question 2: Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don’t think the guidance provides clarity, please explain why not and suggest how the position might be further clarified?</p>	<p>The guidance on technical actuarial work and geographic scope provides clarity on several issues, such as “responsibility” and “technical actuarial work.” It is important however that more cross-references are included in this guidance to proportionality, or even including a proportionality objective.</p> <p>Paragraph 3.10 of the technical actuarial work and geographic scope guidance is a helpful alert to set out any limitations, given the public interest considerations that actuaries must already consider under APS X1 7.1.6, for example in relation to readers of pension cost disclosures in statutory accounts.</p> <p>We do not feel that the Proportionality guidance works as a standalone document. It is not immediately apparent that proportionality may partly cut across certain TAS 100 obligations as written (for example full documentation, communications) if you are only reading the Scope guidance / TAS 100 in isolation.</p> <p>Given the importance of proportionality and materiality, the references to these should be restored to the beginning of the main standard.</p>
<p>Question 3: Does the draft guidance support you in complying with the TASs?</p>	<p>Yes, taking into account the answer to Q2. The example scenarios are useful in both guidance documents.</p> <p>Additional comments for Question 4 below: By including the application statements within the body of the TAS (and with the language as drafted) we are concerned that the comments may be seen too much as instilling a rules-based standard, which is not desirable, and which is not the FRC aim: a main observation of the consultation document is that the principles-based approach should be retained.</p> <p>Given the call for feedback found overwhelming support for a principles-based approach, great care is needed, when seeking to address some specific points of clarity that some users may welcome, not to create an updated TAS which will in practice prevent actuaries</p>

	<p>from being able to advise effectively and pragmatically on complex commercial issues.</p> <p>Our consultation comments frequently refer to matters such as the application of proportionality and materiality, but it is the overarching concept of remaining principles-based in actual practice that is most important. If the updated TAS does not achieve this then the subsidiary comments will not stem the damage caused.</p>
<p>Question 4: Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?</p>	<p>Immediately after each principle</p>
<p>Question 5: What are your views on the proposed change to the compliance requirement?</p>	<p>We consider it is useful to retain the statement of compliance. However, we are concerned about the new provisions requiring actuaries to evidence compliance – in many cases users will not seek such evidence so requiring practitioners to provide this would be disproportionate and not necessarily productive.</p> <p>The content of the additional FRC guidance will be crucial. We take the conventional view that the purpose of the guidance is explanatory, not adding to the requirements, for example helpful explanations that may guide firms in designing suitable internal actuarial review processes and documentation to meet internal review requirements.</p>
<p>Question 6: Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?</p>	<p>We consider proportionality considerations are a very important part of the overall regulatory approach. For example, the reliability objective in itself (which must be followed) does not specifically refer to proportionality considerations. We therefore consider intrinsic references to the application of proportionality in the updated TAS 100 will be needed. See also our answer to Q2.</p>
<p>Question 7: What are your views on the revision in nomenclature of the ‘user’ to ‘intended user’?</p>	<p>We consider it is beneficial to highlight that actuarial work will normally be prepared for an intended recipient and to aim for general consistency with ISAP1. It will also be beneficial to avoid any potential inconsistencies with other relevant references to user (eg APS X1) and to have clarity on where responsibilities for what might be termed “non-intended users” start and end for example in public interest matters.</p>
<p>Question 8: Do you agree the new proposed Risk</p>	<p>We consider a general Risk Identification Principle (and a related application statement) consistently framed may have some merit, so that matters such as climate change scenario risks are addressed where</p>

<p>Identification Principle and associated Application statements?</p>	<p>relevant in actuarial work.</p> <p>However, it is vital that these inclusions do not set, inadvertently, in effect an impossible literal standard on which practitioners could conceivably be challenged even though this would clearly not be the policy intent.</p> <p>The draft wording (eg Consultation document paragraphs 4.7 / 4.8) “...to have regard to all material risks and factors which they might reasonably be expected to know about...” “...which may affect or have the potential to affect their work ...” or (draft TAS 100 V2 paragraph A1.2) “...include all internal or external environmental factors which have the potential to influence the actuarial information either directly or indirectly...” could clearly be interpreted extremely widely by any party seeking to bring a vexatious challenge.</p> <p>The practitioner is possibly in a position where there is no definitive list of risks (some of the risks are described in the examples), there may be scarce industry knowledge of indirect potential impacts, and there is no “reasonable defence” provision in guidance or elsewhere for the advisory approach that may be taken.</p> <p>It may be helpful to amend the drafts for example to adopt some new nomenclature such as “material actuarial risks” to bring more focus on which risks actuaries need to consider (as opposed to a universe of all risks), to link more strongly the risks that actuaries might reasonably be expected to know about to the canon of actuarial theory and other sources such as developing actuarial practice and to the proposed additional FRC guidance that aims to promote good practice.</p>
<p>Question 9: What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?</p>	<p>We consider the Judgment principle requires further consideration. Judgement permeates every step of the preparation of advice, is intrinsically bound-up with a principles-based approach, and we consider it is not necessarily productive to attempt to expand the prescribed remit of principles for applying judgment.</p> <p>For example It is not entirely clear in P2.2 whether practitioners need to consider alternative models and data and assumptions in all cases, or for example just alternative assumptions where for example proven models and data are known to already exist.</p> <p>In the many cases when client engagement scope concludes with, for example, the issue of a report to the client, it is assumed that the ongoing review obligations of P2.3 will not apply once that work has concluded. Moreover, some routine updates to earlier work will not necessarily include a detailed review of say actuarial assumptions and the exercise of judgement in this aspect.</p>
<p>Question 10: What are your views on the proposed changes to the Data Principle and</p>	<p>We consider the re-evaluation of the Data principle may be helpful, and that the development of the application statement should have regard to a changing modern world with new forms of actuarial advice being provided.</p>

<p>associated Application statements?</p>	<p>The principles and application should not however become unwieldy. Actuaries will very often encounter some incompleteness in data, or bias in data, and will assess the implications. Where these factors are not material to the end results it is often appropriate, and the only pragmatic way to proceed, to simply make some reference to these factors and state that the implications are not material.</p>
<p>Question 11: Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?</p>	<p>The proposed clarifications formalise the processes already implemented by actuarial firms. However possibly placing these requirements on a formal footing will not be proportionate in all cases.</p>
<p>Question 12: Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?</p>	<p>The proposed clarifications typically formalise the processes already implemented by actuarial firms. However again placing these requirements on a formal footing will not be proportionate in all cases.</p> <p>A typical template for a specific type of model rather than additional detailed guidance may be helpful to run a notional external comparison against the existing processes. We expect that setting out separate principles, application statements and guidance for models, documentation and communications will create overlap and unwanted duplication, and it may be better to link the expectations directly to the principle (see also comments to Q4).</p>
<p>Question 13: Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?</p>	<p>We consider the proposed clarification of the Documentation Principle is generally helpful.</p> <p>We expect practitioners and firms will need to develop procedures to separate the different components of the documentation that are made available automatically or on request to intended users, or to internal reviewers or auditors or to a regulator on request, not least to prevent obscuring the impact of key judgements. A large amount of this may not be proportionate.</p> <p>See also the answers to Q4 and Q12 for the proposed layout of the Documentation principle and application statements</p>
<p>Question 14: Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?</p>	<p>We have general concerns about the proposed layout of the Communications Principle and application statements for example overlap, duplication and loss of flexibility. (See also answers to Q4 and Q12).</p> <p>P7.3 appears potentially unmanageable due to the “noise” of subjectivity, and it may be helpful to suggest “non-material,” but relevant information should be separated from the main body of advice (eg in a supplementary appendix) and described as such.</p> <p>P7.5 could possibly diverge from agreed client contract terms. In most circumstances it is expected that written confirmation would also be</p>

	<p>provided but there might be special circumstances (eg corporate transactions) that require a modified approach</p>
<p>Question 15: What are your views on the additional clarification provided in the Application Statements?</p>	<p>We consider the additional clarifications provided in the application statements are generally helpful, provided these do not cut across other parts of the principles, regulation, and guidance. However as noted above we are concerned that the language could imply greater obligation rather than just intended clarification.</p> <p>For example, A7.1(f) might in some circumstances be difficult to reconcile with P2.3. Pension scheme memberships will naturally change between the effective date of a triennial actuarial valuation and the date of issue of the actuarial valuation report although detailed analysis of membership movements may not be undertaken.</p> <p>Financial conditions may also change significantly between these two dates, although detailed financial analysis may not be undertaken of the potential impact as this is allowed to emerge at a subsequent valuation.</p>
<p>Question 16: What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?</p>	<p>We see this as creating a contentious area, as the third party may have several reasons to request results on specified assumptions, not all of which may be known to the practitioner. The practitioner may be put in a position to express a subjective view on “reasonableness” which is made from a limited standpoint.</p> <p>We suggest it may be preferable to require practitioners to state whether or not any assumptions are set by a third party, and to set out their general comments on whether these assumptions are appropriate or not for specific purposes.</p>
<p>Question 17: What are your views on these proposed amendments to clarify the existing requirements?</p>	<p>We agree the proposed clarifications are generally helpful for the other minor amendments to data / assumptions / models / communications principles.</p> <p>In relation to the models principle, this must recognise that models are developed and updated over time, and this will place limitations on the ability to reproduce historical models.</p>
<p>Question 18: Do you agree with our impact assessment? Please give reasons for your response.</p>	<p>We think in practice the impact may be more nuanced. Firms are constantly reviewing and developing procedures, and this is just one more facet of incurring these costs, which will tend to weigh more heavily on smaller firms with fewer internal resources than larger firms with greater internal resources, as identified in the Impact Assessment.</p> <p>Depending on the final form of the guidance, it may be necessary for a pensions consultancy firm to review all standard and non-standard document templates to ensure completeness and alignment with the new requirements, for example on necessary written disclosure and communications, and to arrange training of personnel in related matters. The one-off costs (and ongoing procedural costs) are therefore expected to be significant. If any new obligations mean that impact on client contractual terms will need to be reviewed and updated then these costs of doing so will undoubtedly be very significant.</p>