

7 September 2022

**PRIVATE AND CONFIDENTIAL**

The Director of Actuarial Policy  
Financial Reporting Council  
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Dear Director of Actuarial Policy

**FRC TAS 100 Consultation – Broadstone Response**

I am writing with our comments on your proposed amendments to TAS 100.

Broadstone is an independent provider of pensions administration, pension consulting and employee benefits solutions. Therefore, our feedback is based on our considerable experience of providing pensions actuarial advice, particularly via the statutory Scheme Actuary role.

While we welcome and understand the rationale behind some of the more minor suggested revisions, our overall view is that the proposals represent a very significant shift from the existing principles based approach, leading to more focus on checklist compliance and documentation and detracting from the usability and quality of work for the intended user.

Given the “overwhelming support for continuation of the high-level principles approach”, we are unclear of the driver for the material changes proposed at this time, particularly noting the planned move to statutory oversight of the actuarial profession by ARGA. We consider the amendments to be disproportionate relative to risk and consider they will lead to material (and excessive) additional regulatory cost.

We have noted the IFoA’s response to your consultation and the significant overlap with existing professional standards. Within the pensions arena, where we already have an additional sector specific standard, we believe the IFoA’s suggestion that TAS 100 is withdrawn is worthy of consideration, with your focus instead on specific technical requirements.

**Departure from Principles Based Approach**

Your consultation paper states that ‘The FRC proposes to retain the principles-based approach to TAS 100’. However, the detail involved together with the proposed introduction of a new ‘Application’ section setting out regulatory expectations plus publication of associated guidance, with more to follow, represents a significant shift from a clear and concise set of high-level principles.

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In practice, we believe that despite the 'should' nature of the proposed Applications, addressing these aspects would effectively become mandatory requirements given that divergence is considered to be 'not meeting regulatory expectations' and would need to be justified and documented. In addition, we are concerned that the proposed extensive documentation requirements are disproportionate for an experienced Scheme Actuary undertaking relatively standard work and will lead to a tick-box compliance approach with large chunks of standard (unfocused) wording rather than any improvement in advice for the intended user.

We think that removal of the current proportionality principle ('Nothing in TAS 100 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the decision or assignment to which the work relates and the benefit that users would be expected to obtain from the work') is deeply unhelpful. This is essential in being able to apply professional judgement when producing advice designed to meet the needs and expectations of users. Further, the draft guidance on proportionality suggests that there is actually very little scope to be proportionate within the proposed new regime.

### **Risk Identification Impractical**

We understand the need for appropriate risk consideration, including environmental factors, but believe that the proposed principle and application are not practical. The range of potential material risk factors that should be allowed for, plus consideration of interdependencies, is extensive and the required documentation of judgements made again seems disproportionate for an experienced Scheme Actuary undertaking relatively standard work.

Certainly in a pensions context, we have difficulty in understanding how practitioners in practice 'should consider any actions which may or may not be taken by management, the intended user or other parties in response to risks emerging'. We also had difficulty understanding in what circumstances it would be justifiable for a relevant legal opinion not to be taken into account.

### **Impact**

From a client perspective, we are most concerned about the significant proposed regulatory expectations on communications. Far from improving the quality of advice provided to clients, we believe there is a material risk that inclusion of so much supporting information would obscure the advice being provided and the key issues.

Users, including many lay trustees, are already concerned about the length and complexity of our reporting and if (as might seem likely from a cost efficiency/practical perspective) some of the new requirements simply lead to additional appendices of boiler plate risk warnings or pages of additional background justifying industry standard actuarial approaches, we see no real benefit to the changes.

We also believe that your proposals, particularly the effective mandating of the new Applications and extensive regulatory expectations in relation to documentation and communication, would lead to material one-off and ongoing costs to update processes and procedures. These additional regulatory costs would have to be borne by our clients.

## **TAS 100 Scope**

Ultimately there should be clear actuarial standards, particularly with the planned move to statutory oversight by ARGAs. Practitioners must know whether a standard applies, what is required of them and be confident that they are able to meet these standards whenever it is required, without conflict with their professional duties (most notably their obligations under the Actuaries' Code). We are generally comfortable with the existing TAS100 framework with its high level principles but are deeply concerned that your exposure draft does not meet this objective.

We recognise many of the concerns raised by the IFoA, particularly in relation to the subjectivity within the definition of technical actuarial work, and inconsistency with the Government's principles for ARGAs. The proposed new TAS 100 and associated guidance clearly runs contrary to an objective of a risk based approach focused on proportionality.

We hope that the FRC will take on board the feedback to this consultation, and welcome the chance to discuss this and TAS 300 with you shortly. We have attached as an appendix some abbreviated comments in response to your specific questions, but believe that a more fundamental re-think of the proposals is more crucial than focus on the formatting or ordering of the proposed statements.

Yours sincerely

**David Hamilton FIA**  
**Mike Calder FFA**

On behalf of the Actuarial Technical Group

## Appendix

Abbreviated response to specific consultation questions (please refer to our accompanying letter for further details):

1. No objection
2. and 3. See comments from IFoA
4. We are relaxed on this point
5. Strongly negative – requirement for documentation to be accessible (and presumably therefore understood) by user adds work and cost. Unclear what (if any) benefit this brings.
6. No – it does not encourage or promote proportionality.
7. We do not have any strong views on this.
8. No – in our opinion it is not practical or proportionate.
9. This is not necessary or helpful – as recognised there is a clear consensus the existing principle is sufficient and professional standards are covered by the Actuaries Code. Stated issue (4.16) can simply be addressed by users further questioning their advice if/when needed – indeed such discussion is helpful in focusing on what is most material to the user.
10. to 12. Disproportionate given the wide overarching scope of TAS100 and lack of flexibility in the proposed regime. We are unclear of the need for the specific focus on bias in a pensions perspective or the practical implications (or benefits) of mandatory requirements to consider using alternative models and data for projects such as an actuarial valuation of a pension scheme.
13. and 15. You flag that the extensiveness of communications is already causing some users problems in identifying key aspects yet have proposed changes that would appear to significantly increase the length and complexity of these documents.
14. and 16. We have no strong views here (not key concerns). However, speaking out when instructed to use unreasonable assumptions would again appear to be a professional/ethical issue rather than a technical one.
17. See comments within our letter.
18. No. We consider your summary significantly understates the one-off and ongoing costs. This relates to both of the additional principle and the expanded application statements. In the absence of proportionality and with the requirement for user-friendly internal documentation, we do not agree with the suggestion that none of the proposed changes to existing principles represent an expansion of requirements.