

externally. The Council noted that, following publication of the revised TASs, consideration would be given to the review of the FRC's Actuarial Oversight role and the FRC's international influencing strategy.

- 1.3 The Council noted the Codes & Standards Committee had met on 11 November and approved a policy on the development of Statements of Recommended Practice for recommendation to the FRC Board. AM reported that the FRC intends to discuss the policy with the IFoA before presentation to the Board.
- 1.4 The Council noted the Actuarial Stakeholder Group had met on 23 November and had provided useful input in respect of the specific TAS review.
- 1.5 The Council noted that members of the FRC's Professional Oversight Team would be visiting the IFoA's Edinburgh office in November to view its procedures and processes for discipline, CPD and practicing certificates and visiting the Oxford office in February to view its procedures for education. It was suggested that an objective of those visits should be to gain a perspective on how the IFoA operates and balances its activities.

HMT / FCA Financial Advice Market Review - Call for Input

- 1.6 The Council discussed the consultation published by the FCA and HMT calling for input on the Financial Advice Market Review and the barriers to both accessing and providing advice. Whilst the Council noted that there is a gap in the market for affordable advice and that this might be of detriment to the wider public, the Council noted that the FRC's responsibilities in respect of pensions advice to individuals are limited to AS TM1. The Council also noted that the FRC had recently written to the Pensions Minister to express concern in respect of Statutory Money Purchase Illustrations (SMPIs). The Minister had advised that no further action would be taken until the implementation of the IORP Directive.
- 1.7 The Council supported the suggestion of the executive that the FRC should not respond directly to the consultation but suggested the FRC should highlight the issues that have been raised, including the limitations of the existing regulatory regime, with colleagues on the Joint Forum for Actuarial Regulation (JFAR).

2. Technical Actuarial Standards

2a. Technical Actuarial Standard 100 and the Framework for Actuarial Standards

- 2a.1 Robert Inglis (RI) introduced updated versions of the *Framework for FRC Actuarial Standards* (the 'Framework') and TAS 100. The Council noted that the documents had been updated to take account of feedback received in consultation, Council advice and the advice of the TAS Framework Working Group.
- 2a.2 RI referred the Council to a summary of the changes that had been made to the document and highlighted that:
 - The requirement for a compliance statement had been removed for all actuarial work and would only be required for Reserved Work and work that is in the scope of a specific TAS.
 - The materiality and proportionality provisions had been amended taking account of feedback to the consultation.

- The data principle in TAS 100 had been amended to make it workable for cases where there is limited data.
- The text in TAS 100 in respect of checks and controls to be applied has been moved from provision 2.4 (communication of data matters) to provision 2.3 (documentation of data matters).
- Additional text has been inserted to paragraph 4.9 of the Framework to clarify how the FRC would expect materiality and proportionality to be applied.
- The changes are intended to make the documents more practicable.
- The proposed changes had been tested with some practicing actuaries who had raised concerns about the extension of scope. They had responded positively and considered the documents to comprise a workable standard.

2a.3 RI reported that consideration is being given to whether guidance or training should be provided by the IFoA or the FRC to help all practitioners with the application of materiality and proportionality under TAS 100. The Council suggested that this should be encouraged and that it would be helpful for any such guidance to contain practical examples. Des Hudson (DH) reported that the IFoA is considering whether to develop general guidance on the application of the TASs.

2a.4 The Council discussed questions raised by RI in his paper. The Council advised that:

- The judgement and documentation principles should stay in the principles section with the judgement principle as the first principle and the documentation principle as the last.
- The second part of the judgement principle should be retained as it provides a helpful prompt and therefore adds value.
- The executive should seek to identify an alternative term for 'neutral' on the basis that the term 'neutral' might not be understood by actuaries and it is inconsistent with the terminology used in ISAP 1. The Council suggested the executive consider whether the term prudent might be more suitable. The Council also suggested the executive explore whether an expansion of paragraph 5.7 would be more effective.

2a.5 RI thanked the Council for its advice and undertook to update the documents accordingly. The Council noted that in January updated versions of the Framework, TAS 100 and the Feedback Statement would be brought to the Council for recommendation to the Codes & Standards Committee in February and the FRC Board in March.

2b. Specific Technical Actuarial Standards – TAS 300 and TAS 400

2b.1 RI introduced first drafts of TAS 300 *Principles for actuarial work in pensions* and TAS 400 *Principles for actuarial work in funeral plans*. The Council noted the drafts had been developed following the Council's discussion in September in respect of the proposed scope of the revised specific TASs and had been informed by discussions at practitioner workshops and with members of the Council who are specialists in each area. RI reported that a draft of TAS 200 *Principles for actuarial work in insurance* would be presented to the Council for consideration in early January.

2b.2 The Council noted that the ASG had considered the proposed scope of revised TAS 300 and TAS 400 at its meeting on 23 November and had suggested that consideration be given to expanding the scope of TAS 300 to include financial reporting (specifically IAS 19 work),

company advice on scheme modifications and advice in respect of buy-ins. The Council discussed the suggestions put forward by the ASG and noted that all three suggestions had been considered by the executive in conjunction with relevant Council members when developing the specific TASs. Through discussion it was observed that:

- All three areas of work would fall within the scope of TAS 100.
- Work in respect of 'buy-ins' is an investment decision and the direct risk to members is limited. It was noted that although buy-in decisions may form the journey to 'buy-out' decisions, member benefits would be considered before a buy-out decision is taken.
- Consideration would be given to whether there is a need to expand the scope of TAS 300 to include company advice in respect of scheme modifications or whether the provisions of TAS 100 are sufficient on the basis that the matter had also been identified by scheme actuaries.
- Financial reporting had been excluded from the scope of TAS 300 on the basis that the accounting standards are very prescriptive, however, consideration would be given as to whether it would be appropriate to include this work within TAS 300 in light of the concerns raised by the ASG.

2b.3 RI invited the Council to comment on the proposed draft of TAS 300 *Principles for actuarial work in pensions*. The following observations were made and advice was given:

- The Council supported the proposed replacement of the 'neutral estimate' (paragraph E.2.10) by a higher level principle requiring an indication of the level of prudence in Scheme Funding and noted this would be consistent with feedback from staff at the Pensions Regulator (tPR).
- The Council suggested that it would be inconsistent with the principles based approach of the TASs and the deregulation initiative to include the detailed requirements of Scheme Funding reports in the TASs. AM undertook to discuss the proposed approach with the Department for Work and Pensions (DWP).
- The Council suggested that it would be useful for the FRC / IFoA to explore the possibility of the IFoA producing guidance on the contents of Scheme funding Reports.
- The Council highlighted the importance of ensuring the specific TASs are reviewed for consistency with TAS 100 and to ensure there is no unnecessary duplication.

2b.4 RI invited the Council to consider the proposed draft of TAS 400. It was noted that a specific Funeral Plans TAS is considered necessary on the basis that the IFoA have identified public interest risks arising from actuarial work in this area and noting there is very little regulation in respect of funeral plans. AM reported that at a recent continuing professional development event run by the IFoA for funeral plan actuaries there had been a request for support in the area.

2b.5 RI reported that updated drafts of TAS 300 and TAS 400 would be presented to the Council in January for further recommendation to the Codes & Standards Committee in February. The Council discussed the project plan. It was noted that under the Executive's current plan, the specific TAS consultation would be published in Spring 2016 and that the final Framework, TAS 100 and Specific TASs would be issued in October 2016, effective from April 2017.

3. JFAR Review on DB to DC transfer

- 3.1 Faye Dyce (FD) introduced a paper setting out evidence gathered by the FRC to inform a JFAR review on public interest risks relating to DB to DC transfers. The Council noted that although there has been an increase in transfer activity the increases are not as big as had been expected, the majority of Trustees do not appear to be actively promoting transfers and sponsors are showing a moderate or considerable interest in the freedoms as a means of risk reduction.
- 3.2 The Council welcomed the evidence that had been gathered particularly in noting that the response rate to a survey of Scheme Actuaries was high and the sample representative. The Council highlighted the importance of sharing the findings with actuaries and noted that the evidence would be published.
- 3.3 The Council supported the proposed recommendations for the JFAR that:
- i. No additional mitigants are currently needed - existing initiatives should be given time to conclude and bed down.
 - ii. Ongoing monitoring of the level of activity should be established as it is possible that transfer activity and promotion will increase.
- 3.4 The Council highlighted a link between the evidence gathered and the HMT / FCA Financial Advice Market Review. It was suggested the FRC used the evidence to inform discussions with the JFAR in respect of the issues identified (minute 1.6-1.7 refers).

4. AS TM1 – 2015 review of accumulation rate assumptions and other areas of practice

- 4.1 FD introduced a report setting out the findings of a review of the accumulation rates used by providers for financial statements after April 2015 and the impact of the new disclosure regulations and pension flexibilities.
- 4.2 FD reported that the findings suggest the majority of providers:
- are following the intent of AS TM1 and exercising judgement in setting the accumulation rate assumption;
 - have not made changes to the form of benefit illustrated on annual statements in light of the revised disclosure regulations; and
 - have not made changes to statements in light of the pensions flexibilities.
- 4.3 The Council noted the findings of the review and suggested the FRC write to those respondents whose accumulation rate assumptions vary significantly from the norm in order to understand how those assumptions have been derived. The Council also suggested the FRC write to those who continue to cap the overall accumulation rate in line with the FCA's central rate to highlight that under AS TM1 there is no requirement to cap the accumulation rate and that considered judgement should be applied in determining the assumption.
- 4.4 The Council was reminded of the DWP position not to take any action in respect of SMPs until there is clarity in respect of the IORP Directive, therefore it is likely that FRC responsibility for AS TM1 and the annual review of accumulation rate assumptions would continue unchanged for the next two years.

5. IFoA Observer Report

5.1 The Council noted a report that provided an update on IFoA matters since the last meeting of the Council. DH highlighted that the deadline for applying for the IFoA's Quality assurance accreditation scheme had closed in November and that the first accreditations would be awarded in spring 2016. The Council noted that 23 applications had been received representing roughly 21% of actuaries in the UK and whilst only one of the big four actuarial firms is in line to apply for accreditation, the IFoA is working with the remaining three firms to encourage application.

5.2 DH reported that feedback gathered by the IFoA suggests firms are beginning to make preparations ahead of the introduction of APS X2 and its requirements with regards to peer review and that the IFoA would shortly be publishing guidance which will specifically cover APS X2 requirements.

6. FRED 64 Draft Amendments to FRS 103 – Solvency II

6.1 Jenny Carter (JC) introduced a draft Exposure Draft of FRED 64 *Amendments to FRS 103 – Solvency II* (the 'ED') and a paper setting out the rationale for the proposed amendments. JC reported that responsibility for advising the FRC Board in respect of FRED 64 rests with the Accounting Council but that input from the Actuarial Council would be welcomed.

6.2 The Council noted that:

- The requirements for accounting for insurance contracts as set out in FRS 103 are based on the current regulatory framework which will be superseded in January 2016 by Solvency II; accordingly FRS 103 requires updating.
- The proposed amendments would enable entities to continue to apply existing accounting policies to insurance contracts if they chose to do so.
- In drafting the proposed amendments the approach that has been taken has been to replace out of date references with a relevant description. Where this had led to key definitions being less detailed than in the past the ED proposed that the accounting policies should be consistent with those applied in earlier accounting periods.
- It is the intention that the proposed amendments to FRS 103 would be effective for accounting periods ending on or after 1 January 2016.

6.3 The Council welcomed the draft ED and supported the Accounting Council in submitting its advice to the FRC Board.

7. Deregulation

7.1 UC introduced a paper inviting the Council to identify whether there are any changes the FRC could make in respect of its Codes & Standards and monitoring / enforcement activities that would reduce unnecessary red tape and / or encourage growth and whether there are any statutory activities or requirements the FRC or other regulators that impose unnecessary costs or constraints. Melanie McLaren (MM) highlighted that the Council should not restrict its thinking to the FRC's role in respect of actuarial work and highlighted that the approach taken in developing the revised TAS framework is deregulatory.

7.2 UC reported that the FRC Board would be considering the suggestions put forward by bodies

within the FRC at its meeting on 1 December and would be responding not only to the challenge set by the UK Government but also to a request from the European Commission for input to its deregulatory agenda. The Council noted that the PRA is exempt from the Government's red tape challenge.

7.3 Through discussion the Council suggested:

- Consideration should be given to the use of 'quasi-regulation' and whether there is an appropriate balance between 'prescription' and 'discretion'.
- There is evidence to suggest Statutory Money Purchase Illustrations (SMPIs) are not fit for purpose and are misleading, accordingly, consideration should be given to whether or not the production of SMPIs should be a statutory requirement in their current form - however, this may be deferred to after the IORP Directive is finalised.
- Consideration be given to pensions accounting, specifically the associated disclosure requirements, and the value of the Pensions SORP.
- Consideration should be given to the approach taken in 'grandfathering' practice.
- Consideration should be given to the interpretation of European requirements to ensure the UK does not 'gold-plate' any requirements.
- The UK should seek to influence the development of standards at a European level and encourage the development of proportionate requirements.

7.4 UC thanked the Council for its input and invited the Council to submit any further suggestions by email before the end of the month.

8. Minutes of the previous meeting and rolling actions

8.1 The minutes of the Council meeting held on 22 September 2015 were approved for publication.

8.2 The Council noted the rolling action log.

9. Forward agenda

9.1 The Council noted the forward agenda.

10. AOB

10.1 There was no other business