

## Post Implementation Review: Technical Actuarial Standards

### Draft Responses

#### **QUESTION 15: To what extent has TAS 300 been effective in supporting high quality technical actuarial work in the pensions sector?**

In our opinion, TAS 300 is effective in relation to supporting high quality technical actuarial work in the pensions sector. In contrast to the prescriptive-based Guidance Notes which preceded the principles-based TASs, TAS 300 enables actuaries and consultants to exercise their judgment. In our view this is a positive as it moves the focus of the advice to considering the needs of the User.

#### **QUESTION 16: What aspects of TAS 300 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.**

Sometimes it is not always clear if certain work is captured within the scope of TAS 300 e.g. when advising sponsors / corporates. Such difficulties can be overcome by internal discussions amongst colleagues to reach a consensus view as to whether TAS 300 applies. Where there is doubt, a prudent approach is generally adopted i.e. advice is prepared on the basis that TAS 300 does apply. However, this does mean actuaries / consultants are providing a compliance statement that may not in fact be necessary.

#### **QUESTION 17: 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? What changes should be made to TAS 300 to reflect these?**

Several areas spring to mind:

- i) Guidance around CDC schemes would be helpful particularly since the advice that will be required around such schemes will be different compared to DB schemes, in particular the use of "best" / "central" estimates for CDC schemes as opposed to the concept of prudence for DB schemes. Guidance would be helpful / needed on CDC scheme design, valuation work re determining benefit increases and member option factors.
- ii) Guidance around corporate advice – some guidance may be useful / required following the IFoA thematic review on corporate advice.
- iii) Guidance around future DB scheme funding regulations and the new funding code, once published.
- iv) Guidance on buyouts and risk transfers would be useful, given the increasing focus of advice in these areas as schemes mature and are better funded.

In terms of updating TAS 300, we would recommend that the fewest number of changes possible are made, although it may be necessary to introduce a specific section on CDC schemes.

While we recognise the need for TAS 300 to be joined up with the underlying regulations and codes of practice, updating processes and procedures for changes to TASs can be costly, which will ultimately fall on our clients. With this in mind, we would recommend that any wider review of TAS 300 is undertaken only after a major change e.g. it may be optimal to wait until the new regulations and code of practice on scheme funding has been published. This will avoid the issue of making wholesale changes to processes and procedures more than once.

Making as few changes as possible in the interim (if deemed necessary) will limit the impact on actuarial and consulting firms' internal processes and procedures, and therefore be less disruptive.

**QUESTION 18: How has the development in pensions freedoms in recent years impacted on your technical actuarial work for actuarial factors? What changes should be made to TAS 300 to reflect these?**

The main changes we have observed are:

- i) Transfer values – this option has generally increased in popularity for members nearer retirement age compared to before the pensions freedoms
- ii) Consistency of member option terms – for instance there is more focus around consistency between members taking a transfer value or trivial commutation

In our opinion the current wording in TAS 300 is appropriate and does not need updating. However, depending on the finalised wording of the new funding code it may be necessary to revisit this.

**QUESTION 19: Are there other areas of pensions-related technical actuarial work where you would welcome further technical actuarial standards?**

The key areas in our view would be in relation to end game journey planning and risk transfers. However, as noted above, we would recommend updating TAS 300 for this only once the new funding code is published.

