



Government  
Actuary's  
Department

Via email  
APT@frc.org.uk

7 July 2022

Dear Actuarial Policy Team

Finlaison House  
15-17 Furnival Street  
London  
EC4A 1AB

  
[www.gov.uk/gad](http://www.gov.uk/gad)

## Post Implementation Review: Technical Actuarial Standards Call for feedback on the Specific TASs

Please find our response to the call for feedback in the appendix to this letter.

We believe that the current standards regime has worked reasonably well in promoting high quality technical actuarial work. We support the principles-based approach, which promotes actuaries using their professional judgement to tailor their work to the required situation. The relative brevity of the standards is also beneficial – helping to increase engagement and accessibility. As a result, our overall view is that regime requires just minor amendments and clarifications rather than more substantive changes.

We support the broad application and wide definition of technical actuarial work under the current regulatory regime. We believe this helps ensure that actuaries appropriately consider the professional requirements of their work and it will raise standards across the industry, including in new and evolving areas of work.

As a final general comment, we have found that the Specific Technical Actuarial Standards present more challenges to work with than TAS 100. We believe this is at least partly due to the narrower scope of the Specific Technical Actuarial Standards, the various definitions required, and the sub-divisions of work to which they apply. Again, we would emphasise our support for broad, principles-based standards which are straightforward to interpret and apply.

Yours faithfully



**Stephen Humphrey**, Actuarial Director: Quality, Compliance & Risk

The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' [Quality Assurance Scheme](#). Our website describes [the standards we apply](#).



## **Appendix: Response to Post Implementation Review: Technical Actuarial Standards: call for feedback**

**QUESTION 1: Please provide your name (note: anonymous responses will not be accepted).**

Stephen Humphrey

**QUESTION 2: Are you responding as an individual or on behalf of an organisation? If the latter, please specify.**

Organisation – Government Actuary's Department

**QUESTION 3: Please provide your email address.**

[REDACTED]

**QUESTION 4: Do you request confidentiality of your response? (note: if so, your response will NOT be published to the FRC website as described in paragraphs 1.17 to 1.19)**

No

**QUESTION 5: [for users of technical actuarial work] Have the TASs been effective in ensuring the quality and clarity of the actuarial information you receive is reliable for any decisions that you take based on that information?**

Nil response

**QUESTION 6: To what extent has TAS 200 been effective in supporting high quality technical actuarial work in the insurance sector?**

We do not undertake a lot of work that formally falls within the scope of TAS 200. Where our work does fall within scope, we believe that TAS 200 has been effective in supporting high quality technical actuarial work. In addition, even where our insurance-type work is not specifically within the scope, we aim to comply with TAS 200 in spirit. Where this is the case, we find TAS 200 a useful reminder of areas to consider within our technical actuarial work.

**QUESTION 7: What aspects of TAS 200 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.**

In general, compliance with TAS 200 has not caused difficulties. TAS 200 contains a useful summary of areas to consider.

It would be useful to have the glossary contained within the same document to avoid having to cross-reference. We note this is proposed in the newly published TAS 100 Exposure Draft.

As an aside, we note that pricing framework is a defined term within the glossary but does not appear in bold in the 'work within scope' box. We suggest this is corrected as part of the wider post-implementation review.

**QUESTION 8: To what extent have the Provisions 12 to 23 of TAS 200 been effective in supporting high quality technical actuarial work in the specified areas?**

Based on our relatively limited experience, when we have carried out work within the scope of TAS 200 the provisions do support high quality advice in the specified areas.

**QUESTION 9: Have you observed difficulties with the quality of technical actuarial work in support of pricing frameworks? Would further additional requirements help clarify the FRC's expectations in this area?**

Some of GAD's technical actuarial work on pricing frameworks involves significant uncertainty – concerning remote or novel risks with limited data, requiring high levels of professional judgement. We believe there is enough flexibility within TAS 200 to allow us to undertake this type of work and would not suggest additional requirements are necessary.

**QUESTION 10: Are there other areas of insurance-related technical actuarial work, beyond the areas covered in Provisions 12 to 23 of TAS 200, where you would welcome further technical actuarial standards?**

In recent years there have been developments to actuarial modelling approaches and pertinent environmental and social issues are being recognised by the actuarial community as important considerations when producing actuarial work. This includes the use of AI and algorithmic methods, the implications of climate change and generational inequality.

We would welcome the FRC to consider these perspectives when reviewing the technical actuarial standards – for example the data section of TAS 200 could refer to the need to consider the ethical use of data.

**QUESTION 11: Does TAS 200 currently give sufficient direction on the nature of professional scepticism, what that involves, and how that should be demonstrated?**

Nil response.

**QUESTION 12: Do Provisions 16 and 17 of TAS 200 in relation to insurance transformations provide sufficiently clarity in setting out the FRC's expectations of technical actuarial work in this area? Are there further additional requirements which should be considered?**

Nil response.

**QUESTION 13: What changes should be made to TAS 200 to better reflect the PRA and the FCA's expectations of the Independent Expert's work in a Part VII transfer?**

Nil response.

**QUESTION 14: How should TAS 200, in particular the provisions in relation to financial statements (Provisions 12 and 13 of TAS 200), be updated to address the challenges in respect of the implementation of IFRS 17?**

Nil response.

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

We believe TAS 300 has been effective in supporting high quality technical actuarial work in the pensions sector. A few specific comments below:

- TAS 300's principles-based approach is a positive and it encourages a proportionate approach to decision-making.
- Under TAS 300 "Departures from the provisions in TAS 300 concerning communications to users are permitted if they are unlikely to have a material effect on the decisions of users". Whilst this flexibility is beneficial, it can be difficult to interpret what is acceptable. We've found these challenges can result in a compliance-based approach to communications rather than a judgement-based framework.
- Notwithstanding the above, our view is that the appendix to TAS 300 contains a useful reminder of areas to include when undertaking a valuation under Part 3 of the Pensions Act 2004 (and to consider for other pension scheme valuations).

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

Across the range of GAD's pensions work (we advise Part 3 funded schemes, other funded schemes and unfunded schemes), TAS 300 has caused a few challenges and we have briefly considered these below:

- Some of the wording within TAS 300 is not directly relevant to the type of schemes that we advise. For example, these schemes may:
  - not have assets
  - not be actively moving towards end-game scenarios
  - restrict members access to pensions freedoms.

However, the permissive nature of the standard grants us sufficient flexibility to disregard elements of TAS 300 where we deem it not to be relevant or proportionate. As such, we mention this more as a reminder for any future changes to TAS 300 than as a particular 'difficulty' encountered to date. The standard needs to work for all pensions work, not just Part 3 schemes.

- One of the specific difficulties that we have encountered within TAS 300 is the use of the word 'material' within the compliance provision: "Departures from the provisions in TAS 300 concerning communications to users are permitted if they are unlikely to have a material effect on the decisions of users". There appears to be some circularity between the use of the word 'material' in this provision and the definition of material within the glossary.
- At times we have found it challenging to balance the various disclosure requirements of communications within TAS 300 whilst not obscuring the key messages of the advice. This has been overcome through discussing with other colleagues and peer review.
- It might be helpful to have some additional guidance related to the requirement in TAS 300 for the user to understand the level of prudence in the assumptions. It can be challenging to know how best to illustrate prudence to help trustees decide whether they are adopting an appropriate amount of prudence. For example, is it better or worse to show a change in liability / contribution requirement or would it be more

suitable to show the probability of achieving the assumptions or some other representation of prudence?

- We would question the necessity of always requiring the scheme funding report to describe how the funding level is expected to develop over the future, on both the solvency basis and the technical provisions basis. To us this can be seen as an example (as described in our answer to question 15) where TAS 300 leads to communications being prepared with compliance in mind, rather than a value-add response.
- It would be useful to have the glossary contained within the same document to avoid having to cross-reference. We note this is proposed in the newly published TAS 100 Exposure Draft.

**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?**

For funded pension schemes covered by Part 3 of the Pensions Act 2004 we have seen a shift in focus towards journey planning. Technical actuarial work is increasingly focussing on the interaction between investment strategy, funding and covenant. This has resulted in a clear change in the focus of our advice relating to funding, in terms of bespoke/fast-track routes. This work is generally more forward looking than the rest of the work within the scope of TAS 300.

It is possible that these developments could be incorporated more into the scope of TAS 300. For example, encouraging an increased focus on understanding risks and opportunities to achieving objectives (and testing whether those objectives remain appropriate) rather than focusing on a static funding level/contribution outcome arising from a valuation. One way to do this could be to introduce requirements to carry out scenario testing/ranges in order for schemes to better understand the likelihood of achieving their objectives.

Given the more integrated approach to funding required by The Pensions Regulator, TAS 300 could encourage more collaboration with other advisors (such as investment advisers). The actuary's advice and resultant report should reflect information and views from other professional advisers, but with the actuary deciding how to use that input in their advice to the trustees.

Provisions could be introduced to TAS 300 to consider emerging risks in more detail (such as climate change risk). We understand that there is a proposal along these lines in the new TAS 100 Exposure Draft. It seems reasonable to tackle this at the higher level of TAS 100 where possible.

Specifically, in respect of Collective Money Purchase schemes (CMPs) we would encourage thought to be given as to the specific issues relating to these arrangements. On the face of it, a set of requirements similar to appendix A does not seem unreasonable. Initially, it may be appropriate to incorporate the principles relating to this work within TAS 300. However, we would suggest that the FRC be mindful of emerging work in this area and reserve the right to introduce a separate TAS relating to CMPs as these schemes develop. Whilst the TASs need to reflect an evolving pensions environment, it's important that this review does not prejudge future legislative or industry changes.

The other items referenced in the consultation document as necessitating changes to TAS 300 do not seem unreasonable for Part 3 funded schemes. As a reminder, they may not necessarily apply to all pension schemes we advise – such as those set out at the beginning of our response to question 16.

**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?**

For those schemes we advise with access to pensions freedoms, technical actuarial work in respect of actuarial factors has become more material as a result of pension freedoms. There is additional scrutiny on the terms offered and consistency between factors has become more important. It is also important to ensure that advice in respect of factors considers how they are fair and appropriate. However, in many cases the actuary is not responsible for setting factors. Whilst the principles within TAS 300 might support the production of high quality actuarial work, it's important to bear in mind that this might not translate into the envisaged outcomes for members. This is a limitation of technical actuarial work in this area.

If changes are made to these provisions of TAS 300, we would ask that they remain principles based, allowing actuarial judgement and without prescribing the approach to take.

We are broadly supportive of the findings of the IFoA's thematic review of actuarial factors. Again, please bear in mind the differing scope of TAS 300 compared to the thematic review. For example the public service schemes do not have three-year valuation cycles or traditional governance arrangements which affects who sets certain assumptions needed for actuarial factors.

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

It would be beneficial if the section on scheme modifications required actuaries to take account of a fuller range of considerations when developing their advice - such as practicality, administrative burden, financial significance at the member level as well as in aggregate, etc. This is particularly relevant in the context of anticipated work and communications on topics such as GMP equalisation and conversion. This would also be relevant for work undertaken on modifications to future service benefits.

Another area which should be considered further is whether the existing provisions relating to bulk transfers would be suitable in the context of a bulk transfer to a DB super-fund. It is possible that TAS 300 would be suitable for this sort of exercise but we suggest it should be considered in more detail.

**QUESTION 20: To what extent has TAS 400 been effective in supporting high quality technical actuarial work for funeral plans trusts?**

We believe that the principles TAS 400 would be effective in supporting high quality technical actuarial work for funeral plan trusts.

**QUESTION 21: What aspects of TAS 400 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.**

Nil response.

**QUESTION 22: What are your views on the timings of the changes to TAS 400 given the timings of the change in authorisation and supervision regimes?**

We believe that it would be beneficial to align TAS 400 with the supervision regime and to that end a timely review of TAS 400 to incorporate any changes would be encouraged. This would hopefully prevent potential confusion from having to deal with multiple transitions over an extended period of time.

It may be better for TAS 400 to be aligned to the new supervision regime through guidance rather than an overhaul of the whole standard.

**QUESTION 23: Do you think that TAS 400 should create a standard terminology to be used for funeral plan valuation reports?**

We believe there is some merit in considering more consistency in terminology within funeral plan valuation reports. In our experience practitioners use a various definitions of bases which essentially mean the same thing. It may be better to introduce consistent methodology to prevent user confusion. This may be a matter for additional guidance rather than within TAS 400.

**QUESTION 24: What are your views on whether TAS 400 should apply to technical actuarial work for Burial Societies?**

We believe that TAS 400 should apply to all technical actuarial work in this area regardless of the provider, including Burial Societies. There are potential disparities if some work in the field is required to be calculated by actuaries and some is not. This could result in higher risks and loss to individuals. In our view there is a parallel here between the interaction between insurance companies and mutuals and the application of TAS 200.

**QUESTION 25: To what extent has ASORP 1 been effective in supporting high quality technical actuarial work in the social security sector?**

In general, ASORP 1 has been useful in supporting high quality technical actuarial work in the social security sector. However, we believe there are a couple of areas where ASORP 1 is less helpful in supporting high quality technical actuarial work, namely:

- It might be clearer if the section on appropriate practices specifically mentioned the need to consider future policy proposals. We believe this is currently covered by “the stated intentions of the sponsoring entity” but it might help to be more explicit.
- Whilst we acknowledge that the definition of Social Security Programme (SSP) mirrors the ISAP 2 definition, it seems quite broad and open to interpretation. We have discussed this in more detail as part of our response to question 27.

**QUESTION 26: What aspects of ASORP 1 have caused difficulties? Please explain what those difficulties were and how you were able to overcome them.**

We have not had difficulty in following ASORP 1. However, we note that ASORP 1 covers UK work and the IFoA’s APS X4 covers non-UK work. Recognising that there are two separate regulators here, it would, if possible, be more helpful to just have one set of guidance to avoid confusion.

**QUESTION 27: Do you consider the definition of work which falls in the scope of application of ASORP 1 is clear? What changes should be made to the definitions set out in ASORP 1 to improve clarity?**

We believe the scope of work included under ASORP 1 is not entirely clear and is open to interpretation. This is primarily due to the definition of SSP, which might usefully be clarified. For example, under ASORP 1 the unfunded government pension schemes might be described as an SSP, but we do not believe this was the FRC's intention. Certain work on the unfunded government pension schemes would, in any case, fall under the scope of TAS 300.

The definition of an SSP within ASORP 1 is currently consistent with ISAP 2. However, amending the definition to require the payment of social security contributions might improve the clarity of the definition and resolve some of the ambiguities discussed in our answers to this section.

**QUESTION 28: Have you observed an increased variety of technical actuarial work which falls into the scope of application of ASORP 1, for example since the pandemic? What changes should be made to ASORP 1 to reflect the new types of work and practices?**

We have not seen an increase in the amount of work in scope of ASORP 1.

More generally, the consultation paper refers to the National Health Service as a social security programme. However, it is not clear that the NHS would necessarily fall within the definition of an SSP in ASORP 1.

**QUESTION 29: What changes should be made to the existing sector specific TASs to reflect these developments?**

We believe that there are certain areas of investment work which might benefit from coverage under a Specific TAS. In particular, strategic work which usually involves modelling assets and liabilities at the same time, often done in the context of funded pension schemes. This is because this type of modelling is increasingly used to help decide appropriate assumptions (including margins for prudence) as well as for setting investment strategies (such as hedging levels). In our view we are comfortable that this work would fall under the scope of TAS 100 but we could see an argument for this to be considered for inclusion within a specific TAS.

Other technical actuarial work relating to investment can effectively be covered by TAS 100 and other Regulated Investment Advice falls under the scope of another regulator.

**QUESTION 30: Would there be greater coherence in the requirements in relation to technical actuarial work in the fields of investment and finance by setting them out in their own standard?**

We do not believe it is necessary to have a standalone investment TAS as investment work is either regulated elsewhere, falls under the scope of TAS 100 or in very specific instances can be incorporated within the specific TASs.

In our opinion TAS 100 currently does and can continue to do a lot of heavy lifting in terms of delivering high quality technical actuarial work. As such it is important to make or retain a broad definition of technical actuarial work to encapsulate as much of the work of actuaries as possible.



**QUESTION 31: Are there any areas where you would welcome further standards; in particular, new areas where an increasing number of actuaries are performing technical actuarial work?**

New areas that GAD is working on fall broadly into three different categories: model quality assurance, disaster risk financing and other advice relating to climate related risks. Our view is that TAS 100 has sufficient detail and flexibility to support high quality actuarial work in each of these areas.