

Name of Organisation	Universities Superannuation Scheme Ltd
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>To have all information relevant to that document in one place is preferable to having to reference other documents for overall principles and basic definitions.</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>The inclusion of the word 'intended' is very helpful and adds much clarity particularly with paragraph 3.7 making it clear the "intended user" is determined by the practitioner.</p> <p>The examples provided at paragraph 3.9, however, are unhelpful insofar as they appear to contradict the definition of "intended user" (a person whose decisions communications are intended (at the time they are provided) to assist). While work may "potentially" assist a number of persons, that should not automatically make them intended users, and the wording in paragraph 3.9 should be adapted to reflect that. As a practical matter, conflicts of interest requirements would restrict who could be "intended users" for a piece of work. Also, we would not expect to carry out work with the Regulator as an "intended user". Contrast this with a more specific Life office example provided in the guidance.</p> <p>To assess what needs to be included in a communication requires the intended user, the scope and the purpose of the exercise to be determined in advance of the commencement of the work. Paragraph 3.10 states it is good practice to anticipate other uses of the information beyond the stated purpose. This runs counter to the fundamental principles and thus reduces clarity.</p> <p>Trustees, as we do, often provide 'self-service' models for their members to use. These are provided on a similar basis to models provided by the CMI. In their wording which accompanies their models, the CMI indicates that they comply with the principles of TAS 100 but clearly no advice or recommendations are provided as to the appropriate parameters to use in a specific case. Confirmation in the guidance that this approach is line with the requirements of version 2.0 would be helpful. Particularly as paragraph 3.12 appears to require any</p>

	<p>departure from full compliance is clearly identified, justified and communicated.</p>
<p>Question 3: Does the draft guidance support you in complying with the TASs?</p>	<p>Whilst TAS 100 Version 2.0 is stated to remain principles-based, the principles have been expanded to indicate how they should be met by the inclusion of a number of mandatory requirements (indicated by the use of the word “must”) which are often subjective in nature. The inclusion of these “musts” has the effect of changing the TAS from a principles-based approach to a more rules based one.</p> <p>Further, these “musts” apply regardless of the scope and purpose: there is no distinction between intended applications of a model, for example. The concept of proportionality continues but this covers the extent to which an aspect is considered rather than whether consideration should be given. There is also a higher expectation around justification of judgement or assumptions.</p> <p>If, however, these “musts” are retained in TAS 2.0 then additional clarity around the application in practice for, say, the use of data science versus a model to discount a set of cashflows would be helpful. Further guidance on the expectations on the various investigations of bias required and how these should be evidenced, potentially a significant new requirement, would also be useful.</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>The requirement that evidence demonstrating compliance must be available to the intended user will be expected to increase the cost of any work we commission from third parties without, in many cases, adding any value. The quality of work provided should be adequately demonstrated by the communication without the need to provide evidence of compliance with TAS. Given the subjective nature of a number of the requirements, we see little practical benefit in having this available. We do believe there should be an adequate audit trail to ensure that professional accountability can be demonstrated to the supervisory authorities.</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 are in support of guidance on proportionality but not the current draft. The current draft is a departure from past practice and largely appears to be imposing more on individuals than indicating where it may be appropriate to apply judgement, for example paragraph 2.11.</p> <p>The second bullet of paragraph 2.8 implies that for a particular piece of work it is not just the intended user, scope and purpose for which materiality is to be judged but also whether it might be of interest to a third party. Is this the intention of this bullet?</p> <p>For a piece of work where the scope is for an indication rather than any precision, the amount of judgement in materiality could be relatively high thus the supporting documentation is likely to be a disproportionate amount to the cost of the actual work.</p>
<p>Question 7: What are your views on the revision in nomenclature of the ‘user’ to ‘intended user’?</p>	<p>From our perspective this a welcomed amendment and, in fact, clarifies it is the author of the work that determines the user at the outset of the project, a point often misunderstood.</p> <p>While welcoming the replacement of the term ‘user’ with ‘intended user’, we believe there is a need for clarity around the issue of actuarial information being shared with parties other than the ‘intended user’. In certain instances, a pension trustee may wish to share with stakeholders actuarial information that has been prepared for the pension trustee as the intended user (such transparency and information sharing being generally regarded as of benefit to all interested parties). In conducting the relevant actuarial work, while the actuary may be aware of the possibility that the resultant actuarial information may be shared with stakeholders, it is not feasible for the actuary to consider the interests of each such stakeholder and how they may use that actuarial information. Given the principles-based nature of the TASs, it would be helpful to clarify that in such circumstances (i) the stakeholders are not to be considered ‘intended users’ and (ii) in conducting the actuarial work, the actuary is required only to consider how the</p>

	intended user – and not any other party - may apply the resultant actuarial information.
Question 8: Do you agree the new proposed Risk Identification Principle and associated Application statements?	<p>In principle, yes. The application statements that must be complied with are subjective in nature and so will need to be documented thoroughly; both those that are material and those that are not. We believe this could disproportionately impact on the cost of the work with little benefit in practice in the case of work that is carried out regularly; a funding update of a pension scheme for example.</p> <p>The requirements appear very wide-ranging and open to interpretation. Reference is made to consideration of material factors which could have the potential to indirectly affect the actuarial work; it is not clear how much detail would be expected here with the likelihood of extending reports and costs mainly to ensure compliance is met. Further guidance would be useful on the judgements and evidence required. For example, it could be interpreted as requiring that every piece of work include a note that there could be legislative or regulatory changes in the future which could affect the advice. When combined with the requirement to consider the dependencies between the material factors and risks, these requirements taken as a whole could significantly increase the work required (or level of documentation, if these combinations are not material).</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?	Our concerns are that the statements that must be complied with do not allow differentiation across different tasks. The requirement in every task to consider alternative methodologies, models, data and assumptions may not be practical or necessary. For a pension scheme valuation of the membership, alternative methodologies and assumptions should be addressed but an alternative valuation system/model or membership does not make much sense.
Question 10: What are your views on the proposed changes to the Data Principle and associated Application statements?	Our concerns are that the statements do not sufficiently recognise actuaries are receivers of data and not necessarily the owners of it as such we believe it is more appropriate that the requirements are framed in terms of the data being fit for purposes and requiring the need to draw attention to any perceived shortcoming in the data.

<p>Question 11: Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?</p>	<p>We agree in general but we have concerns around the practical application of the requirement to investigate bias across all models without reference to the purpose.</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>In general, we agree that models require appropriate governance around them. However, this should be proportionate to the importance and complexity of the model. Many organisations already have their own model risk policies in place and further guidance on this is only likely to lead to confusion rather than provide additional clarification.</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 agree it makes sense for documentation matters to be covered in a single section.</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 agree it makes sense for communication matters to be covered in a single section.</p> <p>P7.3 is a requirement but it is very subjective as to whether this has been complied with and the answer could differ depending on the individual considering it.</p> <p>The concept of component and aggregate reports has been removed yet the requirement to confirm compliance with TAS 100 remains. For a large project such as a pension scheme valuation where elements of the overall scope may be carried out at different times, the selection of the assumptions for example, would be a component report with the final overall advices forming a potentially virtual 'aggregate' report which is expected to meet full TAS 100 compliance. It is not clear how each individual piece of work could be expected to meet TAS 100 without there being a disproportionate cost to the client.</p>
<p>Question 15: What are your views on the additional clarification provided in the Application Statements?</p>	<p>In general, these cover what we would want to see in advices provided to us. They are quite prescriptive and have potential to increase the length of reports solely to meet TAS 100 compliance while not necessarily providing any material benefit to the intended user of that report; for example the requirement to explain why alternatives weren't considered when it is obvious for the task in question, and potentially leading to repeated definitions of terminology</p>

	and explanations of models across different pieces of work.
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?	Our in-house actuaries may be undertaking aspects of work where our scheme actuary or the advisor of one of our stakeholders has detailed the bases and requirements. It doesn't add anything for them to have to form a view on the reasonableness or otherwise of those assumptions in the particular circumstance.
Question 17: What are your views on these proposed amendments to clarify the existing requirements?	We don't understand the requirement to ensure the ability to reproduce a model output using the same inputs as, in combination with the evidence requirement, this would suggest that models always need to be run multiple times, increasing the time and cost for work to be produced. We would expect an "if relevant" caveat, and for this only to be a requirement if there is reason to believe that a different result might be produced.
Question 18: Do you agree with our impact assessment? Please give reasons for your response.	<p>We do not agree with your impact assessment particularly in respect of ongoing costs.</p> <p>The new requirement to produce a document explaining with reasons why compliance is met and setting out rationale and justification for all judgements (including details where any "should" requirements might have been disregarded) will materially impact on our costs particularly for smaller items of work commissioned. We don't see a particular benefit in having the ability to request the document to offset this additional cost. The key issues should be addressed in the communication we receive which, in our view, should be sufficient.</p> <p>We also believe that the revised wording with the stipulated requirements that must be followed will increase the internal costs of our in-house team significantly, particularly in demonstrating compliance when the actual professional requirements are largely unchanged.</p> <p>The apparent removal of the concept of component and aggregate communications might significantly increase the time and cost of larger projects which are completed incrementally, owing to the additional compliance requirements.</p>