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4 August 2023

Dear Sir/Madam,

**FRC Technical Actuarial Standard 300: Technical Actuarial Standards for Pensions: Consultation paper (May 2023)**

PricewaterhouseCoopers LLP (We) welcome the opportunity to respond to the FRC's consultation ("the Consultation") on Technical Actuarial Standards for Pensions ("the Consultation").

As one of the largest employers of actuarial pensions staff in the UK, employing close to 200, our actuarial pensions staff are involved in a wide variety of roles, from pension funding and investment advisors, to insurance and consolidator specialists. We also have actuarial staff who support our Audit practice in the audit of corporate and pension scheme pension liabilities and, as a result, we have a large number of users of pensions technical actuarial work.

In summary, we support the retention of a principles-based approach and broadly agree with the way that the proposals address market changes since 2016. We have some suggestions in relation to the scope of the proposed changes, along with areas where greater clarity would be useful. Our full submission is covered in the appendix to this letter, the key points we have drawn out from our feedback are below:

- We welcome the additional provisions around advice on actuarial factors and agree that these reflect good practice already in the market. We support the approach taken that individual actuaries and decision makers can continue to make decisions on how actuarial factors are set and with full information on the points to consider.
- We agree with the amendments to TAS 300 to reflect bulk transfers to superfunds. We would welcome clarity on the references to third party input covering insurance risk practitioners, noting that governing bodies and decision making entities would expect to get input from their legal and covenant advisers directly.



- We consider that the capital adequacy considerations for superfunds are not dissimilar to those in relation to capital backed journey plans or underwritten return solutions which are currently in the market, and that there may be merit in expanding the scope of section 6 to cover these.

We hope our comments are helpful and if you have any questions or would like to discuss the contents of this letter further, please do not hesitate to contact Steven Dicker or myself.

Yours faithfully

For and on behalf of PricewaterhouseCoopers LLP



## **Appendix - Response to consultation questions**

### **Scope**

*Question 1: What are your views on the proposed changes to the scope of TAS 300? Are there any other areas of pensions work that you consider to be inadequately covered by TAS 300 and should be included?*

Noting our additional comments below, we welcome the inclusion of bulk transfers to superfunds within TAS 300, reflecting their potential to provide alternative end-game solutions for pension schemes.

On bulk transfers, the draft exposure and consultation documentation both reference these in relation to bulk purchase annuity transactions. However, our experience is that these do not typically require a bulk transfer process and our understanding is that the updates to TAS 300 are not intended to cover bulk purchase annuity transactions.

Finally, we note that underwritten investment products e.g. capital backed journey plans, are being developed as potential solutions for pension schemes. Whilst these don't remove the sponsoring employer or involve a bulk transfer, they do have similar characteristics to superfunds and so it may be that the scope of TAS 300 should be extended to cover these.

### **Scheme funding and finance**

*Question 2: Do you agree with our intention to defer any changes to requirements under scheme funding and financing until there is greater legislative certainty? Do you have any other specific concerns in relation to provisions on scheme funding and financing that you believe require addressing over a shorter period?*

We agree with this approach and are not aware of any specific matters that would require addressing over a shorter period.

### **Factors for individual calculations**

*Question 3: What are your views on the proposed changes to TAS 300 in relation to the frequency of review of the actuarial factors? What are your views on the proposed changes to TAS 300 in relation to the timing of review of actuarial factors?*

We welcome the proposed updates requiring actuaries to set out when they recommend that factors are next revisited and their rationale for this, together with the circumstances which could lead to factors needing to be revisited sooner.

In our view, there is not a compelling rationale to mandate that the timing of these reviews is aligned to actuarial valuations, and it would be appropriate for this to remain a matter for individual actuaries' professional judgement, noting the FRC's view that as a starting point they would typically expect the two to be aligned.



### **Considerations in setting factors**

*Question 4: Do you consider the proposed changes to Section 3 would enable decision-makers to reach a fully informed view in setting actuarial factors?*

Yes we consider that the additional information that section 3 proposes be included in actuaries' communications when advising on setting individual factors will enable decision-makers to be fully informed.

*Question 5: Do you consider that the remit of TAS 300 includes specifying how actuarial factors are set, either in relation to the value for money members should get from cash commutation or in making allowance for future changes to investment strategy in CETV factors? Please explain your rationale.*

We agree that it is most appropriate for the individuals with responsibility for setting scheme factors, taking appropriate advice, to determine the underlying principles for how a scheme's individual factors are calculated, and that the principles used may vary between different pension schemes. Actuaries should discuss these principles with decision making entities and ensure these principles are agreed, documented and communicated appropriately in their advice on the calculation of scheme factors.

*Question 6: Are there other provisions relating to actuarial factors which you believe should be introduced?*

No.

### **Bulk transfers and superfund capital adequacy**

*Question 7: What are your views on the proposed provisions in section 5 in relation to bulk transfers? Do you think that the proposed provisions would ensure the actuarial advice given to decision-makers would allow them to be fully informed when considering potential bulk transfers?*

In our view, the proposed provisions are sufficient in establishing the principles for advice in relation to bulk transfers.

We would note that 5.1 is very broad and covers advice which governing bodies and decision making entities would expect to get from their legal and covenant advisers. We would welcome clarification that actuaries are not expected to give advice on these matters nor to receive input directly from third parties on these matters. Based on the consultation notes, we understand that the FRC is primarily referring to input from insurance market specialists when referencing third party input in P5.2, albeit the reference could be read much more widely.

*Question 8: Do you consider that the proposed changes to TAS 300 on modelling work relevant to superfunds would help mitigate the risks associated with pensions practitioners' lack of familiarity with features of the modelling required?*

Yes. While we believe that the principles set out in TAS 100 are broad enough to cover these areas, we welcome the additional specific technical detail provided on them in the consultation document and the exposure draft.



*Question 9: Are there other provisions relating to bulk transfers which you believe should be introduced into TAS 300?*

We have no further comments in relation to section 5. We note that section 6 covers superfund capital adequacy and specifically modelling considerations in relation to assessing these. We note that these provisions could be extended to cover other solutions in the market which are long term and where additional capital is provided to support a specific investment strategy. These are typically known as underwritten return solutions or capital backed journey plans and we would expect similar model considerations to apply to these solutions.

**TAS 310: Collective Money Purchase (CMP) Pensions**

We have not provided responses to questions 10 to 19 inclusive in this submission.

**Impact assessment**

*Question 20: Do you agree with our impact assessment? Please give reasons for your response.*

We agree that the updates to existing provisions of TAS 300 are relatively limited and reflect best practice, while the new requirements in respect of bulk transfers to superfunds and CMPs reflect the complexity of those activities and new regulations since 2016 when TAS 300 was originally issued.