



ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA critical of Statement of Strategy data tsunami

16 April 2024: The Association of Consulting Actuaries (ACA) in its response to the TPR *Statement of Strategy* consultation is critical as to whether a highly prescriptive, data-driven submission that goes beyond regulatory requirements is the way to go at the very introduction of the funding and investment strategy as an add-on to the well-established scheme funding process.

ACA Chair, Steven Taylor, commented:

“While recognising that there is certain information that is legally required to be provided in the Statement of Strategy through the relevant Act and Regulations, it would seem more proportionate to adopt a lighter-touch approach for now. Such a light touch approach could be used to establish which, likely relatively few, schemes are of concern, for which more detailed information could be requested. It is also not clear to us that TPR will have a system in place soon to analyse all the information that it is requesting.”

The ACA response expresses a major concern at the volume of information TPR are requiring to be submitted. It is also not always clear why TPR needs the information additional to that required by the Regulations to fulfil its compliance role. ACA is not aware of any detailed assessment of the cost that will be involved in gathering, entering, agreeing, and submitting the information. Additional costs are likely to be significant.

While ACA understands TPR’s desire to be able to better model the DB pensions universe for other purposes, in our view gathering information for this purpose through detailed requirements for all schemes in the Statement of Strategy is not a proportionate means to this end. Our expectation is that the Statement of Strategy will be used purely as a compliance document for sharing of information with TPR. We therefore do not anticipate that trustees will share any part of the Statement of Strategy formally with members and will instead use other current methods of communication – such as newsletters and summary funding statements, to relay the information from the Statement of Strategy they believe will be of interest.

We also do not see the Statement of Strategy itself forming a key part of scheme’s risk management process, although the key objectives may well be captured elsewhere within a scheme’s updated risk management processes following the coming into force of the General Code.

ACA highlights the various data sets running over 100 years, particularly the cashflows. We don't see any of these as being necessary for TPR to fulfil its role, and we don't see how such data sets are useful to trustees in isolation. We question why it is necessary for schemes to evidence how scheme maturity will change in this way rather than simply relying on the scheme actuary's calculation of duration and date of significant maturity.

Peter Williams, ACA Pension Schemes Committee Chair, who led the response team added:

"It also seems to us that given the nature of the information TPR is requesting, there will need to be a significant amount of additional work to update the statement of strategy submission at every valuation. We don't believe that was the intention under the legislation."

The ACA response also highlighted four further high-level concerns:

- It is difficult to comment fully on many aspects without having sight of the final DB Funding Code of Practice.
- The information requested for Bespoke valuations may prove to be excessive, particularly for those valuations which only just fail to be treated as Fast Track. ACA suggests that TPR explore whether it is possible for different additional data sets to be requested for Bespoke valuations depending on which aspect of Fast Track is not being met, to avoid a data cliff edge at the boundary of Bespoke and Fast Track.
- The information that open schemes are required to submit – we had previously argued that open schemes should not have to comply with the new requirements for setting long term objective where there is no realistic date at which they will become significantly mature. In practice, it seems that producing the new information will, if anything, be more complicated for an open scheme than for a closed scheme if these proposals go ahead unchanged.
- In our view covenant information should not be required for Statements where a scheme has passed its 'relevant date'. Also, significantly reduced covenant information should be required where a scheme, before its relevant date, is well funded and/or running a level of investment risk which is very significantly below the maximum level that can be supported.

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