FRC consultation on revisions to TM1

Comment from the Association of Consulting Actuaries (ACA)

ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA expresses concern at FRC's 'radical' proposals on accumulation rates and on dashboards guidance

31 May 2022: In our response to the FRC's consultation on the proposed revision to AS TM1: Statutory Money Purchase Illustrations (SMPIs) we have concerns about some of the proposals, which we set out in the answers to the questions, including the proposals on accumulation rates, the form of benefits at retirement, and annuity rates at retirement.

Commenting on the response, Peter Williams, Chair of the ACA Pension Schemes Committee, said:

"We support the general principle of amending AS TM1 to provide greater consistency for recipients of SMPIs where individuals have several different pension policies, particularly in the context of information to be provided on pension dashboards.

"However, the proposals on accumulation rates are radical, and we think that they can create problems of understanding for individuals and significant additional work for fund managers in many cases. The proposals can also create anomalies when, for example, bond funds prices are volatile. On balance, recognising that the SMPI will be indicative only, we would prefer an asset-class based approach, which is the approach most schemes adopt currently.

"We note that most individuals do not take annuities at retirement, and further thought should therefore be given to the form of benefits to illustrate to better match what individuals would typically do when they take benefits. We appreciate that this would take some time, and that the annuity approach may need to be maintained for a period.

"Given the Government's proposal that all DC projections for the Dashboard are covered by AS TM1, we believe AS TM1 should refer to and give guidance on any additional projections for the Dashboard not currently referred to in AS TM1, such as projections based on the accrued fund referred to in the draft Dashboard Regulations. However, AS TM1 should reflect the final Dashboard Regulations."

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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. Many members now advise employers and trustees on DC arrangements. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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