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Pensions TAS Exposure Draft

Considerations for ACA response

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TASes - The story so far

- In effect: TAS R(eporting) since 1 April
- Completed: TAS D(ata) from 1 July
  TAS M(odelling) from 1 April 2011
- Exp Drafts: TAS P(ensions) from 1 April 2011?
  TAS I(nsurance)
- Consultations
  - Transformations (going?)
  - Actuarial Information used for accounts and other financial documents (gone)
  - Impact on Pensions TAS

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Structure of Pensions TAS

A. Purpose
B. Interpretation
C. Scope
D. General principles
   - Assumptions
   - Data
   - Calculations of payments to members
   - Financial statements
E. Pension schemes subject to Pt 3 of PA04
F. Funded pension schemes not subject to Pt 3 of PA04
   - Mainly public sector
   - (Includes “E” where relevant)
G. …to be continued?

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Scope

In:

- Reserved Work
- Scheme funding
  - Inc advice to sponsors
- IAS19/FRS17
- Bulk TVs
- Amendments
- Actuarial factors
- Wind Ups
- Directors' disclosures

Out:

- M&A work
  - For now
- Investment advice
  - Except relating to scheme funding
- DC work
  - Except projections
- Transfer inducements

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Funding advice to sponsors

- Should this be in scope?
  - ACA (vote at meeting): No
  - Potentially significant duplication of work
- BAS:
  - "We consider that this need not be a problem. The *Scope & Authority* permits those responsible for commissioning work to instruct the actuary responsible for carrying it out to depart from specified (or all) requirements of TASs as long as the work in question is neither Reserved Work nor Required Work."

2009 Consultation

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ACA: Define “actuarial information”

BAS:

- No!
- “We consider that most actuaries and users of actuarial information know what actuarial information is when it is produced.”

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ACA: Cost benefit analysis needed

BAS:

- Done!
- Transitional costs < 5% to 10% annual fee
- Other costs minor
- Benefits outweigh costs
- Compliance with TASes must be proportional

ACA: Misleading to quantify prudence

(Scheme funding only)

ACA:

- Extra work
  - Effectively an extra valuation not required by law
- Not helpful anyway
  - Better to explain how assumptions are prudent

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BAS: Neutral estimate needed

…alongside prudent estimate

- Few respondents supported proposal
- But users really want it!
- “Neutral”, rather than “best” estimate
  - Reflects the fact that there could be a range
  - Not sure how that helps!

ACA: Are scheme members "Users"?

- ACA: they should not be
- BAS:
  - "we note that the intended users of a report do not necessarily include all those to whom the report is made available"
  - "In particular, although pension scheme members have the right to request a copy of the report produced at the end of a Scheme Funding assessment, we consider that they would not, under our definition, be 'users' of the report."
- Are BAS giving legal advice?

ACA: Definition of material too wide

- BAS Agree
- More clarity given to place “materiality” in context:
  - “Matters are material if they could, individually or collectively, influence the decision to be taken by users of the related actuarial information. Assessing materiality is a matter of reasonable judgement which requires consideration of the users and the context in which the work is performed and reported”

Other comments on TAS-P

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Legal uncertainty

- E.g. GMP equalisation
- Previous draft:
  - Had to quantify maximum impact
  - Include legal opinions
- Now:
  - Explain uncertainty

Scheme funding process

BAS:

- Lots of decisions in scheme funding
  - So lots of aggregate reports
  - Shared component reports
- AVR required by legislation
  - Reserved work
  - Cannot contribute to decisions
  - Purpose limited
  - Required information in TAS-P

In the meantime:

- Should GN9 still apply?
  - Duplication with TAS-R

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Transition

- Effective 1 April 2011
- These GNs will go:
  - GN9, GN16, GN19, GN49
- These are under consideration:
  - GN26 (might be helpful to keep)
  - GN28 (supplements legislation)
- Not sure:
  - GN34, GN36
  - “not mandatory”

Discussion

- Consultation closes 21 May
- Any last minute comments?
  - Anyone willing to stand up for “neutral” estimate?
  - Any views on how Scheme Funding process should work?
  - Do we think BAS are right about the potential costs?
    - Does “proportionality” work?
    - Will anyone want to read compliant reports?