Association of Consulting Actuaries

Revised TASs – July 2017

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27 April 2017

Financial Reporting Council

What we will cover

Background to TAS development

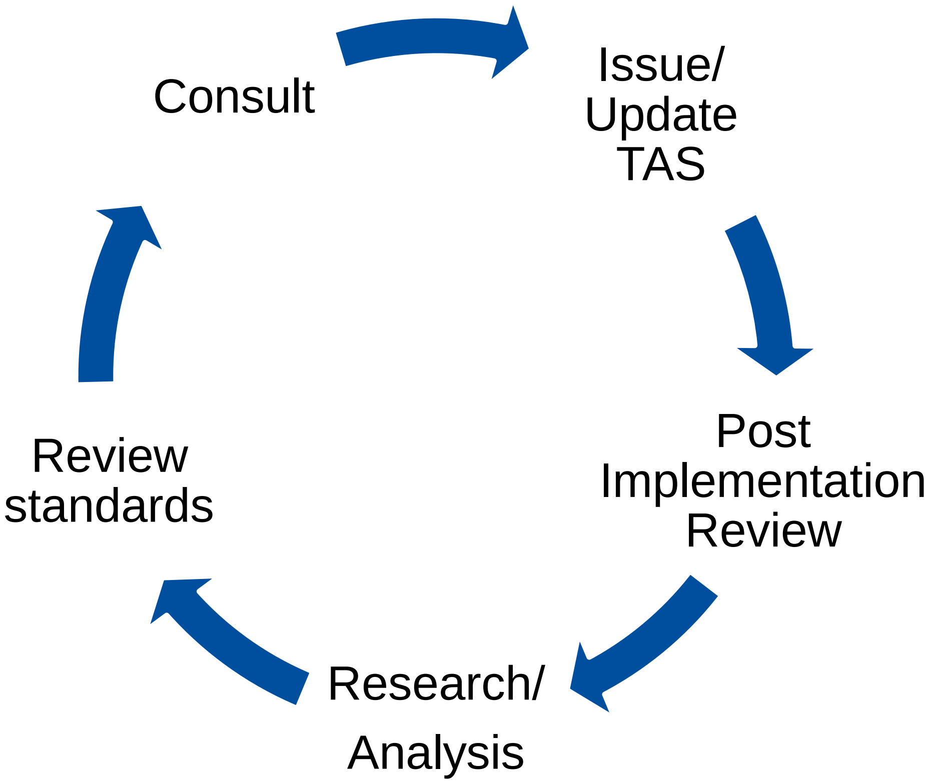
Framework and TAS 100

Specific TASs

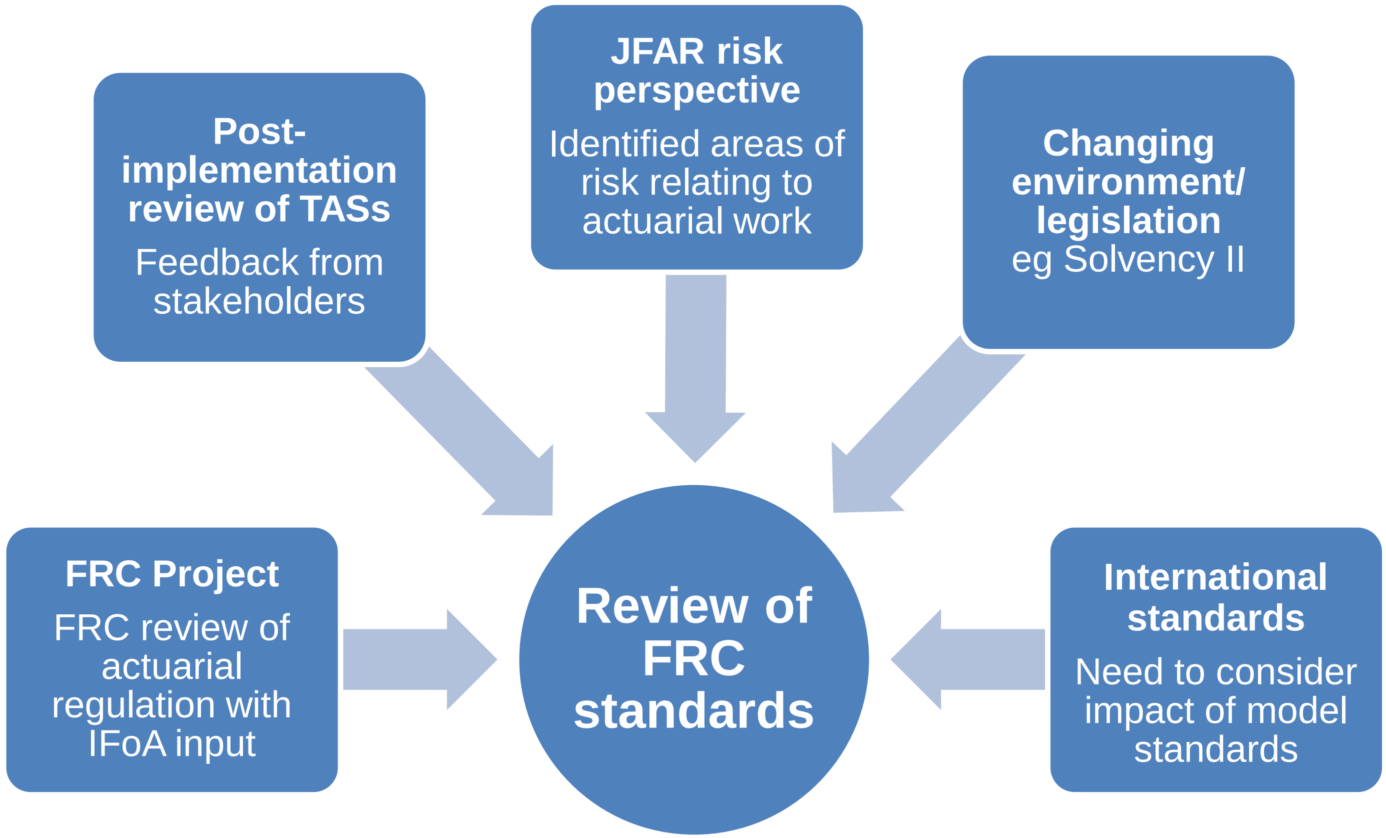
Background to TAS Development

Financial Reporting Council

TAS review cycle



Background to the TAS Review



Framework and TAS 100

Current Technical Standards Framework

Scope & Authority

Apply to Reserved Work and areas of actuarial work specified in the Specific TASs

TAS D | TAS M | TAS R

Apply to areas of actuarial work specified in the Specific TASs

Specific TASs
(Pensions, Insurance, Funeral Plans, Transformations)

<u>Other material</u>
Answers to FAQs
Significant Considerations

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Revised Framework for TAS

Framework for FRC Technical Actuarial Standards

Applies to all technical actuarial work

TAS 100

Apply to areas of technical actuarial work specified in the Specific TASs

TASs 200, 300 etc.
(Insurance, Pensions, Funeral Plan Trusts, Other)

Risk assessment process

Glossary

SORPs (IFoA)

Guidance

Framework for FRC Actuarial Standards

Historical context

FRC principles for development of codes, standards and guidance

Scope and Application
 - *including Technical Actuarial Work and Geographic Scope*

Authority

Reliability Objective

Reliability Objective

Users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information

Definition of Users: Those people whose decisions a communication is intended (at the time it is provided) to assist

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Geographic Scope

Framework for FRC technical actuarial standards:

…….work done in relation to the UK operations of entities, as well as to any overseas operations which report into the UK, within the context of UK law or regulation

APS X1 sets out approach for work outside geographic scope

TAS 100

High-level outcome-focused principles

Judgement	Data	Assumptions	Modelling	Communications	Documentation

Supporting provisions

Applies to all technical actuarial work

Based on existing Generic TASs

No guidance

Definition of technical actuarial work

Technical actuarial work is work performed for a **user**:

- where the use of principles and/or techniques of actuarial science is central and which involves the exercise of judgement; or

- which the **user** may reasonably regard as technical actuarial work by virtue of the manner of its presentation.

Application

Departures (from provisions related to Communications)	Permitted if they are **unlikely to have a material effect on the decisions of users.**
Proportionality	Nothing in TAS 100 should be interpreted as requiring work to be performed that is not proportionate to the nature, scale and complexity of the decision or assignment to which the work relates and the benefit that users would be expected to obtain from the work.
Compliance	Communications for • **reserved** work; • work in the scope of a **Specific TAS**; and • technical actuarial work which is **central to a significant decision by the user.**

The Principles

Judgement shall be exercised in a reasoned and justifiable manner; material judgements shall be communicated to users so that they are able to make informed decisions understanding the matters relevant to the actuarial information

Data used in technical actuarial work shall be appropriate for the purpose of that work so that users can rely on the resulting actuarial information

The Principles (2)

Assumptions used, or proposed for use, in technical actuarial work shall be appropriate for the purpose of that work so that users can rely on the resulting actuarial information

Models used in technical actuarial work shall be fit for purpose for which they are used and be subject to sufficient controls and testing so that users can rely on the resulting actuarial information

The Principles (3)

Communications shall be clear, comprehensive and comprehensible so that users are able to make informed decisions understanding the matters relevant to the actuarial information

Documentation shall contain enough detail for a technically competent person with no previous knowledge of the technical actuarial work to understand the matters involved and assess the judgements made

What's not in TAS 100

Valuation vs planning (TAS R C.3.7)

Cash flows (TAS R C.5.10)

Explanation of probabilities (TAS R C.5.13)

Projections (TAS R C.5.20)

Model parsimony (TAS M C.3.14)

Reproducibility of models (TAS M C.3.17)

Grouped data (TAS M C.4.9)

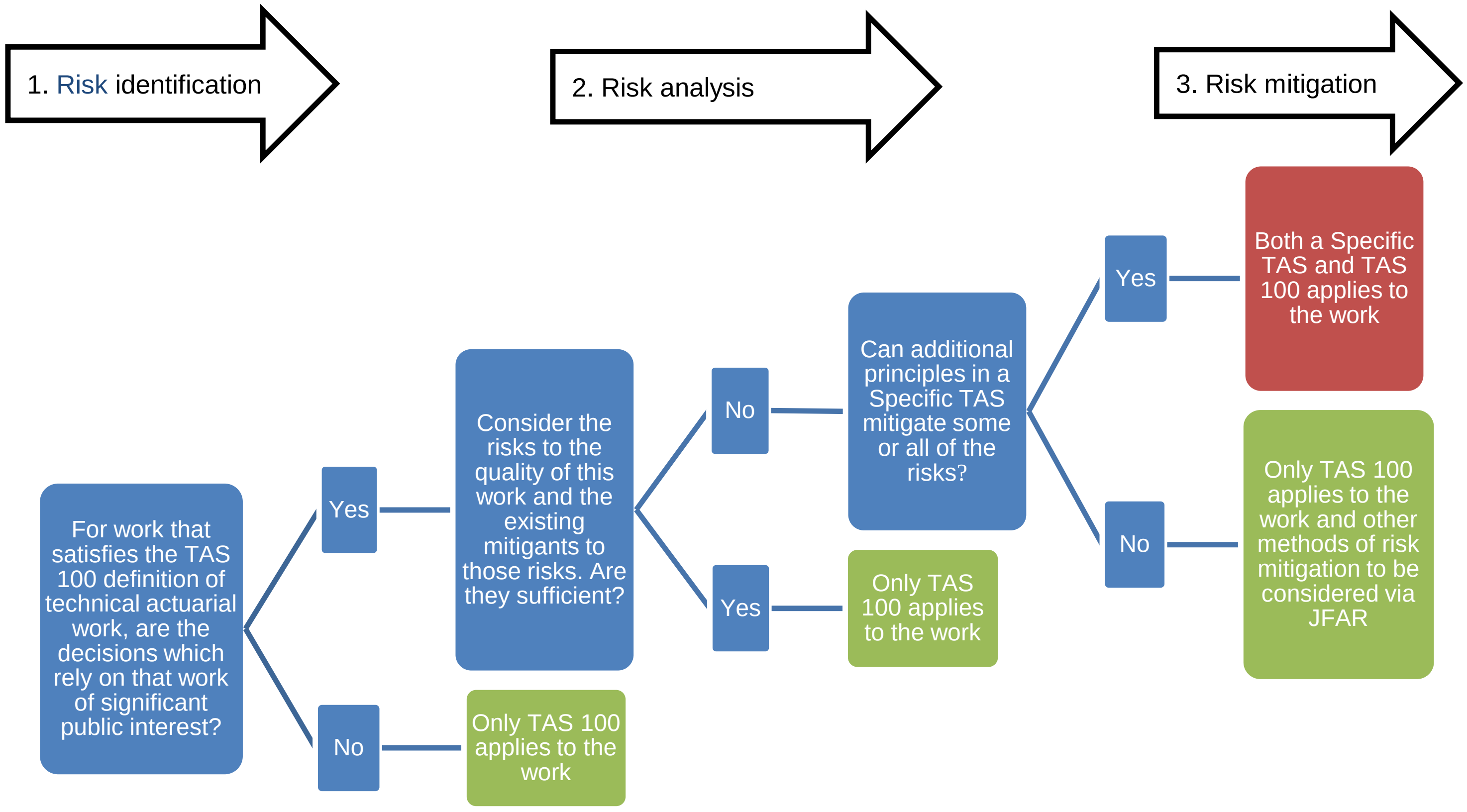
Data points (TAS M C.4.13)

Specific TASs

Specific TASs

Three TASs	Pensions, Insurance and Funeral plan trusts – in future could be others Transformations provisions moved to pensions and insurance TASs
Scope	Work where there is a high degree of risk to the public interest – identified using risk assessment process
Provisions	Support TAS 100 principles Core and work-specific

Risk assessment process



Scope of TAS 300 compared with current Pensions TAS

Retained	New	Removed
Funding/financing Factors Incentive exercises Scheme modifications (trustees) Bulk transfers (trustees) Section 75 calculations	Scheme modifications (employers) Bulk transfers (employers)	Some Reserved Work eg PPF levy calculations Directors’ pensions disclosure Financial statements

Note : All technical actuarial work subject to TAS 100

TAS 300 Core provisions

Data	1. If benefit uncertainty – legislation or scheme documentation – data shall include any relevant legal opinions 2. Include information concerning discretionary benefits
Assumptions	3. Material assumptions should reflect the membership, benefit structures and financial features of the scheme 4. Communication of the derivation of material assumptions and any limitations in the data used
Communications	5. Explanation of any material uncertainty in the calculation of benefits and how this has been treated

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Funding and financing

Assumptions	6. Information so user can understand level of prudence 7. Explanation of and reason for material change in prudence from previous exercise 8. Compare discount rate with return from investment strategy 9. Compare recovery plan return rate with return from investment strategy 10. State if and how assumptions allow for employer covenant

Funding and financing

Statutory duties	11. Information to support governing body in fulfilling statutory duties
Risk assessment and future evolution	12. Information to enable governing body to understand material risks: • Indication/description of cash flows • Funding level projections • Indication/description of volatility 13. Information to enable governing body in: • Understanding interaction of funding/investment/covenant • Managing IRM strategy

Funding and financing

Reports of record	14. Written so informed reader can understand financial position 15. Information in Appendix A 16. Applies to schemes not subject to Pensions Act 2004

Factors

17. Communications should include information to enable governing body or decision maker to understand financial implications:
    - Impact of different factors on funding and benefits
    - Rationale for differences for assumptions used for different factors
    - Rationale for differences for assumptions used factors and funding
    - Implications of changes in market conditions
    - When factors should be reviewed

Incentive exercises/modifications/ bulk transfers

18. Communications should include information to enable governing body or decision maker to impact on members benefits:
    - Impact of different assumptions on benefits
    - Changes in material risks to members
    - Material changes to cash flows to members
    - Potential reduction in benefits

Timescale

- **December 2016**
  Revised TASs published
- **1 April 2017**
  Early adoption instead of existing TASs allowed
- **1 July 2017**
  New TASs come into force
- **2020?**
  Post-implementation review

Scheme Funding exercises with effective dates on or before 1 October 2016 and completing after 1 July 2017 may comply with existing TASs

Next Steps

- Review work and decide is it Technical Actuarial work in scope of TAS 100?
- Does it fall within the scope of TAS 300?
- What processes will need to change?
- TASs go live 1 July 2017

Questions ?

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Link to revised TAS:

https://www.frc.org.uk/Our-Work/Audit-and-Actuarial-Regulation/Actuarial-Policy/Technical-Actuarial-Standards-2017.aspx