THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

Submitted via [online form]

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SPP response to Call for Feedback: Post Implementation Review: Technical Actuarial Standards

SPP has responded to those questions relevant to its membership.

Questions responded to:

Q5: In general, TAS300 has been helpful in ensuring quality and clarity of advice, subject to the comments in later responses.

Q15: SPP thinks that TAS300 has been broadly effective in this regard, serving as a useful benchmark to set a standard for actuarial advice in this area.

Q16: We note a small number of difficulties relating to advice given to sponsors rather than trustees. For example, in the area of funding, TAS300 explicitly applies to advice given to sponsors but the remainder of the funding section seems to be very much drafted with advice to trustees in mind. Some amendments to make this more usable for corporate advisers may be helpful. As one specific example, there is a need to state how assumptions take account of employer covenant, but sponsors will typically not have taken separate covenant advice themselves.

However we do not think this is an area to review at this time, but rather review TAS300 more thoroughly once the regulations and code of practice on the new funding regime have been finalised, to ensure consistency here and avoid the need to review the document twice.

Q17: We would suggest that changes to the TAS statements should happen infrequently where possible, as even small changes can lead to significant costs and efforts by the industry in revising advice and processes, with users bearing the ultimate cost. With that in mind, it seems clear that there is a need for TAS300 to be joined up with the regulations and code of practice on the new funding regime, and hence (noting the exception below) any changes to TAS300 should be postponed until the detail there is finalised, to avoid the need for reviewing TAS300 twice. In this regard the FRC should liaise closely with DWP and TPR – this is essential to ensure TAS300 is appropriate in the context of the new funding regime.

The exception is CDC (or CMP) schemes, where given the regulations for these schemes will be finalised in the nearer term, modifications to TAS300 should be made to accommodate this. SPP strongly feels this should be included as a separate section in TAS300 – noting that the considerations for these schemes, the nature and scope of advice required, and how this interacts with member benefits is all very different to DB schemes to which the current TAS300 relates. Four particular areas should be covered relating to CDC schemes:

- Scheme design modelling work for an employer or other sponsoring organisation
- Modelling for trustee scheme design viability assessments,
- Trustee valuation work to determine benefit increases,
- Trustee member option factors

Our strong preference is for a high level, principle based, approach, consistent with the majority of the existing TASs, rather than a more prescriptive 'checklist' approach to what should be included in advice. We would also strongly urge a further consultation on the detailed wording to be included for CDC schemes before any changes to TAS300 come into force.

Regarding the remainder of the content of TAS300, and noting the comment above on timing, SPP suggests that the following modifications could be made in due course:

- The current Appendix A – the detailed checklist for what should be included in the Scheme funding report – would probably sit better elsewhere, for example in regulations, rather than within the TAS itself. Currently it is inconsistent with the other content which is more principles based.

- Similarly, any additions made to TAS300 for other areas should be principles based and high level rather than prescriptive.

- Regarding the specific areas of buyout and risk transfer mentioned in the call for evidence – we agree that these are becoming more popular, and some changes may be worthwhile to give additional focus to these areas. As schemes get better funded, whether transferring risk or updating how they approach cashflow matching and hedging risks, they will be exposed to a different set of risks compared to typical scheme earlier in its journey. However there is a need to avoid the risk of obligating actuaries to include advice on something that is not relevant to a particular scheme. Our preference is therefore that any additions to TAS300 for these areas should be kept high level and principles based and focussed on situations where such advice is relevant.

Q18: The development in pensions freedoms has had several impacts, including:

- Shifting the age profile of members who take transfer values, and to a lesser extent other options. Members typically take transfer values at older ages now compared with before the pensions freedoms. This can impact advice on transfer value assumptions and on funding – noting that due to e.g. differing allowances for other options such as commutation, there can be examples where members taking a transfer value close to their Normal Retirement Age can cause a funding strain.

- There is also much more focus on the consistency of different member option terms – especially commutation versus transfer values versus trivial commutation.

That said, we think that the existing content of TAS300 is sufficiently broad that no changes are required as a result. We also note that the new funding code may also impact advice on actuarial factors – noting the requirements around a long-term funding target etc – and hence again we feel no changes should be considered until the new funding code is finalised.

Q19: As per our response to Q17, SPP suggests that the whole of TAS300 could perhaps have some additional focus on journey to endgame and risk transfer.

As one example, one area that is currently high profile and where we are seeing a greater deal of focus is discretionary increases. We believe the current wording on Scheme modifications covers advice in this area, however that section of TAS300 should also mention the impact of discretionary payments on funding, journey to settlement and other risk transfer options. We do not believe this is covered by the current funding section as this is specific to legislative requirements rather than anything broader.

However as per earlier responses there is a need to wait until the new funding code is finalised before any such changes are made.

Response ends