

**The Actuarial Profession**  
making financial sense of the future

**How well do you know the new BAS standards?**  
Robert Inglis and Brian Nimmo

## Pension Conference

3 June 2011

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### What we will aim to cover

- Scope – what's in, what's out?
- Generic issues
- Data TAS
- Reporting TAS
- Modelling TAS
- Pensions TAS
- Transformation TAS

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## But first...

“The 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.”

**Good work will (generally) comply with the TASs**

**Work that complies with the TASs will (generally) be good**

**The generic TASs are a good basis on which to frame your advice**

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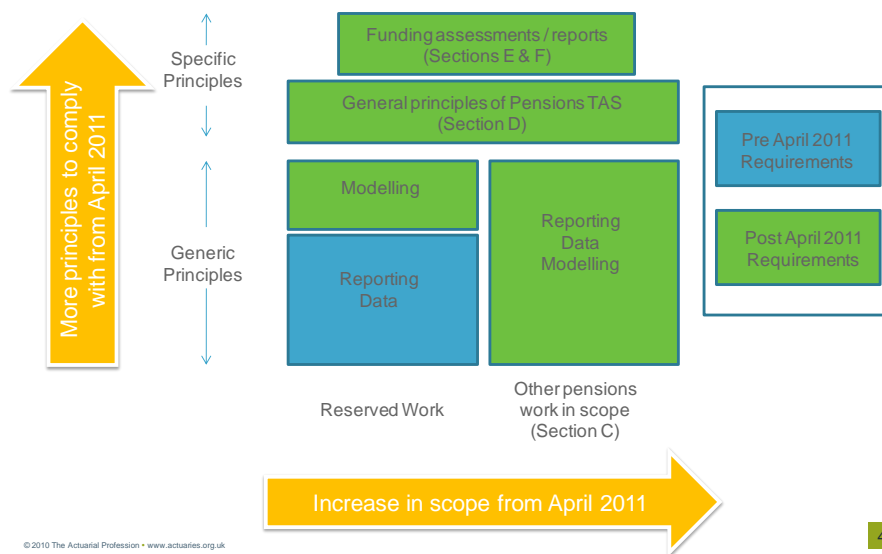
## Scoping – what’s in, what’s out?

- Work
  - Reserved or in specific TAS
  - Rules for
    - Reserved Work
    - Required but not Reserved Work
    - Everything else
- Client opt outs
  - How pro-active should actuaries be?
- Duty of care/insurance cover

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## Scoping – what's in, what's out?



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## Generic issues

- Who are the 'users'?
- Aggregate reports/component reports
- When are decisions made?
- How best to tie up your component reports into an aggregate report
- Compliance statements
- Over compliance?
- Valuations/planning exercises
- Demonstrating compliance and compliance review

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## Do you know what is meant by the following?

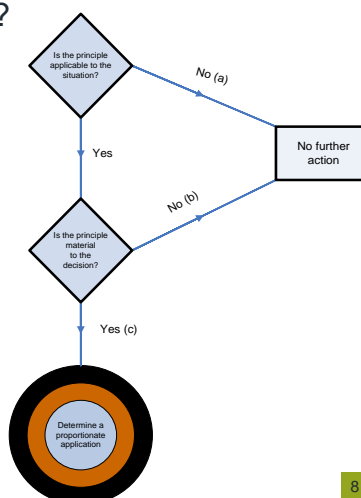
- Actuarial work
  - What constitutes actuarial work depends on matters such as whether **users** would reasonably expect the work to be performed using actuarial techniques, and whether the work involves risk, uncertainty or modelling. Actuarial work often involves the exercise of judgement.
- Technically competent person
- Neutral
  - Neither optimistic nor pessimistic
  - Does investment strategy play a part?

## Data TAS

- Are you sure you know what is meant by data in the TAS?
  - “...data arising from adjustments or derived from supplementary sources”
- Do you know if you are using data or modelling output (more on this later)?
- What is meant by ‘technically competent person’?
- Reporting requirements

## Reporting TAS and other reporting requirements

- Principles – what's in, what's out?
- Triaging
  - Applicable?
  - Material?
  - Decisions, decisions, decisions
  - Proportionality
- Judgement!



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## Modelling TAS

- It's your work that needs to comply, not the model
- What is a model? Manual calculations are in scope!
- Specification/Implementation/Realisation
- Can you demonstrate that models sufficiently represent relevant matters and are fit for purpose?
- Do you know where the model's documentation is kept?
- Have you read it and are comfortable that the use of the model will comply with TAS M?
- Reporting requirements

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## Modelling TAS

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- Does calculation use simplifying assumptions?
- Are you using a model or data?
- Are you using an externally developed model?
- Parsimony vs complexity
- Neutrality – best estimate, economic value or something else?
- Is an economic value a best estimate or a prudent estimate – or both?

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## Pensions TAS - scope

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- Pension scheme – includes unregistered schemes and unfunded schemes
- Governing body – trustees and administering authority of LGPS
- Personal pensions – in if no reference to work for a governing body, out if reference not made

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## Pensions TAS – what's in

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- Reserved work
- Work for governing body relating to decisions on contributions and benefits (funded schemes)
- Work for governing body re amendments to docs that affect benefits or security (funded schemes)
- Work for employer on Scheme Funding assessment
- Work for governing body re bulk transfer
- Work for governing body re wind up involving transfer

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## Pensions TAS – what's in

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- Work on actuarial calculations re individuals that directly affects payments to members
- Actuarial work on DC projections
- Actuarial work on financial statements
- Actuarial work on directors' pension valuations for annual reports

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## Pensions TAS – what's out

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- Pension scheme design advice (other than to a governing body)
- Financial assessments of unfunded schemes
- M&A work for employers
- Investment work (including ALM)
- Advice on liability management exercises including buy in

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## Pensions TAS – in or out?

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- Stochastic work that helps set funding strategy (or is this an ALM?)
- Managing the PPF levy
- Preliminary advice on s143 valuation
- Advice on the payment of a s75 debt
- Winding up
- Corporate funding advice outside “scheme funding assessment”
- Accounting projection work (for budgeting)
- Expert witness in divorce cases

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## Pensions TAS – other issues

- Geared to deterministic valuations?
- Refocusing of advice away from the valuation report?
- Valuation report – duplication of work that must be given before decisions made?
- Valuation report – how much value is this to trustees and members?
- Measuring prudence by the difference between TP and best estimate – is this the best approach?
- Materiality and proportionality
- How do you deal with this?

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## Transformation TAS - issues

- Purpose – to help assess security of benefits after transfer/modification
- Need to cover
  - Extent of any potential reduction in benefits
  - Potential for change in likelihood of receiving payments
- Comment on the effect of security of benefits in a change to sponsor
- Care not to breach Actuaries' Code
- Selection of assumptions to place 'proper emphasis' on interests of all relevant parties
- Report requirements

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## Further reading

- The TASs and Significant Consideration documents
  - Reserved Work and its application to pensions actuarial advice\*
  - Pensions work and the scope of the Pensions TAS\*
  - TAS M – Considerations in applying the Standard\*
  - An approach to applying the reporting principles within Technical Actuarial Standards\*
- \* All on the ACA's website (unrestricted – under 'Briefing Papers')

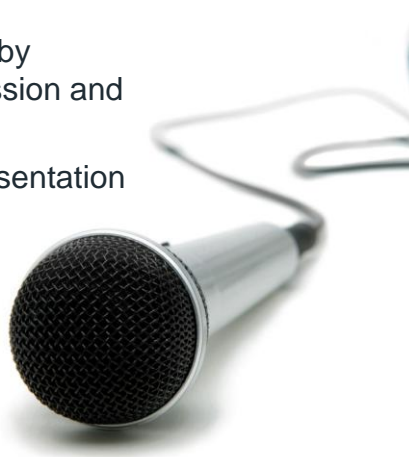
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## Questions or comments?

Expressions of individual views by members of the Actuarial Profession and its staff are encouraged.

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