



Institute
and Faculty
of Actuaries

Pensions Conference 2015

24 – 26 June
Hilton Hotel, Glasgow



19 June 2015



Institute
and Faculty
of Actuaries

A new framework for FRC Actuarial Standards

JFAR: A risk perspective

Speaker: Robert Inglis

erlise
ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support

19 June 2015

What I will cover today

- Overview of the FRC
- Joint Forum on Actuarial Regulation
- JFAR: A risk perspective
- FRC’s review of TASs
 - TAS 100
 - Specific TASs
 - Timescale
 - Feedback
- Questions



Financial Reporting Council

Codes and Standards	Conduct
UK Corporate Governance Code Stewardship Code Accounting standards Audit and assurance standards Technical actuarial standards	Audit quality review Corporate reporting review Discipline Professional oversight



Joint Forum on Actuarial Regulation

- Members: FRC, IFoA, PRA, FCA, tPR
- Established in 2013
 - co-ordinates identification of risks and responses where actuarial work is relevant
- Published *JFAR: A risk perspective* October 2014

www.frc.org.uk/JFAR



JFAR: A risk perspective

- | | |
|---------------------------------------|---------------------------------------|
| • Modelling | • Changes in the external environment |
| • Group think | • Competitive pressure on insurers |
| • Understanding risk and return | • Rapid change in pensions market |
| • Product design and distribution | • Economic outlook – pensions |
| • Financial reporting | • Economic outlook – insurers |
| • General insurance claims provisions | |
| • DB pension liability management | |



A risk perspective: feedback

- Valuable exercise
- Support co-ordinated regulation
- Regulation not always best response
- Agreed risks
- Some new risks and hotspots suggested

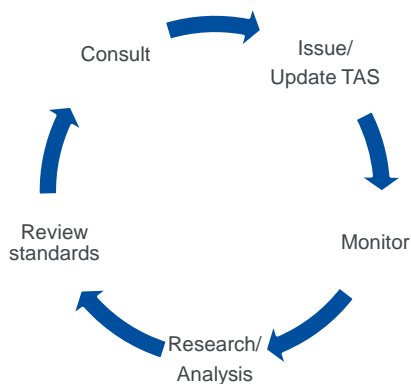


A risk perspective: next steps

- Publish feedback statement
- Thematic reviews
 - DB to DC transfers
 - General insurance claims provisions
 - Group think
- Input to TASs
- Guidance and educational material
- Monitoring and review



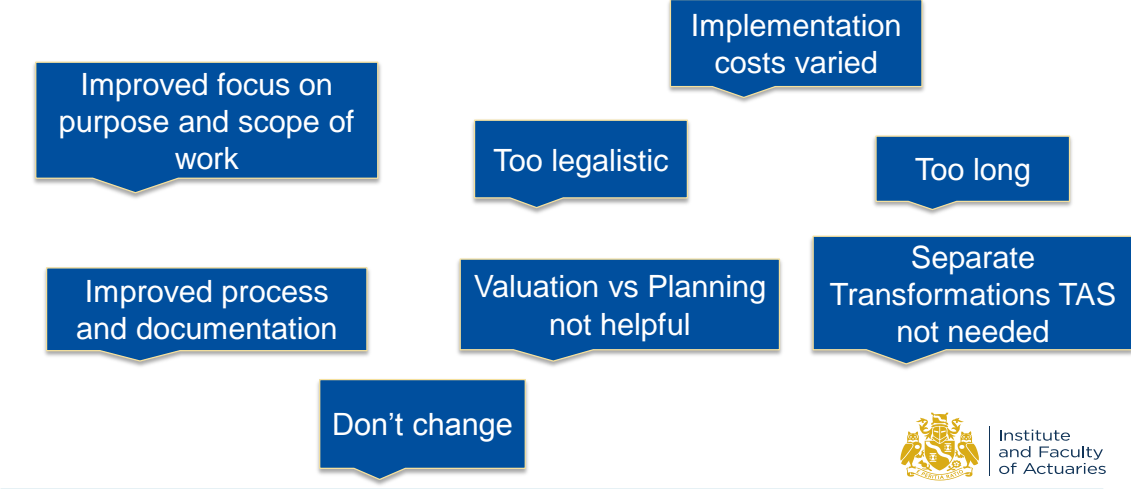
TAS review cycle



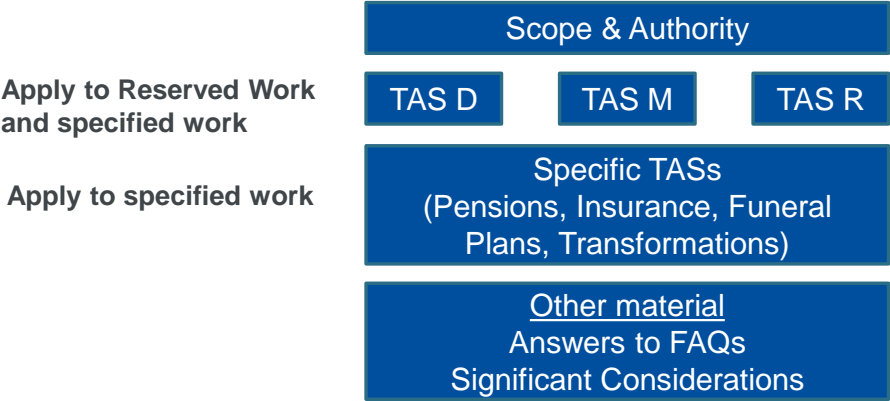
Monitoring/Research/Analysis

- Post-implementation reviews
- Joint Forum on Actuarial Regulation
 - *A risk perspective*
- Evolving actuarial work
 - Enterprise risk management
- International actuarial standards
 - ISAP 1

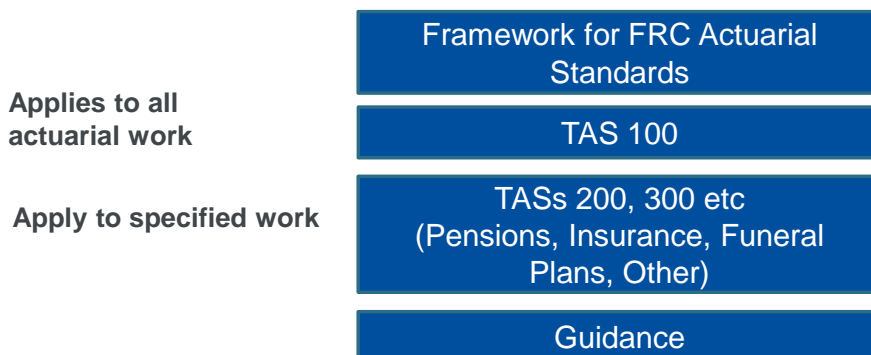
Post-implementation review



Current Framework



Proposed Framework



Institute
and Faculty
of Actuaries

Framework for FRC Actuarial Standards

- Consultation closed on 8 March
- Replaces Scope & Authority
 - Includes:
 - FRC principles for development of codes, standards and guidance
 - Historical context
 - Reliability Objective
 - Authority
 - Scope and Application
- Overview of FRC actuarial documents



Institute
and Faculty
of Actuaries

TAS 100

- Six high-level principles with supporting provisions
- Based on Generic TASs and assumptions principles in Specific TASs
- No guidance
- Definitions in separate glossary
- Applies to all actuarial work (as defined in TAS 100)

Scope of TAS 100

Actuarial work is work:

- which involves the exercise of judgement and where the use of principles and/or techniques of actuarial science is central; or
- which the **user** is entitled to treat as actuarial work because it is presented as actuarial, whether expressly or by implication.

Actuarial work is not limited to work undertaken by an actuary.

Working coming into scope

- Pension scheme sponsor work
- Asset/liability modelling
- Pension scheme buy-ins
- Expert witness
- Wider fields

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 actuarial work shall be sufficient and reliable for the purpose of that work and subject to sufficient scrutiny and checking so that users can rely on the resulting actuarial information

The Principles (2)

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

Models used in actuarial work shall be fit for purpose 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 actuarial work to understand the matters involved and assess the judgements made

What's not in TAS 100

- Following principles:
 - 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)
- Unboxed text from Generic TASs



Other key aspects of TAS 100

Materiality: Each of the principles and provisions in TAS 100 shall be followed unless compliance with it can have no **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 risks inherent in the decision or assignment to which the work relates and the benefit that **users** would be expected to obtain from the work



Other key aspects of TAS 100

Aggregation: The requirements of TAS 100 on **communications** apply to the communications in aggregate for a piece of work and not to each individual communication

Disclosure: Communications shall include a statement confirming compliance with TAS 100. Particulars of any material departure from TAS 100 shall be disclosed to the **user** with the reasons for the departure



Institute
and Faculty
of Actuaries

Specific TASs

- Will review structure and content
- Focused on higher risk areas
- Scope and principles influenced by JFAR and A risk perspective
- Possibly have TASs for main practice areas
- Might move Transformations principles to Pensions and Insurance Specific TASs



Institute
and Faculty
of Actuaries

Timescale – proposed in consultation

- Issue TAS 100 Summer 2015
- TAS 100 effective 1 January 2016 for work not covered by existing TASs
- Consult on Specific TASs in 2015
- Issue new Specific TASs in 2016
- New regime fully effective late 2016/early 2017



Feedback to consultation

- Supportive of TAS 100
- Concern about timescale
- Some concern about scope extension
- Detailed comments





Questions



Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



Institute
and Faculty
of Actuaries