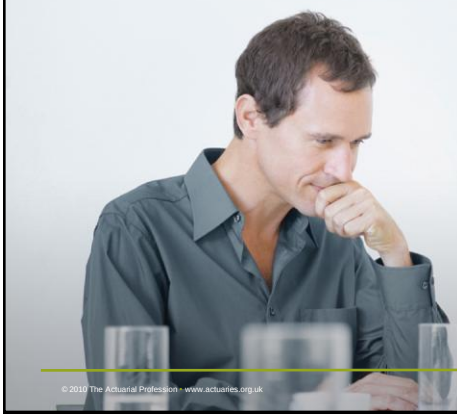
The Actuarial Profession
making financial sense of the future

Pensions conference 2011
Huw Evans



TAS in action

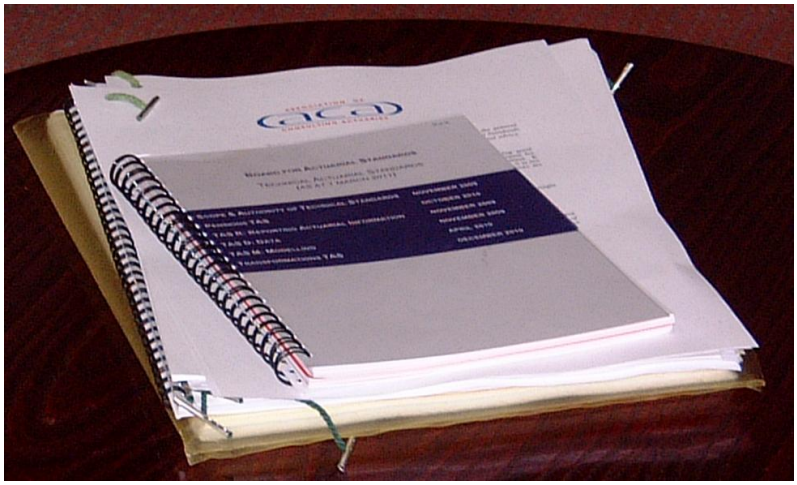
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TAZ



- Not as benign as he seems
- Wakes me up at 5am
- Tortures defenceless creatures

So much reading



The reading list

- Conceptual Framework
- Scope & Authority
- TAS R, TAS D, TAS M, Pensions TAS, TAS T
- Significant Considerations etc
- APS P2
- ACA guidance
- Internal guidance, checklists, templates...

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Changes arising from the TASs

Early days but…

- Greater senior involvement early in process
- More checklists
- More papers reviewed by, rather than signed by, Scheme Actuary
- More "painting by numbers" advice - template papers with built-in TAS compliance
- Feels like more information to users but less advice

TAS compliant valuations

- Advice earlier in process
- More papers rather than slides
- More information sought from trustees – discretions, benefit uncertainty etc
- More disclosures

TAS R

- How much to write?
- Literal interpretation vs common sense
- Which judgements to record?

TAS R

- Concept of aggregate & component reports is useful
- Defines what good advice should contain quite well (rationales, uncertainties)
- Framing around decisions can be awkward
  - reserved/required work may not require a user decision
- “Materiality” is key
- “Proportionality” is less useful owing to disclosure requirement

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TAS R – review suggestions

- Fewer detailed rules
- Materiality definition would be improved by limiting “could influence decision”
- Scrap “planning exercise vs valuation exercise”
- Ditto meaning of probabilities etc
- But I agree with greater emphasis on cashflows
- Remove overlap of “comprehensibility” requirement with the Actuaries’ Code
- Limit requirement to correct collective misunderstanding. (What if a user will never get it?)
- Length of compliance statement

8

TAS D

Just good practice

- More care over field definitions
- More disclosures via TAS R, TAS M, Pensions TAS
  - How shortcomings are addressed
  - Treatment of outliers
  - Justification for grouping

Pensions TAS

- Very wide scope – keep TASs to hand when writing advice
- Fine for big projects: painful for small queries
- More information provided to users and sought from users
- Who “owns” the neutral estimates?
- PA2004 valuation requirements have much in common with the likely evolution of GN9
- Scheme Funding Report smaller than GN9 report - less required on solvency, asset cover etc
- Corporate advice may need to be shorter than TASs allow

Pensions TAS – review suggestions

- Remove overlap with other TASs
- Refine application to calculations for individual members
- Consider application to plan design work
- Consider application to enhanced transfer value exercises and pension increase exchange exercises

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TAS M – Brave New World?

- Lifts the lid on actuarial methods
- What is a model? Mortality tables? Software output?
- More documentation
- Data handling – move to TAS D
- Is there enough on how the model is calibrated?
- More disclosure – move to TAS R
- Limitations + user needs – how much to say?
- May result in more model choices for clients?

TAS T

Non-compliance

- What does non-compliance look like?
- P2 reviews
- Hindsight
- Treatment under the Profession's Disciplinary Process
- What about the courts?

Conclusion

- Focus on user decisions is not always a good fit for pensions
- Improving actuarial information results in actuaries taking less upon themselves – whose interest does this serve?
- Should "parsimony" apply to actuarial standards?

- If I were granted just one change, I would improve the definition of materiality

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