



Introduction

- Purpose of today's session
 - to raise issues of interest and seek views on the Pensions TAS
 - to give practitioners a chance to feed back directly to the BAS
 - to get the views of practitioners from a number of other firms on problems and their solutions
 - to work in mixed firm groups and present back
 - to consider issues of material interest on Modeling, Data, Transformation and Reporting TASs as well (and any other current issues of interest)
- Up to 1.5 hours of CPD may be claimed (at your discretion)
- 'Chatham House' rule applies, so 'what' not 'who/which firm'.

Agenda

- 1730-1735 Introduction and Rules
- 1735-1740 Robert Inglis – TAS Update
- 1740-1745 Quick-fire Round
- 1745-1750 Outline of Topics and Split into Groups
- 1750-1835 Discussion in Groups
- 1835-1855 Feedback
- 1900 Close and Drinks Reception

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Quick Fire Round

- 1. I think the TASs have been a force for good in improving advice standards.
- 2. I think the Neutral Estimate has value for clients.
- 3. 'I' take account of Employer Covenant in a Neutral Estimate.
- 4. I will apply lots of TAS compliance to a Deficit Reduction Certificate.
- 5. I would have a DRC Peer Reviewed.
- 6. I include a description of cashflows in a S179 report.
- 7. It is not entirely clear as to the application of Transformations TAS to actuarial factors advice (eg commutation factors).
- 8. The New Levy Framework structure is an 'improvement'.
- 9. I am entirely comfortable that the Cash Commutation Factors my clients use are fair and reasonable to the members. My advice is up to date on these.
- 10. I wish we had GN9 back ☹ - those were the good old days ☺

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Topic 1 – three wishes ‘for the better’ [Mandatory]



- 1.



- 2.



- 3.

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Topic 1 – three wishes – what’s good about TASs? [Mandatory]



- 1.



- 2.



- 3.

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Topic 2 – Neutral Estimate [Optional]

- Whose estimate is it? The Actuary's, the Trustees', both or someone else's?
- Is there a unique definition of neutral?
- How should it relate to the CETV basis?
- When should it be delivered? At outset or agreement of SFP (and/or SIP)?
- What financials to be used, what demographics?
- Neutral estimate of what? Liability based or asset based?
- 'Covenant' factored in?
- Example for discussion:-
 - Client with buyout funding target (and SFP) [based on gilts]
 - Assets are 50% gilts, 25% AA rated corporates, 25% equity
 - Discount rate is 3% p.a. (say) and expected asset return is 4.5% p.a.
 - What do 'neutral' discount rates look like?

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Topic 3 – Materiality and Compliance [Optional]

- How comfortable are Advisers with Materiality concept? Still belt/braces?
- How are you deciding what is 'in' or out? Specific Examples of Material Departures? What do clients think is Material, do we check/know?
- Are FRS17s following full TAS compliance principles? Do you claim full compliance? What about investment (stochastic) modelling work?
- How is overall compliance ensured on a collection of Component Reports? Peer Review each one, or all in totality?
- Examples for discussion:-
 - Does a description of cashflows have any value in a S179 report? A CETV report? An (Interim) Actuarial Report? Is a description enough?
 - A DRC is reserved work, what TAS compliance is required? Does a Peer Review of a DRC actually have any value? It is reserved work but...
 - A client sends you a quick email saying 'what happens if you increase the discount rate on the SFP assumptions by 10bps?' How much compliance is needed in response? Has it changed from 2 years ago?

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Topic 4 – Current Market Conditions [Optional]

- How are you dealing with current market conditions (for example 20-year gilt yield of c2.8% and 10-year gilt yield of c1.9% at 1 January 2012)?
- Is this impacting on advice in terms of forming Technical Provisions?
- What about updating an SFP where a 'gilts +' approach is used?
- Would you use a higher discount rate than the market/SFP suggested due to extreme market conditions? How would you justify that?
- Example for discussion:-
 - Client's SFP says 'gilts + 1%' pre and post (valuation as at 1 Jan 10 gave $4.5\% + 1\% = 5.5\%$ p.a. It's now $2.8\% + 1\% = 3.8\%$ p.a.)
 - AA yield at 1 Jan 10 was also c5.5%, why would we treat a client with a AA rated SFP discount rate any different? [4.7% p.a. at 1 Jan 12]
 - Would the backing assets held influence the view?

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Topic 5 – Developments since effective date [Optional]

- TAS R C3.13 – 'an aggregate report shall indicate any material changes or events...that have occurred since the effective date of the data and other information on which it was based'.
- Sign off on TPs/SoC/RP can be 15+ months after the effective date
- Does anyone seek updated membership data (particularly for small schemes?) Is it relevant?
- As previous slide, gilt yields 1%-2% lower, should this be factored in?
- Would you be willing to allow for substantial (equity) upside in a Recovery Plan, say +20% on the FTSE? To reduce contribution requirement?
- Would you be so willing regarding advice on equity downside? Which would increase contribution requirement? Particularly, if some degree of client conflict evident?
- Or is most advice just caveated to say 'taken no account of updates?' Would you make a big financial decision on data a year out of date? Particularly with material changes.

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