



Pensions work and the scope of the Pensions TAS

This document has been produced by the ACA TAS Implementation Working Group for the general information of ACA members. It has been supplied to the Board for Actuarial Standards for its information but has not been approved by it. This document does not constitute formal advice.

The [Pensions TAS](#) is a key document for pensions actuaries needing to comply with BAS Standards from 1 April 2011. The BAS has indicated (see in particular 3. below), that not all pensions actuarial work is within scope of this TAS. Judgement is also needed in a number of areas to determine whether the work is in scope. This document examines the scope of the Pensions TAS, highlighting a number of issues and uncertainties. Where appropriate, it has drawn on matters highlighted in the [Significant Considerations](#) (“SC”) document and the [analysis of responses](#) (“AR”) to the exposure draft and in these situations the relevant paragraphs are stated. The document does not examine what action is needed once it is determined that an item of work is within scope – that will reflect the materiality and proportionality of the work for the decision being made; see the ACA’s document [“An approach to applying the reporting principles within Technical Actuarial Standards”](#).

1. Reserved Work

The Pensions TAS applies to all Reserved Work concerning pension schemes. Such work will already be within scope of the three generic TASs. For a discussion on this topic, including the territorial limitations, see the ACA’s document [“Reserved Work and its application to pensions actuarial advice”](#).¹

¹ When interpreting this document in the context of the Pensions TAS, note that pensions Reserved Work for non-UK schemes (ie schemes that are not “pension schemes” – see 2. below) is not within scope of the Pensions TAS, but might be within scope of the generic TASs. This situation might arise in, for example, Sale & Purchase agreement work covered by the “some other legal obligation” branch of Reserved Work.

2. Non-Reserved Work

The Pensions TAS also applies to a number of areas of non-Reserved Work. These are set out in the table below. When an item of work is within scope under this heading, it is consequently brought within scope of the three generic TASs.

Some of these topic areas are defined quite broadly. Not only do they build on Reserved Work, but they also encompass it. So in situations where, prior to 1 April 2011, there may have been doubt as to whether the work is Reserved Work, this doubt becomes less relevant from 1 April 2011. However, the distinction is not entirely irrelevant. In particular, paragraph 24(c)(iii) of the [Scope & Authority](#) enables a person commissioning work that is neither Required² nor Reserved, to instruct the actuary to depart from the requirements of TASs.

Some topic areas have the potential to range across a number of quite separate exercises.

There are some areas where judgement may be required in determining whether or not a piece of work is within scope of the Pensions TAS.

One is in interpreting the phrase “actuarial work”. The BAS has sought to assist the actuary by providing the following:

“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. Some work performed by actuaries might not be actuarial work.”³

There are also some key phrases within a number of the topic area descriptions within the Pensions TAS on which judgement will be required, such as “to support decisions” and “in connection with”.

Care is needed when applying the definitions that can be found within the description of each topic area. Two of these are commonplace:

- “pension scheme” – which is defined as “*An occupational or personal pension scheme established under UK legislation*” which means that it can include unregistered schemes (such as employer-financed retirement benefit schemes and section 615 schemes) and unfunded schemes.

² See paragraphs 15-16 of the [Scope & Authority](#) for the definition of Required Work.

³ Although the BAS has stated that this explanation is intended to be applied for the specific purpose of the Pensions TAS and not necessarily applied any wider, it has given the same comments in the Insurance and Transformation TASs.

- “governing body” – which is defined as “*The trustees of an occupational pension scheme or the administering authority of a section of the Local Government Pension Scheme*” which means that personal pension schemes are ruled out when this definition is used alongside “pension scheme”. Also some work will be ruled out on the basis that it is being performed for a scheme sponsor.

It is not always sufficient to look just at the nature of the work to determine whether it is in scope of the Pensions TAS. It is often necessary to establish for whom the work is being carried out⁴. Furthermore, where the topic area refers to “work for” a governing body or employer, judgement may be needed in interpreting this if and where the person commissioning the work differs from the user of the work.

Although the BAS does not require this, actuaries may wish to record their reasons if they reach a judgement that the work they are undertaking is not within scope of the Pensions TAS.

The first two columns of the table below follow the wording used in the Pensions TAS. The items in the “Work included?” column are listed in the Pensions TAS to give assistance in interpreting what work is within scope, but the list is not intended to be exhaustive. In most situations, the information below provides further guidance on what is regarded as actuarial work within the topic area. The BAS does not state any views as to what work ought to be performed in a given client situation. That is a matter for the client and the regulatory background against which the work is being undertaken.

Topic	Work included?	ACA comment
C.1.5 – Actuarial work performed for a governing body of a funded pension scheme to support decisions on contribution requirements or benefit levels.	<ul style="list-style-type: none"> √ providing information to support the selection of assumptions; √ calculating the value of liabilities; √ calculating contributions required to meet the cost of a benefit enhancement for a member; √ providing the results of calculations and other information to support proposals for contribution requirements. 	This topic area is very wide – it covers more than just the triennial actuarial valuation. It can apply to scheme-wide and individual calculations, formal reviews and informal health checks (if there are decisions involved). The BAS makes clear that it includes benefit review exercises (if carried out by or for the governing body) (SC para 5.16) and the contributions required to meet any obligations arising out of overriding legislation (SC para 5.19). So pension increase exercises (including determination of discretionary increases to pensioners, and reshaping exercises), risk benefit reviews, age discrimination checks, GMP inequality benefit adjustments, re-assessment of the anti-franking provisions and CPI-linked revaluation and indexation reviews are all likely to fall within

⁴ Four topic areas are brought within scope only in relation to work carried out for the governing body; one solely for the employer; whilst four are silent as to for whom the work is being undertaken.

Topic	Work included?	ACA comment
		<p>scope, to the extent that they involve “actuarial work”. De-risking exercises could also come under this heading – if the work is being performed for the governing body. The BAS states that adjustments to the level of benefits to reflect changes in life expectancy are within scope (SC para 5.16).</p> <p>Work in relation to the payment of an employer debt will fall within this area if it also involves information to support decisions on contribution requirements or benefit levels (SC para 5.17).</p> <p>Dependent on the interpretation of the term “funded pension scheme”, many scheme types may fall under this topic heading, such as hybrids and money purchase.⁵</p>
<p>C.1.7 – Actuarial work for a governing body of a funded pension scheme that concerns any amendments, proposed or agreed, to the pension scheme’s governing documents which might affect members’ benefits or the security of their benefits.⁶</p>	<ul style="list-style-type: none"> √ assessing the funding implications of an amendment to benefits; √ comparing funding levels before and after an amendment to benefits; √ assessing the financial implications of changes to the pension scheme rules; √ comparing the values of benefits or member options before and after an amendment to benefits. 	<p>This is another broad heading with the possibility of some work falling under this and C.1.5. It goes beyond “Section 67” work as it covers changes to future accrual (including closure to accrual) and will also pick up those adjustments to accrued rights that are exempt from Section 67. Changes that improve member security and/or are required by changes in legislation are also in scope.</p> <p>Dependent on the interpretation of the term “funded pension scheme”, many scheme types may fall under this topic heading, such as hybrids and money purchase.</p>

⁵ This term is also used in C.1.7. It is not defined in the TAS and consequently it is not clear whether money purchase schemes are brought within scope of C.1.5 or C.1.7. If they are within scope, the actuary needs to consider whether the work being undertaken is actuarial work.

⁶ Some actuarial work concerning amendments will also be within the scope of the Transformations TAS.

Topic	Work included?	ACA comment
		<p>Actuaries can carry out a lot of activity in this area that is not actuarial work and so should be out of scope – such as reviewing the documentation provided by the legal advisers, advising on the administration implications, project management and drafting member communications.</p> <p>The BAS does not consider it necessary to bring within scope the actuarial work performed for a sponsor proposing the changes given that the information provided to the governing body is within scope of the Pensions TAS (SC para 5.20).</p>
<p>C.1.9 – Actuarial work for employers or pension scheme sponsors on any matter for a Scheme Funding assessment⁷ for which there is a statutory or contractual requirement for the governing body to reach agreement or consult on the matter with the employer or sponsor.</p>	<p>√ providing information to support the agreement of assumptions to be used for a Scheme Funding assessment;</p> <p>√ providing information to support the agreement of the level of contributions to be paid to a pension scheme.</p>	<p>It appears that this topic heading can be interpreted relatively narrowly with scheme funding corporate actuarial work being excluded if the scope of the work is clear that there is not a link to the documents associated with the Scheme Funding assessment on which agreement or consultation is required. If a Scheme Funding assessment is being, or about to be, undertaken, or otherwise where it is anticipated that the actuarial work for the employer will shape discussions on a Scheme Funding assessment, this earlier work might suitably be treated as a component report for the work which will ultimately fall under C.1.9.</p>
<p>C.1.11 – Actuarial work for a governing body in connection with a bulk transfer of assets</p>	<p>√ comparing the values of benefits before and after the transfer;</p>	<p>This is much more than “GN16” work since it includes consent-based transfers and work done for the receiving governing body. Within the bulk transfers without consent</p>

⁷ This is defined by the BAS as “A funding assessment carried out in accordance with Part 3 of the Pensions Act 2004 for an “actuarial valuation” (but not for an “actuarial report”) as defined in section 224 (2) of the Pensions Act 2004” and a funding assessment is defined as “an exercise which involves comparing values of the liabilities and assets or determining contribution requirements”.

Topic	Work included?	ACA comment
<p>and liabilities from one pension scheme to another.⁸</p> <p>(ie actuarial work for either the transferring or receiving scheme concerning transfers with or without members' consents)</p>	<ul style="list-style-type: none"> √ comparing the values of member options before and after the transfer; √ comparing funding levels before and after the transfer; √ calculating the transfer value; × arranging the transfer of assets and liabilities. 	<p>context it goes significantly beyond Reserved Work.</p> <p>It also covers defined contribution (but not personal pension) schemes if there is actuarial work involved.</p> <p>The PPF is a compensation arrangement rather than a pension scheme and so work associated with the assessment process should not fall under this heading.</p> <p>The BAS states that work concerning bulk transfers that is performed for sponsors is not within scope (SC para 5.26).</p>
<p>C.1.15 – Actuarial work for a governing body of a pension scheme in wind up or contemplating wind up that concerns the transfer of liabilities to an insurer.⁹</p>	<ul style="list-style-type: none"> √ comparing the values of benefits before and after the transfer; √ comparing the value of member options before and after the transfer; √ estimating the cost of buying out benefits with an insurer; × arranging the transfer of assets and liabilities. 	<p>There can be a lot of actuarial activity when a scheme is moving towards or is in wind-up, although the linkage to transferring the liabilities to an insurer restricts the potential areas within scope. Neither the FAS nor the PPF are insurers (but if as a result of a PPF assessment process the scheme has sufficient funds to wind up outside the PPF, actuarial work regarding the resulting approaches to an insurer will be within scope).</p> <p>The BAS states that work performed in connection with employer debts arising as a result of partial commencement of winding up are also not covered (SC para 5.30), except to the extent that the work is Reserved Work (and so will fall within scope under C.1.2) or is performed for the governing body and concerns the subsequent funding requirements (see above under C.1.5).</p>

⁸ Some actuarial work concerning bulk transfers will also be within the scope of the Transformations TAS.

⁹ Some actuarial work concerning wind-ups will also be within the scope of the Transformations TAS.

Topic	Work included?	ACA comment
		The BAS states that actuarial work in connection with a buy-in is not covered by C.1.15 (SC para 5.32).
C.1.18 – Actuarial work that concerns actuarial calculations (ie calculations which involve actuarial factors) in respect of individual members of a pension scheme and which have a direct effect on payments to members or the financial position of the pension scheme.	<ul style="list-style-type: none"> √ recommending and setting actuarial factors; √ providing instructions to other parties on the calculations of benefits which use actuarial factors;¹⁰ × arithmetical calculations using previously calculated actuarial factors (except if the work is Reserved Work); × checking other parties’ systems and calculations. 	<p>All kinds of factor assistance work are potentially covered including the less familiar ones such as dependant pension exchange.</p> <p>In this area it is important to distinguish between calculation assistance (such as helping out the administrator to ease resourcing bottlenecks) which would appear not to be within scope and actuarial work. Whether special cases referred to actuarial teams are in scope will depend on the treatment they receive. Some arithmetical work using previously calculated actuarial factors may still fall within scope due to it being Reserved Work by virtue of the scheme rules.</p>
C.1.22 – Actuarial work concerning projections of benefits from defined contribution elements of pension schemes which have been performed using assumptions other than those specified in legislation or other rules.	<ul style="list-style-type: none"> √ recommending and setting actuarial factors for projecting expected pensions; √ recommending and setting actuarial factors for use in the design of contribution scales; √ calculating contributions required to meet a targeted level of benefit. 	The scoping appears intended to be narrow. The BAS states (SC para 5.38) that it excludes SMPI calculations and work using assumptions specified by the FSA rules under the Financial Services and Markets Act 2000. If, however, a SMPI is accompanied by, for example, a few additional projections to help illustrate risk, this additional work would appear to come within scope. This then raises the usual question of which of the TAS principles are “material” and how much further work to ensure compliance is “proportionate”, a question which in turn depends on what if any ‘decisions’ are intended to flow from this work.

¹⁰ But for such work only D.4.1 and D.4.2 of the General Principles of the Pensions TAS apply ie in relation to the quality of instructions provided to the other party for the calculation of benefits or other payments and the Generic TASs are not switched on. For example, supplying spreadsheet-based calculations would appear to fall completely outside TAS M.

Topic	Work included?	ACA comment
		Illustration work that accompanies a benefit redesign project has the potential to be within scope, whether it comes from the governing body or another party.
C.1.24 – Actuarial work concerning pension schemes which is provided in connection with financial statements that are intended to give a true and fair view of a reporting entity’s financial position and profit or loss (or income and expenditure). ¹¹	<ul style="list-style-type: none"> √ providing information to preparers of financial statements to support the selection of assumptions; √ providing actuarial support to auditors of financial statements; √ providing an opinion on the suitability of assumptions; √ providing information which is used in preparing financial statements. 	Subject to potential difficulties as to precisely which “financial statements” are meant to be covered, the scoping is narrow.
C.1.27 – Actuarial work performed to support information on directors’ pension arrangements which is disclosed in annual reports and in financial statements that are intended to give a true and fair view of a reporting entity’s financial position and profit or loss (or income and expenditure).	√ valuing directors’ pensions.	<p>The scoping is very narrow and appears to cover only the actuarial work in relation to the provision of information on directors’ pension arrangements for annual reports and financial statements for the purpose of the Companies Act 2006 and associated regulations, the Listing Rules and IAS24.</p> <p>However, this work is often no more than calculating transfer values, which may in practice be arithmetical calculations using existing factors and so is probably out of scope by virtue of not being actuarial work.</p> <p>Unlike all the other areas in this table, the scoping is not</p>

¹¹ Under the [Scope & Authority](#), the geographic scope is limited to work done in relation to UK operations of entities and any overseas operations which report into the UK in the context of UK legislation or regulation. Therefore work within this topic area includes preparing information for the purpose of compliance with IAS19, IAS26, FRS17 and the Financial Reports of Pension Schemes SORP, but excludes actuarial work for reporting under FASB standards. Furthermore, given that “pension scheme” is one set up under UK legislation, preparing for example, IAS19 figures for an overseas scheme of a UK company should not be in scope of the Pensions TAS.

Topic	Work included?	ACA comment
		limited to a “pension scheme” and so would seem to encompass reporting required within the UK context of directors’ pension arrangements in a non-UK scheme.

Some non-Reserved Work may be within the scope of the Pensions TAS by virtue of more than one topic area. The BAS gives the example of work relating to a bulk transfer being within both C.1.11 and C.1.5 if it involves advice to the trustees on the level of contributions to make after the transfer has been effected (SC para 5.3). Another example is actuarial work supporting the benefits of individuals, such as high earners, which is likely to be regarded as within scope under both C.1.5 and C.1.18.

An individual who is not a member of the Actuarial Profession could potentially carry out non-Reserved Work that, if carried out by actuaries, would be subject to the Pensions TAS and through this the three generic TASs.

3. Stated exclusions

In developing the Standard the BAS has indicated (SC paras 5.7-5.9, and 5.32) that a number of areas are excluded from the Pensions TAS. However, the Pensions TAS itself is silent on these exclusions. So the decision on whether or not they are actually subject to the Pensions TAS depends on interpreting the table in section 2 above and checking whether the work is Reserved Work.

The areas that the BAS has said are excluded are as follows:

- advice to parties other than governing bodies on defined benefit pension scheme design;
- financial assessments of unfunded pension schemes;
- merger and acquisition work for employers;
- investment work including asset/liability modelling; and
- advice on liability management exercises such as enhanced transfer values and longevity hedging, including buy-in work.

Whilst the first two areas seem not to be covered by the Pensions TAS, there can be situations where the last three are within scope – for example, M&A work might include some DC projections or individual benefit calculations; the results of investment work might be expressed in such a manner that they may feed into contribution decisions and so fall under C.1.5; and advice on liability management, if given to the governing body and involving actuarial work concerning decisions on contribution requirements or benefit levels, might fall under C.1.5.¹²

4. Corporate actuarial work

Although the focus of the scoping of the Pensions TAS is primarily on actuarial work for governing bodies, there are a number of topic areas within which corporate actuarial work falls. These are C.1.9, C.1.18, C.1.22, C.1.24 and C.1.27. In some cases, (eg C.1.9) some work will already have been provided for governing bodies and fall within scope in relation to that work. The BAS does not intend its standards to result in unnecessary duplication of work and states (SC para 5.23) that the Pensions TAS does not require separate work to be performed for trustees or sponsors, or that one party cannot make use of information originally prepared for another party. However, it may not always be possible for actuarial information to be shared and where it is, it may not always be appropriate for the work to be regarded as a component report (or data) by the other actuary.

5. Areas of uncertainty

When interpreting the table in section 2 (in relation to work which is not already in scope by virtue of being Reserved) there are some areas of uncertainty:

- i. *Not clear if within any topic area* – There are a number of areas of actuarial activity where judgement is required to determine whether the work is within scope.

For example:

- Work assisting trustees to manage their PPF levy, including levy quantum prediction and advice on contingent asset types – this would seem to be out of scope. However, the result of such work may have an impact on contribution decisions and would then feature in C.1.5.
- Preliminary advice on the section 143 valuation – it is not obvious that it falls within any of the topic areas.

¹² It is not clear whether the arguments used by the BAS in the SC to exclude this work can be relied on if the wording of the TAS suggests that the work could fall within scope.

- Actuarial work associated with advising various parties regarding the payment of a section 75 debt – however, the BAS says that as the payment is not a contribution it is not brought within scope (of C.1.5) unless such work also involves information to support decisions on contributions or benefits (SC para 5.17).
 - Winding up – Within C.1.15 it is not clear how far one goes when interpreting “contemplating”. Separately, the BAS has stated (SC para 5.30) that work performed in connection with a partial winding up is not covered by C.1.15 (but any employer debt certification is classed as Reserved Work and work concerning the subsequent funding requirements is covered under C.1.5).
 - Scheme funding corporate work – C.1.9 is narrowly scoped around the triennial “Scheme Funding assessment”, but the BAS appears to desire (SC para 5.22) a wider interpretation so as to include any scheme funding work under section 229(1) of the Pensions Act 2004. This would cover inter-valuation work such as updating the schedule of contributions.
 - Accounting projection work – often such projections are for budgeting purposes, rather than for financial statement purposes so it may be that such work does not fall within C.1.24, although the line is probably blurred, particularly given the phrase “in connection with”.
- ii. *Not clear if actuarial work* – Although the TAS has sought to assist actuaries through discussing a possible interpretation of actuarial work and listing some work that is included and some which is excluded from topic areas, judgement is needed and uncertainties can remain.

For example:

- Work assisting trustees during a PPF assessment period – much of this work may not be actuarial in nature, although it can often be carried out by the actuarial team.
- Work in relation to a scheme in wind up or contemplating wind up (C.1.15) – there are many areas of activity under this heading and the BAS has not provided a comprehensive list of what is and is not actuarial work. Setting the assumptions and methodology for the solvency estimate is certainly actuarial work (and is not Reserved Work). Undertaking the feasibility of a bulk-buyout exercise and recommending a particular insurer may not always be actuarial work. The BAS has stated, in the context of C.1.15, that project management, data cleansing and reconciling GMPs is not actuarial work (AR para 2.3).
- Work involving a mechanical process for determining factor assumptions which has been agreed with the trustees – the actuarial team derive the assumptions, plug them into an existing spreadsheet and hence calculate the benefits. This work seems to fall into C.1.18, but it is not clear whether or not it is actuarial work.
- Trustee training – the BAS considers that most of such training does not constitute actuarial work as it does not usually involve providing the trustees with actuarial information which they will use explicitly to make decisions. However the BAS is aware that bespoke trustee training might be

organised around a specific exercise such as a Scheme Funding exercise and that the presentation material might include information such as the sensitivity of results to assumptions, which is then used by trustees to make a decision. This information might be a component report of the aggregate report for the Scheme Funding exercise, but the BAS considers that the training would not itself constitute actuarial work (SC para 4.9 and AR para 2.4).

- Individual calculations used for an augmentation using previously calculated actuarial factors – this would appear to fall within C.1.5, but using the same logic for excluding such work from C.1.18, it could be argued not to be actuarial work and so excluded from C.1.5.

6. Conclusion

As has been seen, determining what is within scope of the Pensions TAS is not always a straightforward matter.

The ACA hopes that this document is of assistance to pensions actuaries. In any event, actuaries can choose to comply voluntarily with BAS Standards. In such situations TAS R requires the aggregate report to state the TASs with which it is intended that the report complies.

The ACA TAS Implementation Working Group intends to continue to maintain this document in response to developments in BAS Standards.