



Reserved Work and its application to pensions actuarial advice

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

Technical Actuarial Standards (TASs) created by the Board for Actuarial Standards (BAS) are built upon a foundation that starts with “Reserved Work”. The three generic TASs apply to Reserved Work, any non-Reserved Work brought within scope of a topic-specific TAS (such as the Pensions TAS) and any work which is presented as complying with TASs whether expressly or by implication. This document explains the concept of Reserved Work and illustrates how it applies to pensions actuarial advice.

The definition of Reserved Work is particularly important prior to the commencement of the Pensions TAS (which brings into scope many items of non-Reserved Work). However, since the person commissioning work can instruct the actuary to depart from the requirements of TASs where the work is not Required Work (and therefore cannot be Reserved), its importance will not entirely disappear.

1. Definition of Reserved Work

The [Scope & Authority of Technical Standards](#) contains the following definition:

“Reserved Work” is specific cases of “Required Work” that must be commissioned from an individual who holds a prescribed qualification (usually Fellowship) from an “Actuarial Professional Body”.¹

¹ But Reserved Work excludes work assigned by regulations to the holder of a unique post (such as the Government Actuary, PPF Actuary or Lloyd’s Actuary), or monitoring the work of another Actuary.

It also explains that:

- “*Required Work*” is work carried out in order that the UK operations of the entity (or overseas operations that report into the UK entity) commissioning the work complies with UK regulations, or with some other legal obligation, that require the entity to have the work carried out (or make certain outcomes conditional on the work having been carried out) and that for this purpose:
 - “regulation” is used with its ordinary English meaning of a rule or order issued by an appropriate authority and so embraces Acts of Parliament and Statutory Instruments and also pronouncements by those with executive authority to make binding statements.²
 - “some other legal obligation” is the obligation on the entity to commission the work, as found for example in a pension scheme trust deed or an insurance policy contract. It is not the obligation on the individual(s) who carry out the work. The creation of a contract between an entity and one or more individuals to carry out the work does not make the work “required”.
- “*Actuarial Professional Body*” means either or both of the Institute of Actuaries and the Faculty of Actuaries in Scotland and any successor body in the event of a merger.

For the avoidance of doubt “*Actuary*” means any individual who is subject to a disciplinary scheme of an “*Actuarial Professional Body*”³.

2. Some implications that flow from this definition

Reserved Work is very narrowly defined:

- It only applies to actuarial work required of a UK entity, by regulation or some other legal obligation enforceable in the UK, that references the UK actuarial profession.

So for example the definition applies to work that is reserved to the “scheme actuary” appointed under section 47(1)(b) of the Pensions Act 1995. This is because the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (SI 1996/1715) limit the scheme actuary to an FIA or FFA (ignoring the ability of the Secretary of State to approve someone else).

² So, in relation to “binding statements”, the PPF’s Determination would be regarded as a “regulation”, but the Pensions Regulator’s various Codes of Practice, such as that on scheme funding, would not.

³ The disciplinary scheme of the Institute of Actuaries means that all members (including students) other than honorary members fall within the definition of “Actuary”.

- It only applies to that part of the actuarial work that is referenced by the UK-enforceable regulations or other legal obligation.

Many references in pension legislation to work that is required of the scheme actuary are very narrow. Quite often they are restricted to the determination of liabilities or the giving of the actuarial certificate or opinion. In such cases, advisory work requiring actuarial skills related to but nonetheless separate from the specific work referred to in legislation falls outside the definition.

It does not appear to apply to situations where Actuarial Profession Standards (APSs) impose a professional duty on (for example), the scheme actuary, to undertake some activity that is not mentioned in regulations and which is not required by the entity but so that the entity can comply with some broader regulatory requirement – eg drawing the trustees’ attention to any matters which they should bear in mind before taking any action associated with a certificate (para 4.4 of APS P1). Likewise, it does not appear to apply to situations where legislation imposes a duty on, for example, the scheme actuary to undertake a reporting role, such as whistle-blowing to the Pensions Regulator under section 70 of the Pensions Act 2004.

Determining whether or not work is Reserved Work should normally be a matter of appealing to the facts with little or no judgement involved (unlike the more challenging application of the materiality and proportionality judgements in relation to TAS principles contained within all TASs). However, in practice some difficulties in interpretation arise, as discussed in section 4i below. Furthermore, for many items of Reserved Work, there are uncertainties as to the nature of any decisions associated with that work and consequently as to the applicability and materiality of the TAS R requirements (see 4ii to 4v below).

Whilst the concept of Reserved Work is central to the construction of the TASs, it is important to note that Reserved Work is a subset of Required Work. The definition of Required Work goes a little beyond work that is required to be carried out to encompass work that is optional if certain outcomes are conditional on the work having been carried out. Such work may then go on to meet the definition of Reserved Work. An example of this is the actuarial certificate of deficit reduction contributions that trustees can choose to submit to the PPF.

3. Examples of areas of work which include Reserved Work by “regulation”

The table below sets out some areas of pensions actuarial advice where Reserved Work as encompassed by “regulation” is found (although there may also be other, non-Reserved work within the topic area). It is not intended to be a comprehensive treatment of all the topic areas that contain Reserved Work, nor does it intend to provide an exhaustive list or full treatment of all the items of Reserved Work that are found within a particular topic area.

The regulatory references are rarely expressed to encompass the entirety of the actuarial calculation and advisory service that is typically delivered in the area under question. Instead they can be quite limited, referring to specific calculations and certificates and narrow aspects of the overall service required.

Separate legislation applies to local government pension schemes. This may create Reserved Work in areas including funding, bulk transfers, individual member calculations, establishment of admission agreement funds and pension fund accounting. This note does not address Reserved Work for local government pension schemes.

There are a number of references in legislation to ensuring that an aspect of actuarial work is in accordance with any guidance that is adopted or prepared, and from time to time revised, by the Board for Actuarial Standards (or alternatively is in accordance with any relevant BAS Standard). The reference to any relevant BAS Standard does not define Reserved Work and it is not clear what purpose is served by having linkages to unnamed BAS Standards in legislation.

Topic	Actuarial work that is Reserved Work	Actuarial work that is not Reserved Work
<p>Accounting</p> <p><i>FRS17</i></p> <p><i>IAS19</i></p>		<p>IAS19 “<i>encourages, but does not require</i>” the entity to involve a qualified actuary in the measurements needed of all material post-employment benefit obligations for defined benefit schemes.</p> <p><i>The wording of FRS17 creates uncertainty regarding whether advice on assumptions for FRS 17 is Reserved Work – but see 4i below</i></p>
<p>Auto-enrolment – quality requirements</p> <p><i>Sections 22 and 24 of the Pensions Act 2008</i></p> <p><i>The draft Hybrid Schemes (Quality Requirements) Rules 2010</i></p>	<p>Actuarial certification to determine if a contracted-in defined benefit scheme meets the test scheme standard or a hybrid scheme meets the appropriate quality test.</p>	
<p>Bulk transfers without consent</p> <p><i>Section 73 of the Pension Schemes Act 1993 and Regulation 12(3) of The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991 (SI 1991/167)</i></p>	<p>The certification required under Regulation 12(3) and Schedule 3 (and related certificates for the transfer of section 9(2B) rights under Regulation 9 of the Contracting-out (Transfer and Transfer Payment) Regulations 1996 (SI 1996/1462) and the transfer of protected rights under Regulation 3C of the Protected Rights (Transfer Payment) Regulations 1996 (SI 1996/1461).</p>	<p>Drawing the trustees’ attention to any matters which they should bear in mind before taking any action associated with the certificate (para 4.4 of APS P1).</p>

Topic	Actuarial work that is Reserved Work	Actuarial work that is not Reserved Work
<p>Cash Equivalent Transfer Values and Cash Transfer Sums</p> <p><i>The Occupational Pension Schemes (Transfer Values) Regulations 1996 (SI 1996/1847)</i></p> <p><i>The Occupational Pension Schemes (Early Leavers: cash transfer sums and Contribution Refunds) Regulations 2006 (SI 2006/33)</i></p>	<p>Advice to trustees on economic, financial and demographic assumptions.</p> <p>Provision of an insufficiency report (including taking certain decisions in relation to the calculations, such as the sub-division of liabilities).</p>	<p>Providing and maintaining spreadsheet models for clients for in house use.</p> <p>Enhanced transfer value exercises (other than Reserved CETV advice).</p>
<p>Contracting-out</p> <p><i>Section 12A of the Pension Schemes Act 1993 and The Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)</i></p>	<p>Reference scheme test certificate under Regulation 6(3)(b) and Schedule 3.</p> <p>Scheme rule change confirmation under Regulation 42.</p> <p>Interim schedule statement under paras 9.1-9.2 of CA14C.</p>	<p>Reconsideration of a scheme's ability to pass the Reference Scheme Test under 5.1 and 5.2 of GN28.</p> <p>Work relating to the non-provision of certificates.</p> <p>Drawing the trustees' attention to any matters which they should bear in mind before taking any action associated with the certificate (para 4.4 of APS P1).</p>
<p>Employer debt and compromise agreements</p> <p><i>Section 75 of the Pensions Act 1995 and the Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678)</i></p> <p><i>Section 126(5) of the Pensions Act 2004 and Regulation 2(3)(a)(iii) of The Pension Protection Fund (Entry Rules) Regulations 2005 (SI 2005/590)</i></p>	<p>Trustees are required to consult the actuary before making a decision in respect of the liability proportion (under Regulation 6(4)) and use of the updated liabilities assessment (Regulation 5(14)).</p> <p>Provision of the certificates set out in Schedules 1, 1C and 1D of the regulations.</p>	<p>Other advice relating to the employer debts, such as the various options available under the legislation for employment-cessation events and advising on the funding test.</p>
	<p><i>It is not clear if work required by the PPF Board to assist the scheme in retaining its PPF eligibility following a compromise agreement is Reserved Work – see 4i. below.</i></p>	

Topic	Actuarial work that is Reserved Work	Actuarial work that is not Reserved Work
<p>Financial Assistance Scheme (FAS)</p> <p><i>Section 286 of the Pensions Act 2004 and The Financial Assistance Scheme (Miscellaneous Amendments) Regulations 2010 (SI 2010/1149)</i></p>	<p>Valuation of a scheme’s assets and liabilities in order to determine asset shares prior to the scheme being absorbed within the FAS.</p>	
<p>GMP conversion exercises</p> <p><i>Section 24C of the Pension Schemes Act 1993 and Regulation 69A of the Occupational Pension Schemes (Contracting-out) Regulations 1996 (SI 1996/1172)</i></p>	<p>Providing advice on appropriate assumptions to test actuarial equivalence.</p> <p>The calculation of pre and post conversion benefits and the provision of the actuarial certificate confirming actuarial equivalence.</p>	
<p>Modification of subsisting rights</p> <p><i>Section 67C of the Pensions Act 1995 and Regulation 5 of The Occupational Pension Schemes (Modification of Schemes) Regulations 2006 (SI 2006/759)</i></p>	<p>Providing the actuarial equivalence statement.</p>	<p>All other actuarial work associated with the process including ensuring the “actuarial value requirement” is met.</p> <p>Drawing the trustees’ attention to any matters which they should bear in mind before taking any action associated with the certificate (para 4.4 of APS P1).</p>
<p>National Insurance Fund claims on employer insolvency</p> <p><i>Section 124(3)(b) of the Pension Schemes Act 1993</i></p>	<p><i>It is not clear if completion of certificate RP16 for salary-related schemes is Reserved Work – see 4i below.</i></p>	
<p>Notifiable events</p> <p><i>Section 69 of the Pensions Act 2004 and The Pensions Regulator (Notifiable Events) Regulations 2005 (SI 2005/900)</i></p>	<p>Advice on the implication of awarding benefits on more favourable terms than those provided for by the scheme rules (in order that the trustee decision is not a notifiable event).</p>	

Topic	Actuarial work that is Reserved Work	Actuarial work that is not Reserved Work
<p>Payment of surplus to the employer in an ongoing scheme</p> <p><i>Section 37 of the Pensions Act 1995 and The Occupational Pension Schemes (Payments to Employer) Regulations 2006 (SI 2006/802)</i></p>	<p>The calculation and certification of liabilities.</p>	<p>Work relating to the non-provision of a certificate.</p> <p>Additional advice on the impact of any refund.</p>
<p>Pension Protection Fund</p> <p><i>Sections 143, 179 and 156 of the Pensions Act 2004 and The Pension Protection Fund (Valuation) Regulations 2005 (SI 2005/672)</i></p> <p><i>The Pension Protection Fund (Closed Schemes) Regulations 2007 (SI 2007/865)</i></p>	<p>Provision of a valuation for a “closed” scheme.</p> <p>Confirmation in relation to planned deficit reduction contributions when seeking acceptance of a type C(ii) Contingent Asset.</p> <p>Valuations for the purposes of determining levies and entry and actuarial certification of deficit reduction contributions and block transfers.</p>	<p>Work assisting sponsors to manage their PPF levy, including advice on contingent asset types.</p> <p>Work assisting the trustees during a PPF assessment period.</p>
<p>Scheme funding</p> <p><i>Part 3 Pensions Act 2004 and The Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)</i></p>	<p>Actuarial valuations subject to Part 3 or revisions to funding documentation between valuations, including provision of advice on:</p> <ul style="list-style-type: none"> • methods and assumptions; • preparing or revising the statement of funding principles; • preparing or revising a recovery plan; • preparing or revising a schedule of contributions; and • modification of future accrual. 	<p>Information provided to assist the trustees with the summary funding statement.</p> <p>Other funding position updates that fall outside Part 3 of the Pensions Act 2004, such as quarterly reviews.</p> <p>Work for employers on Scheme Funding.</p> <p>Advice on whether to commission an annual report (rather than a valuation).</p> <p>Actuarial valuation of section 615 schemes (unless 100 or more members or cross-border).</p>

Topic	Actuarial work that is Reserved Work	Actuarial work that is not Reserved Work
<i>(Scheme funding continued)</i>	<p>Setting the assumptions and methodology for the solvency estimate and delivering this estimate.</p> <p>Producing the formal “actuarial valuation” report if the relevant decisions have been taken earlier in the valuation process.</p> <p>Certification of the technical provisions.</p> <p>Certification of the schedule of contributions.</p> <p>Actuarial reports under Part 3 <i>(but see 4ii below)</i>.</p>	
<p>Winding-up</p> <p><i>Section 73 of the Pensions Act 1995 and The Occupational Pension Schemes (Winding Up) Regulations 1996 (SI 1996/3126) and The Occupational Pension Schemes (Winding up etc.) Regulations 2005 (SI 2005/706)</i></p> <p><i>Regulation 18 of The Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377)</i></p>	<p>The calculation and certification of liabilities of different categories of member to determine how assets should be apportioned.</p> <p>The actuary’s annual estimate of solvency required for a scheme that started to wind up on or after 30th December 2005.</p>	<p>Feasibility of bulk buy-out exercises.</p> <p>Reports recommending a buy-out provider.</p>

4. Areas of uncertainty in relation to Reserved Work by “regulation”

When interpreting the table in section 3 there are a number of areas of uncertainty:

- i. *Not clear if Reserved Work* – This is due to uncertainty over the references to actuary. Even if the work must be carried out by an actuary, this might not necessarily be an individual who is subject to a disciplinary scheme of an “Actuarial Professional Body” (the Institute or Faculty of Actuaries).

For example:

- Advice on assumptions for FRS17 – there is an argument that this is not Reserved Work as FRS17 requires advice from “an actuary” (which it does not define) rather than a defined term “Actuary” (see 1. above) or other confirmation that this person is subject to a disciplinary scheme of an “Actuarial Professional Body”. In an FAQ, the BAS has used this argument to conclude that work supporting compliance with FRS17 is not Reserved Work.
- Completion of certificate RP16 for salary-related schemes in relation to redundancy payments – again this requires certification by “an actuary”, but this individual is not defined.
- If trustees have entered into a compromise agreement in relation to a section 75 debt before a PPF assessment period commences, the actuarial work required by the PPF Board to assist the scheme in retaining its PPF eligibility – it could be argued that the individual so appointed does not necessarily have to be a person subject to a disciplinary scheme of an “Actuarial Professional Body”.

- ii. *Reserved Work but the nature of any decision present depends on the specific circumstances of the work*

For example:

- Actuarial reports under Part 3 of the Pensions Act 2004 are Reserved Work but it can be argued that whether or not they lead to decisions depends on the specific circumstances of the scheme at the time that the report is prepared.

- iii. *Reserved Work but there is uncertainty as to whether the third party, for whom the work is being ultimately provided, takes a decision (and in any event whether it would welcome any additional information that, under BAS Standards, should be provided to true decision-takers).*

For example:

- Information provided to the PPF (in the case of both section 179 valuations for determining levies and actuarial certification of deficit reduction contributions) – it can be argued that the PPF uses the information to take actions without the need to take a formal decision.
- The Reference Scheme certificate and Interim schedule statement provided to HMRC – it can be argued that this is “just paperwork” for HMRC to process in order to enable the scheme to be treated as a contracted-out salary-related scheme.

- The forthcoming auto-enrolment quality certification.

iv. *Reserved Work but it is only a certification or confirmation, and it is unclear whether that particular item of work by itself leads to any decision.*

For example:

- Certification for refund of surplus.
- Bulk transfers without consent certificates.
- Employer debt certificates.
- Winding up certification of liability classes and the annual estimate of solvency.

v. *Reserved Work but it is only a certification or confirmation and it is given after any decision has been taken.*

For example:

- GMP conversion certificates.
- Actuarial equivalence statement for scheme modifications.

In cases ii to v, if the work is not being provided to assist a decision, the requirements of TAS R (and arguably TAS D and TAS M) may not be applicable or material. This is because the Scope & Authority provides that (i) departures from a TAS need not be considered as departures if they do not have a Material effect and (ii) unless otherwise defined in a TAS, matters are “Material” if they could, individually or collectively, influence the decisions to be taken by users of the actuarial information. All three generic TAS define “material” in the same way as the Scope & Authority.

A further area of uncertainty is whether the wider work that is necessary in order to complete the Reserved Work by “regulation” should be considered to also be Reserved Work.

5. Examples of work which are Reserved Work by “some other legal obligation”

The table below sets out some areas of pension advice where there is no Reserved Work by “regulation”, but the work **may** be Reserved Work by “some other legal obligation”. But in each case the trust deed or other legal document must require that the work is undertaken by a member of the UK actuarial profession. Many documents will be vaguer than this; for example, requiring the trustees to take actuarial advice, but then not saying precisely from whom such advice should be taken. There is an argument that, as reference has not been made to an actuary from the “Actuarial Professional Body” (see 1. above), such work is not Reserved Work, and the conclusion reached by the BAS in the FAQ on FRS17 may apply equally here to indicate that this work is not Reserved Work.

Similarly, where the actuary is given power to determine some matter (such as contribution rates) there is an argument that such work will only be Reserved Work if the actuary is defined appropriately.

Topic	Comment
Benefit augmentations	These may only be possible after the trustees have sought actuarial advice.
Bulk transfers	An actuary may be required to provide advice to an employer under the sale agreement and the transferring or receiving scheme's actuary may be required to advise the trustees on the actual transfer value that they should pay or need to provide the desired benefits.
Commutation and other factors	The trustees may need to take actuarial advice before setting these.
Contingent asset agreements	The replacement or modification of a contingent asset may require actuarial advice.
Early and late retirement calculations	The trustees may need to take actuarial advice before settling them.
Full commutation of EFRBS benefits	An unfunded Employer-financed retirement benefit scheme (EFRBS) may contain an actuarial assessment clause to enable the individual to commute part or all of the unfunded pension for a lump sum on reaching a certain age.
Internal purchase of pension from money purchase funds.	Typically conversion of AVCs on retirement, but also possible in money purchase occupational pension schemes.

It can be easy to forget that work under this heading requires consideration of BAS Standards as the “some other legal obligation” trigger may not be apparent to the actuary.

As with the work required by “regulation”, there can also be uncertainties regarding the nature of any decision present at a particular time. For example, an actuary may be required to update transfer value factors on a regular basis, with the trustees formally reviewing the basis only once every few years and in the intermediate period carrying out occasional broad brush reviews but normally applying the revised factors to their basis in a predetermined mechanistic fashion. In such cases, to comply appropriately with TAS R (and arguably TAS D and TAS M), the actuary needs to identify what type of decision or action is being taken on each occasion.

6. Areas of actuarial activity that are unlikely to contain Reserved Work

The table below sets out a non-exhaustive list of areas of pension advice where there is no Reserved Work by “regulation” and it is unlikely that the work will be caught by the “some other legal obligation” aspect of the definition of Reserved Work:

Topic	Actuarial work
Adjustment of benefits for unequal GMPs	Determining an appropriate method and actuarial factors if applicable through which benefits can be adjusted to allow for unequal GMPs (although this work is not Reserved Work, it may impact on other work that is).
Applying to the Pensions Regulator for clearance under the moral hazard provisions	The Pensions Regulator may request a number of items of actuarial information.
Buy-out and buy-in in ongoing schemes	Feasibility of bulk buy-out and buy-in exercises. Reports recommending a buy-out or buy-in provider.
Defined contribution advice	Projections of benefits for DC schemes including Statutory Money Purchase Illustrations. Target funding assessments and reviews.
De-risking strategies	Such as transfer value incentive exercises.
Directors’ disclosures	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.
Investment strategy	Work so that trustees can make decisions on investment strategy.
Mergers and acquisitions	Such as actuarial advice to the purchaser and vendor (but see bulk transfers in 5. above).
Scheme re-design	But for a COSRS any rule change will need to be tested for reference scheme test validity– this aspect is Reserved Work as is the actuarial equivalence statement in relation to changes to accrued benefits under section 67 (see 3. above).

7. Conclusion

As has been seen, there are some areas where it is not easy to determine what pensions actuarial work is Reserved Work. Furthermore, there are a number of areas of Reserved Work where there is uncertainty over the decisions (if any) being taken and so the impact of compliance with the generic TASs is not clear.

Nevertheless, the ACA hopes that this document is of assistance to members. 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.