Name of Organisation	LCP
Question 1: What are your views on the proposal to incorporate relevant sections of the Framework for TASs document within TAS 100? Further, what are your views on incorporating relevant sections of the Glossary document within TASs?	We support the incorporation of the reliability objective and the inclusion of a glossary of those defined terms that appear in TAS 100, for the visibility reason you mention. We disagree with the removal of the explanation of materiality (in relation to communications provisions) and proportionality – which in the current TAS 100 are overarching statements at the beginning of the standard. Their operation (along with whether the principle is applicable) is so fundamental to the operation of all the TASs that they must be re-instated. We disagree with the near comprehensive use of the phrase "Practitioners must" in Section 2 of TAS 100 when setting down the principles and provisions. This, to our mind, gives out the impression of mandatory rules, leaving no room for judgement. We prefer the use of "shall" in the current TAS 100, which, when seen next to the statements about materiality and proportionality, is suggestive of being able to depart from the principle or provision where it is not appropriate in the context in which it is being applied. (As an aside we note that in Codes of Practice issued by the Pensions Regulator "must" references a legal duty, whereas "should" sets out the Regulator's expectations.) We assume that the use of the phrase "Practitioners" throughout all your material, is intended to future proof it for when (presumably) TAS 100 must also be applied by any person carrying out (say) public interest technical actuarial work within geographic scope regardless of whether or not they are a member of the IFoA. In relation to definitions, the exposure draft has not explained why "component communication" has been removed and "communications" recast. The concept of a component communication has existed since the beginning of the TASs, reflecting the way in which actuarial work is often delivered, with the idea being that TAS principles focus on the set of component communications used as a whole to inform

	decisions, not each component. Under the current TAS 100 a component communication need only state its purpose and to whom it is addressed (Provision 5.1) and where a misunderstanding by the user becomes apparent there is a requirement for clarification or information to be supplied to correct this misunderstanding (Provision 5.7). Actuarial work is often delivered in component form – for example in scheme funding work. We have a concern that the new definition of "communications" has the effect of requiring each and every communication to be fully TAS compliant, as opposed to the set of communications required for a decision needing to be fully TAS compliant. This would increase work and costs. In the definition of the new term "prudence", an example is given of the Pensions Regulator requiring triennial valuations to be based on prudent assumptions. Strictly speaking the prudence requirements follow from the scheme funding regulations.
Question 2: Does the draft FRC guidance provide clarity on the definition of technical actuarial work and geographic scope? If you don't think the guidance provides clarity, please explain why not and suggest how the position might be further clarified?	We support the production of such guidance and suggest that the IFoA guidance (on which you seem to have largely drawn) should be withdrawn once the FRC guidance is finalised. We have the following comments on the FRC guidance: • We think it important to have at the top a statement of the standing of the guidance. It seems to us that it is intended primarily as an explanation of the two definitions, with some good practice observations and some illustrative examples. However, in places the drafting style is suggestive of it also containing regulatory expectations. For example, at various places practitioners are "strongly advised", "strongly encouraged" or are simply told that they "should" do various things. We think there should be no regulatory expectations in any of your proposed guidance documents, in keeping with a more principles-based approach. Unfortunately, the way in which the guidance has been drafted is strongly suggestive of it containing yet more FRC rules and requirements. We feel that any guidance the FRC produces should, whilst hopefully being of assistance, be capable of being read on a take it

	or leave it basis. • The "Purpose" part of Section 1 appears to us to be too lengthy and contains material that is tangential to the issue. All that needs to be said is that an IFoA member must apply TAS 100 to all technical actuarial work within geographic scope and that this guidance is here to assist. • The "Responsible practitioner" part of Section 2 is useful, but it does beg the question as to whether TAS 100 itself speaks to practitioners generally, or only to the responsible practitioner. • Section 3 comprises a useful discussion of the definition of technical actuarial work and as such we welcome it. • Section 4 is succinct. However, we understand that there are some difficulties with the current definition of geographic scope which you may wish to discuss with the IFoA. In particular, we understand that some former members of the IFoA based outside the UK left the IFoA to mitigate the risk that they could be deemed to be within geographic scope of TAS 100 in some of the work they do. It seems to us quite possible that there could be more resignations because of the geographic scope issue, should you implement the new TAS 100 ahead of ARGA being set up. We also understand that there is an inconsistency between the scope of the FRC's disciplinary scheme and the definition of geographic scope used in TAS 100. It may be useful to address these issues before you settle TAS 100 and to expand the guidance as necessary. You will be needing to look at such scope issues in any event, as this will presumably be part of the necessary legislation setting up ARGA. We think the examples should be placed in a separate appendix. • Appendix 1 should be recast so that it is talking not about whether the work is within or out of scope of TAS 100, but whether or not the work is technical actuarial work. We then suggest that a new Appendix should carry the examples of whether or not the geographic scope criterion is met. • Appendix 2 should be clarified as containing examples relating to whether or not work is technical actuarial work. This might be better placed at the bottom of Appendix 1.
Question 3: Does the draft guidance support you in complying with the TASs?	Yes.

Question 4: Our proposal places all the application statements in a separate section within the TAS. An alternative approach would be to place application statements relating to each principle immediately after the relevant principle. Which do you prefer?	Immediately after each principle
Question 5: What are your views on the proposed change to the compliance requirement?	We disagree with your proposal to require that any departure from full compliance is clearly identified, justified and communicated. We would be supportive in the context of the current TAS 100 (but would expect such departures to be quite rare). In the proposed new set up there could be many regulatory expectations that cannot be met for good reason. It is not clear to us what public purpose is served by disclosing what could become a very long list. We worry that such disclosures will undermine the work product. We disagree with your proposal that the evidence demonstrating compliance must be available to the intended user, if requested. This will only result in an unnecessary focus on the construction of client-friendly compliance documents, adding to the cost of performing the work for the client. We have no difficulty with a requirement to leave an appropriate audit trail in the work papers for another actuary to be able to examine should the need arise.
Question 6: Does the proposed FRC guidance on how TAS 100 can be applied proportionately assist actuaries in their compliance with TAS 100?	We support the production of guidance, but not what has been produced. We think that the guidance should concern itself with how to apply what we call the triage approach to TAS compliance as follows: 1. Whether a principle or provision is applicable to the circumstance in question; 2. Assuming it is, whether, in relation to a communications principle or provision, the materiality issue is in play; 3. What is a proportionate means by which to apply an applicable principle or provision or material communications principle or provision. This concept has existed since the TASs were first introduced. You have not stated that you are withdrawing it. It has always been important but takes on a much greater significance now that you are proposing to add so much content to TAS 100 and through regulatory guidance.

	On materiality, we believe that the guidance significantly changes the emphasis as to whether a matter is material. The guidance seems to err on the side of inclusion, whereas the current TAS states upfront that "departures from the provisions concerning communications to users are permitted if they are unlikely to have a material effect on the decisions of users". The word "unlikely" is vital as without it nearly anything could be potentially material. The new guidance implies that even where a matter is not material, the explanation of why it is not material has to be documented in full so the user can understand (even though they are highly unlikely to see the explanation). As a result, it is going to be a lot harder to leave things out on the grounds of materiality, and when it is excluded, more work will need to be done to justify the non-inclusion. Reports will become longer, risking the important points being masked by unhelpful compliance. In relation to proportionality, we believe you have changed the emphasis from the current TAS of not doing things that don't benefit the client to doing things "to the extent of the work required to comply with" the principles and provisions. As a result, the focus is on ticking compliance boxes, rather than applying principles for the benefit of users. The proposals also seem to limit the application of proportionality to only those parts of TAS 100 where the language used is explicitly permissive (eg where words such as 'sufficient' and 'appropriate' are used). As a result, there will be many parts of TAS 100 where proportionality cannot be applied. This is a huge change from the current position.
Question 7: What are your views on the revision in nomenclature of the 'user' to 'intended user'?	We welcome this, which we regard as a useful clarification of the understood position.
Question 8: Do you agree the new proposed Risk Identification Principle and associated Application statements?	We support the idea behind the introduction of this new Principle and note the limitation "which the practitioner might reasonably be expected to know about", without which it could not operate. However, we are concerned that there is potentially an unlimited number of material risks affecting the production of actuarial information. It seems that they all need to be

	considered. Turning to the application statements we comment as follows: • The exposure draft says that "the material factors to be allowed for by practitioners in their technical actuarial work should include all internal or external environmental factors which have the potential to influence the actuarial information either directly or indirectly". This doesn't seem practicable to us. • The exposure draft says that "The practitioner should take account of any relevant legal opinions relating to the technical actuarial work or existing practices relating to the exercise of discretion". We think this needs to be caveated as the practitioner can only take account of legal opinions they know about. Furthermore, as a legal layman, there are likely to be legal opinions that the practitioner is not capable of interpreting in the context of a particular set of client circumstances. Finally, the practitioner may not have been given permission to rely on the opinions they know about. • Another statement is that "Practitioners' technical actuarial work should consider any actions which may or may not be taken by management, the intended user or other parties in response to risks emerging". This is very open-ended, and it is hard to guess how various parties will react to risks emerging after advice has been delivered. We believe the word "systemic" should read "systematic" as the appropriate technical economic term for undiversifiable risks. We think it vital that the FRC consults on and finalises the proposed good practice guidance for this new Principle before the new version of TAS 100 comes into force. One of the reasons for this is the wide-ranging nature of the new Principle.
Question 9: What are your views on the clarification included in the proposed changes to TAS 100 in respect of the exercise of judgement? Further, do you feel that guidance will be helpful?	We don't support putting into a technical professional standard, boundaries and expectations around something as fundamental as judgement. As the exposure draft acknowledges, there is not a concern that actuaries have been deficient in the exercise of judgement. As professionals whose job is to

	look to the future and to model uncertainty, judgement is central to what actuaries do. Sometimes, a one sentence principle is all that is needed. Judgement is also an ethical matter and so should be dealt with by the IFoA. We disagree in particular with the expectation that each judgement call needs to be documented in such a manner that it can be made available to the intended user or other relevant party in order that they can review it for reasonableness. We would be less concerned if this expectation was limited to judgements that are material to the resultant actuarial information and the documentation of such judgements was for the purpose of assisting another actuary. There is always a place for professionals to produce papers discussing issues relating to the exercise of judgement, but it is less clear to us that it is helpful for a regulator to seek to impose a detailed professional standard. As you have acknowledged, the issue is not that actuaries don't know how to apply judgement; rather it is that some of those users of actuarial work you spoke to would like to gain some insight into how judgement has been applied. We suggest that this might best be achieved through high-level guidance. We also note that there are many clients that do not want more insight into how judgement has been applied – they only want the most important information for them to make a decision and TAS 100 should allow us to provide that in those cases.
Question 10: What are your views on the proposed changes to the Data Principle and associated Application statements?	The data principle is now more onerous ("sufficiently accurate, complete and appropriate" as opposed to "appropriate") and we do not believe it will always be achievable in practice. It is a fact of actuarial life that there will not always exist sufficient data for the practitioner to fully rely on the information and it may not be possible to improve it, nor might it be appropriate to do so. We suggest that data deficiencies are best tackled by relevant disclosures and sensitivities. We note that there is a new focus on bias (which runs across data, assumptions and modelling principles, with further material in the application statements under these three

	headings plus documentation and communications). However, you do not seem to have explained in the consultation document why bias is now being covered. We can see that bias is dealt with in section 2.7 of ISAP 1, so perhaps this was one of the reasons? If having discovered the existence of bias, we don't believe that it will always be possible, or appropriate, to improve any of the data, assumptions or models containing such bias, in order to remove the bias. Such bias may be best dealt with through disclosures and sensitivities. We also have a concern about the scope of P4.1 which appears to require an investigation of all assumptions used for any present or potential future unintended biases. This does seem to be impractical, and not appropriate in all circumstances. Another concern is that there seems to be no recognition that bias is only relevant if the actuarial information delivered to the user could result in them taking a different decision compared to had the bias not existed.
Question 11: Do you agree with the proposed clarifications and additions relating to documenting and testing material assumptions?	Yes.
Question 12: Do you agree with the proposed changes to the Modelling Principle and associated Application statements? Further, do you agree that guidance would be helpful?	We have a concern that all the material you are proposing in this area, whilst reasonable for a large model being built to support 'big ticket' actuarial work, is disproportionate for small pieces of work based on, say, simple spreadsheets. We are not sure whether guidance will assist. We have a concern that it may simply set down more rules and expectations.
Question 13: Do you agree with the proposed clarification of the Documentation Principle? Further, do you agree with the proposal to move all requirements relating to documentation to the Documentation Principle and associated Application Statements, where applicable?	We agree with the clarification: "persons responsible for reviewing, auditing or validating the technical actuarial work". We also agree with your bringing all documentation requirements together. However, we have a concern that in seeking to clarify the documentation principle there is no mention of materiality in the application statements. This could lead to unnecessary documentation work being undertaken.

Question 14: Do you agree with the proposal to move all requirements relating to communication to the Communications Principle and associated Application Statements, where applicable?	We agree with bringing all matters to do with communications together. We note that there is duplication between the communications principles in TAS 100 and in the Actuaries' Code. It would be much more helpful for practitioners to have one set of standards to work to. In our view, communications fall more into ethical standards than technical standards and are therefore best dealt with via the Actuaries' Code. On the Principle itself, we welcome the addition of "can reasonably be expected" in the statement that "Practitioners' communications must be clear, comprehensive and comprehensible, so that the intended user can reasonably be expected to understand matters relevant to actuarial information and make informed decisions".
Question 15: What are your views on the additional clarification provided in the Application Statements?	We have concerns about the volume of work this will potentially generate. For example, we see the introduction of application statements as resulting in it taking more time to produce work and more time to check the work, not helped by having to look in more than one place as we have mentioned in our answer to Question 4.
Question 16: What are your views on the proposed changes to the requirements relating to assumptions set by the intended user or a third party?	We agree with the proposed requirement for practitioners to state whether assumptions set by an intended user or third party are reasonable. We have a concern in relation to having to carry out an indicative assessment of the impact on actuarial information where the practitioner considers an assumption set is not reasonable. For example, in relation to pensions accounting numbers there could be a situation where a company uses the same assumptions in respect of a number of pension schemes which overall are reasonable, but some assumptions might not be appropriate if considering each scheme in isolation.
Question 17: What are your views on these proposed amendments to clarify the existing requirements?	We are supportive of the clarifications you have listed in paragraph 4.35 of the consultation document.
Question 18: Do you agree with our impact assessment? Please give reasons for your response.	We do not agree with the impact assessment which we feel has missed the point. There is much more to the new TAS 100 package (four guidance documents of which have yet to be

	issued for consultation) than there is to the current TAS 100, as we have explained elsewhere in this response. There will be significant one-off costs as practitioners familiarise themselves with the content and think through how their internal guidance and processes need to change, particularly for 'big ticket' pieces of actuarial work. There will also be a significant additional burden on practitioners as they operate under the new package because of the depth and detail of the expectations. This burden will be particularly problematic for small pieces of actuarial work, but is also relevant for larger references too – due to the need to document so many bread and butter judgements, the loss of the concept of a component communication, the need to set out more thinking in client advice etc. We are not convinced that it is workable.