

PENSIONS ACT 2007

EXPLANATORY NOTES

SUMMARY AND BACKGROUND

Non-State Pensions Measures

Removal of Secretary of State's role in approving actuarial guidance

Current position

82. In order for actuaries to calculate pension schemes' liabilities consistently, all are required to use an agreed set of guidelines. These guidelines are contained in documents referred to either as 'Guidance Notes' or as a 'Technical Memorandum'. There are seven Guidance Notes and one Technical Memorandum referred to in pensions legislation. The Secretary of State is required by primary legislation to approve three of these Guidance Notes and the Technical Memorandum.
83. Historically, the Actuarial Profession has produced these documents. The professional bodies for actuaries – the Institute of Actuaries in England and Wales and the Faculty of Actuaries in Scotland – have combined the role of regulator with that of professional body.

Changes

84. The Morris Review of the Actuarial Profession recommended that the Financial Reporting Council should establish a new regime to set actuarial standards and to oversee the regulation of the Profession. The Financial Reporting Council is the UK's independent regulator for corporate reporting and governance. The Government accepted this recommendation and the Financial Reporting Council has now set up the Board for Actuarial Standards to promote confidence in corporate reporting and governance by setting high quality actuarial standards. The Institute of Actuaries in England and Wales and the Faculty of Actuaries in Scotland continue to exist as the professional bodies for the profession in their respective jurisdictions.
85. On 6 April 2007, the Board for Actuarial Standards adopted and took responsibility for the existing versions of the pensions Guidance Notes and the Technical Memorandum.
86. In order to maintain the independence of the Financial Reporting Council, and through it the Board for Actuarial Standards, as the UK's independent regulator for corporate reporting and governance, the Act contains provisions removing from primary legislation the requirement for the Secretary of State to approve the three Guidance Notes and the Technical Memorandum.