

**The Board for Actuarial Standards' discussion paper on "Actuarial Mortality Assumptions"**

A comment by

**The National Association of Pension Funds**

June 2008

**Introduction**

1. The NAPF is the leading voice of workplace pensions in the UK, with over 1300 members, between them providing pensions to over 10 million working people. NAPF Member schemes hold assets of some £800bn.
2. The NAPF welcomes the opportunity to comment on the discussion paper by the Board for Actuarial Standards (BAS) although, regrettably, NAPF members have provided us with little feedback on this occasion. We believe that this is due to three reasons in the main. Firstly, those larger schemes with in-house actuarial expertise have, we think, preferred to communicate their views direct to BAS. Secondly, our members have been presented with an unusually large number of consultations in recent months and have felt far less concerned by the content of this discussion paper than by some of the other proposals they have been asked to consider. Thirdly, we believe there is still some reluctance amongst both trustees and pensions professionals without training in actuarial methods and concepts to comment on matters they perceive as being firmly in the domain of the actuarial profession. Further encouragement is needed and, to that end, we particularly welcome the recent BAS initiative to set up a series of briefings on its role for various organisations within the pensions industry.
3. Because of the above, we do not have responses to the specific questions set out in section 7 of the paper. Instead we offer just general observations made by NAPF members.

**Comments**

4. We welcome the paper and believe that discussions about actuarial assumptions are best initiated by an organisation with a remit enabling it to act objectively and independently. We found the content and approach of the paper to be balanced and non-prescriptive, which can only enhance the sense of authority with which the pensions industry views BAS.
5. However, some NAPF members have expressed concern that in setting standards of disclosure for actuarial advice, BAS should be mindful of the appropriate level of detail. Too much detail runs the risk not only of confusing the recipient, but also of adding to the cost of the advice. At a time when employers are acutely aware of the rising costs of sponsoring a pension scheme, including the costs of obtaining advice, this could be counter-productive.
6. A related concern was raised about the use of overly complex models or methods giving clients a false belief that they are being provided with the "right answer". In a field where the level of inherent uncertainty is itself uncertain, there are, of course, no right answers.

7. Recognition by BAS that there are dangers in underestimating future mortality as well as in overestimating has been warmly received, with several members pointing to the recent consultation by the Pensions Regulator on good practice in choosing actuarial assumptions failing to recognise this.
8. One member agreed that using separate assumptions for base mortality and future changes in mortality is justified by the evidence available.
9. One member felt that BAS should not be setting standards on what assumptions should be used, leaving that instead to the actuary exercising professional expertise and integrity in his/her discussions with trustees. But standards of disclosure were felt to helpful.
10. A final comment is that too much detail might make a standard on mortality assumptions less amenable to revision in what is a rapidly evolving area.

**Alan Chart, Policy Adviser: Regulation**

**20 June 2008**