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Director
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Dear Sir

Towards a Conceptual Framework - Consultation Paper

On behalf of the actuarial practice at Aon Consulting, I am writing in response to the exposure drafts issued by the BAS in March 2008. We welcome the opportunity to respond to the consultation. In line with your request, we have limited our comments mainly to those relating to items introduced since the previous consultation. In response to specific questions raised:

We agree that consistency is an appropriate precept (in Section 3 of the *Conceptual Framework*)—(although it is referred to throughout the document as consistency rather than “internal consistency”).

We agree the proposal that the scope of generic standards should be set out in a Schedule to the *Scope & Authority*, which may be revised from time-to-time and that this is a helpful development to address issues around scope of actuarial work included.

Our comments on the text in the two exposure drafts are set out below:

Conceptual framework

In general we support the revision of the categorization of work into the new 4 categories (of which only 2 – ‘reserved’ and ‘required but not reserved’ - will necessarily have standards agreed for the work, although we note that there may be standards set for the ‘other work’ category if warranted). However work will still fall within more than one category, and the same standards of advice might be expected regardless of which category the work falls into.

In section 3.4, we suggest that the definition of valuation is revisited. Although it seems clear that a pension funding valuation is a planning valuation, the results are required to be reported in a formal valuation report which would seem to fall into the valuation definition. It is also a current requirement to report on the solvency position, which arguably is not a planning valuation, but is intended only to be an illustration, so we would need to consider how the requirement of any TAS would impact on how this is reported to the client.

In 3.12, reference is made to “management” –this appears to be a little limited – should this be to users of actuarial information?

In 5.9, we believe that the immaterial departure which will be permitted may need more clarification - it may be difficult to assess whether the effect of the departures could influence the decisions taken on the basis of the work in question (and the influence can only be measured once the decisions have been made – not at the time of the advice). We would suggest that departure be allowed in the rare circumstances where an actuary expects the departure to be immaterial, with a duty to bring the

departure to the client's attention where the actuary becomes aware of the impact on the decision becoming material.

We also note that in 5.9a), departure "is required" (if misleading etc), but in 24a of the Scope and Authority the Actuary "should" depart, which can have different interpretations.

Whilst we agree the proposed approach for actuaries working as part of a multi-disciplinary team, we think that you will need to clarify what is meant by working as part of a team. As an example, it is not uncommon for a client team of a pension consultancy to include a non-actuary effectively acting a pensions manager for a Trustee client. In the (possibly unlikely) scenario where the actuary does not have power to determine (presumably the actuarial part of) the work product (eg one slide from a larger presentation to the Trustees), it would appear that a TAS need not apply.

In contrast, if the pension manager is employed by the client, presumably if the pension manager requested the same slide to be included, it would be required to comply with a TAS, even though the Trustees may view the pensions manager and actuary as their "consultancy team". It may be sufficient to amend the definition of team to a team where all members are employed by the same employer to clarify the intention. We note that individuals who are not actuaries may choose to apply a TAS, but we doubt that this will be relevant in practice.

We note that when transposing the current actuarial standards to the new framework, some ethical standards will be removed and covered under the ethical framework. However we hope that the work on these ethical standards will run concurrently (with appropriate liaison with the Actuarial Profession or Professional Oversight Board) so that actuaries' work on a certain area can remain consistent (rather than have a cut back on the overall standard so that only the core technical approach is covered initially while actuaries await further ethical standards)

We question whether a properly prepared standard for reserved work would have any content from which departure would be necessary in order to meet the reliability objective (surely the approach for such a standard is to ensure that work under that standard does meet the objective).

Finally we feel that some of the discussion on assets is too detailed at this conceptual framework level – the issues that are not directly principles should be covered instead within the particular actuarial standards.

Scope and Authority

We do feel that there is considerable duplication between the conceptual framework and the scope and application of TAS drafts. Much of sections 4 and 5 of the conceptual framework could be covered in the 'scope and application', thus making the conceptual approach itself shorter.

The overall scope and authority are satisfactory – they will inevitably lead to a long period of preparation of any TAS but this will not be greatly different to the current position of guidance notes.

However, in spite of the careful consultation that is proposed on each TAS, we suggest it is possible that once a TAS is released users will encounter an unforeseen problem, which would necessitate an urgent review of just that area of the TAS. If the rest of the standard has been debated at length recently, it should be possible just to review the offending part, with a fast-track process.

Finally, we still consider that it would be necessary for the Board to test the framework and scope against a number of standards in the different actuarial fields before finalising the system.

Yours faithfully

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Head of Practice – Actuarial