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Director
Board for Actuarial Standards
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By e-mail only

Dear Ms Pryor

**Board for Actuarial Standards
Exposure Draft: Reporting Actuarial Information (March 2009)**

Barnett Waddingham LLP is a UK-based firm of Actuaries and Consultants. We provide a range of actuarial and consultancy services to trustees and sponsoring employers of occupational pension schemes, general insurance companies, life insurance companies and friendly societies. We responded to the exposure draft issued in April 2008 and we have therefore considered the revised exposure draft with considerable interest.

The comments in this response represent a collection of the views of Actuaries from both the life and pensions areas at Barnett Waddingham LLP but do not necessarily represent the views of the whole firm.

Issues for comment

The consultation seeks views on particular items. These are set out below.

1. *Whether the proposed additions to the Schedule of our Scope & Authority are desirable, and if so whether the suggested text achieves our aims.*

We do not have any major concerns over the proposed changes to the scope and authority. Although extending the scope of the TAS may increase reporting requirements and costs, provided actuaries are able to exercise judgement over materiality and proportionality, we would hope that these costs should not be significant.

2. *The proposed commencement date for TAS R.*

The proposed commencement date of 1 April 2010 seems reasonable and the comments made in paragraphs 3.1 to 3.6 are helpful in explaining how the commencement date would apply to work in progress.

3. *The definitions of "aggregate report" and "component report" in Part B of the exposure draft.*

The definition of a component report states that "information in a component report may include references to other documents, such as minutes of meetings or public documents". In addition, paragraph C.2.6 states that "information...conveyed orally shall be confirmed in a report". We believe that, in some circumstances, it would be reasonable for an extract of the minutes of a meeting to qualify as a "component report". For example, if the minutes record advice provided by the actuary and the actuary has reviewed the minutes as a true record. This option would help to reduce additional costs which would otherwise be incurred by having to issue a component report repeating information shown in the minutes.

4. *The effects that the introduction of TAS R is likely to have on the content, form and timing of communications with the users of actuarial information.*

We are not convinced that "TAS R may therefore result in fewer formal reports being issued". The requirement to convey any information that is material in a report, and the requirement to state whether the aggregate report complies with this and other TAS's (a fact which may not be known until all relevant decisions have been taken) is likely to lead to more reports. In addition, the new requirements of TAS R, eg, paragraph C.3.10 and C.5.4 may result in longer reports in some cases.

We do not believe that there will necessarily be a significant change in the content, form and timing of communications but there will need to be sufficient monitoring of information provided to ensure that, whenever a decision is made by a user of the information, all relevant information has been issued and a list of the component reports making up an aggregate report will need to be assembled.

5. *The BAS's assessment that any long term costs will be justified by the benefits to the users of actuarial information.*

This point is debatable, particularly for smaller entities where the cost of compliance is proportionately more significant compared to the cost of the individual piece of work.

6. *The proposal that TAS R should prevail in the event of any conflict with adopted Practice Standard Guidance Notes.*

This seems to be a sensible approach.

7. *The proposed additional requirements described in paragraphs 4.8 to 4.18.*

Paragraph C.3.10 could cause some difficulties and additional work. In nearly all cases, the effective date of a calculation is some time before the date of the report and the volatility inherent in market valuations means that the results of any calculation are liable to have changed since the effective date. Determining whether this change is material, and indeed determining the magnitude of any change, is likely to require additional calculations. It may be helpful for the TAS to have an additional paragraph (C.3.11), that clarifies that such an indication need only be approximate.

Paragraph C.5.18 also causes us some concern. For example, consider the case of an actuarial report (as defined under Section 224 of the Pensions Act 2004) commissioned by the trustees of a pension scheme on an annual basis. Such a report needs to be signed off within 12 months of the effective date and will often be finalised nearer to time of the effective date of the next actuarial report. Projecting the results of the report based on the assumptions at the effective date is likely to be misleading but a more accurate projection would require significant additional work. Paragraph 4.16 states that "it is not our intention that this requirement should necessarily involve complex calculations" and we suggest it would be helpful if this could be made clear in the text of the TAS.

8. *The text of the exposure draft as a means of implementing the policy proposals presented in this document.*

Our specific comments on the text of the TAS R exposure draft are given below:

Paragraph C.2.3.

This paragraph appears to suggest that **any** report containing material information relating to the piece of work in question must be contained in the aggregate report for the piece of work. This potentially causes an issue in respect of reports that may otherwise be completely unrelated to the piece of work in question but which happen to contain information material and relevant to that piece of work. However, if such a report were to be considered a component report then the aggregate report could be considered to contravene paragraph C.4.6. To avoid this, we suggest that the text " , which is not included in any other component report" is included at the end of paragraph C.2.3.

Paragraph C.3.7.

In our opinion, this remains an area of confusion. For example, an actuarial report obtained under Section 224 of the Pensions Act 2004 would be considered as a valuation exercise. However, calculating the Scheme's liabilities using exactly the same methodology and calculations at a different date would be considered a planning exercise. It is doubtful that users would appreciate the subtle difference and it is not clear to us that such a difference is justified. If the BAS considers it absolutely necessary to make a distinction between these terms, further guidance on their use would be helpful.

Paragraph C.3.9 b).

Stating whether an aggregate report complies with TAS R or any other TAS can only be done in the final component report and it may not be known that a report is the final component report until after certain decisions have been made by the users. This implies that it may necessary to issue an additional report which states that the component reports make up an aggregate report which complies with the standard(s). We do not believe that this is the BAS's intention and would welcome further comment on this issue.

Paragraph C.3.10.

As previously mentioned we believe this would benefit from amplification and inclusion of a paragraph C.3.11 as discussed in our response to question 7 above.

Paragraph C.5.1.

The extent of any material uncertainty is often unknown, for example, the existence of an upper limit on life expectancy, if indeed there is one, could have a dramatic impact on many actuarial calculations. Indicating the extent of uncertainty by the use of a range or a number of scenarios could give a false sense of security to users of actuarial information and this point should be made clear in paragraph C.5.2 or paragraph C.5.3.

Paragraph C.5.4.

It should be made clear that the Actuary is not expected to be aware of **all** material risks or uncertainties faced by the entity, or indeed whether any risks or uncertainties are material in the context of the entity's overall business. The principle behind paragraph C.5.4 is reasonable but we believe it is over-ambitious and unreasonable to expect the actuary to be able, in all cases, to fully comply with the wording as it stands.

We trust you find these comments useful – please let us know if you have any queries about any of these points.

Yours sincerely

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