



The Director
Board for Actuarial Standards
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29 May 2009

Dear Dr Pryor

Exposure draft: Reporting actuarial information (TAS R)

I am writing to set out the views of the Government Actuary's Department (GAD) on the above exposure draft issued in March 2009. GAD welcomes the opportunity to give input on the proposed standard and welcomes its general thrust, as revised. We do, however, have a number of specific comments which we have set out below.

By way of setting the context for our response, GAD provides actuarial advice to the UK Government on pensions policy, social security and other actuarial matters. We are also the appointed actuary to many public service pension schemes and have extensive experience of advising on social security and pensions issues in the international context. We comment on your specific numbered questions as follows:

1 whether the proposed additions to the Schedule of our *Scope & Authority* are desirable, and if so whether the suggested text achieves our aims (see paragraphs 2.5 to 2.17)

We support the proposed amendment to the "Scope & Authority" document. If it is amended as proposed so that all reserved work, together with work presented (explicitly or by implication) as complying with a TAS, is within the scope of a generic standard, then we think that TAS R would work well. As highlighted in the consultation document, in the absence of such changes, TAS R would not apply to any reports until another TAS came into effect.

BAS is intending to include in the definition of the specified work to which a Generic TAS applies the words "*Any other work which is presented as complying with TASs (whether by express statement or necessary implication)*". It is not entirely clear whether you envisage that all work should expressly state whether or not it complies with the standard, and therefore it would perhaps be helpful to have more clarification of the words "necessary implication".

2 the proposed commencement date for TAS R (see paragraphs 3.1 to 3.6) [all aggregate reports completed on or after 1 April 2010]

We have no objection to the proposed commencement date provided TAS R comes into effect sufficiently in advance of that date to ensure that reports in progress (and aggregate reports) have time to comply.

3 the definitions of “aggregate report” and “component report” in Part B of the exposure draft (discussed in paragraphs 3.18 to 3.24)

We are generally happy with the clarity of the definitions. However the use of the words “each decision taken by the user...” could potentially lead to confusion over whether separate reports are required in respect of each separate but connected decision (indeed it is likely to promote debate over what is and what is not a decision).

We assume that you have included draft reports within the definition of component reports as these may influence the outcome. However, if a subsequent component report differs from a draft report it is important that the aggregate report captures this, as understanding the change will necessarily be an important part of the user’s overall decision taking process.

We would further comment that C.2.11 instructs actuaries to strike a balance between client requirements and the benefits to other users. Whilst we are generally supportive of this as a common sense approach (which we believe is designed to avoid a “box ticking” mentality), we have some concerns that it could be interpreted as requiring a client’s wishes (for example, to take a limited approach to a specific piece of work) to be overridden.

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 (see paragraphs 1.8 to 1.12 and 3.40 to 3.46)

We believe that it is too early to comment - the answer will depend on the interaction with section 5 of the proposed Actuaries’ Code.

5 the BAS’s assessment that any long term costs will be justified by the benefits to the users of actuarial information (see paragraphs 3.40 to 3.46)

We cannot comment on this at this stage.

6 the proposal that TAS R should prevail in the event of any conflict with adopted Practice Standard Guidance Notes (see paragraphs 4.2 to 4.7)

We support this proposal and believe that the wording in the draft TAS R achieves this aim. However, the issue of conflicts between the proposed TAS R and other standards, such as actuarial profession standards, needs to be addressed. For example, what would be the position if an actuarial profession standard such as GN51 required additional information to be provided which the actuary felt was not appropriate under TAS R?

Whilst we appreciate that all such issues cannot be resolved in the same manner, it would be helpful if the standard contained a clear process for the actuary to follow in such an event, or added an override that it should not act to reduce the amount of information otherwise required to be provided.

7 the proposed additional requirements described in paragraphs 4.8 to 4.18

- **The explicit requirement (in paragraph C.2.6) that material information that is conveyed orally is confirmed in permanent form.** We support this.
- **The requirement to report material events or changes that are known to have occurred since the effective date of the information.** Overall, we support the aim of this proposal.
- **The requirement to include a statement of the intended meaning of any description which is not uniquely defined.** Again we support this.
- **The requirement to indicate the nature of any cash flows being quantified, and their timing.** This seems reasonable.
- **The requirement to indicate any differences between the assumptions used in different parts of the work being reported on, and explanations for them.** We support this requirement which seems wholly consistent with the aim of clarity and good communication.

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

We have no further specific comments.

In closing we would comment that to a large extent it is difficult to assess how TAS R will work in practice until it is actually in place. We would suggest a “soft” implementation, with an initial “light touch” approach to regulation followed by a full review, with feedback from users, after the standard has been in place for a period (for example one year).

If you would like to discuss any of the matters set out above in more detail please do not hesitate to contact me.

Yours sincerely



George Russell

**pp Trevor Llanwarne
Government Actuary**