



JARDINE LLOYD THOMPSON
Benefit Solutions

22 May 2009

The Director
Board for Actuarial Standards
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

St James's House
7 Charlotte Street
Manchester
M1 4DZ
Telephone 0161 931 4400
Direct Line 0161 242 5321
Facsimile 0161 242 5306
www.jltgroup.com

Ref: 0509L1003 re Exposure Draft
Reporting Actuarial Information March
2009

Dear Sirs

Exposure Draft: Reporting Actuarial Information - March 2009

Jardine Lloyd Thompson provides consulting, actuarial and administration services to trustees and employers in relation to 1,000 or so work-based pension arrangements with assets ranging from a few thousand pounds to over £1,000m, and to individuals with regard to individual pensions. We employ approximately 750 pensions staff in the UK. This letter sets out JLT's response to the consultation.

In summary we support and welcome the exposure draft as now presented. We continue to support a principles based approach and believe that to be appropriate to members of a profession giving advice to users in order for them to make informed decisions. We are nevertheless aware of some unease felt by some actuaries who are perhaps fearful of their advice being put to test by lawyers or indeed the profession without the benefit of an explicit "list of checks" which are currently provided by Guidance Notes. We do not support that latter view point, however we do encourage the BAS to provide an interpretation role to cover apparent conflicts in complying with the various TASs.

We do not object to the concept of multiple reports. However we do have a fundamental problem in allowing multiple reports to replace certain single reports, required by regulation or other legal requirement. Because of the disclosure regulations members have a statutory right to see a pension scheme actuarial valuation report. We feel that to provide the set of reports, containing as they must wide advices as the conclusions were reached defies the needs for clarity and the understanding of the user (the member). Indeed component reports will frequently contain advices and information not appropriate for disclosure. Therefore we would hope that under TAS P and other non generic TASs there is a requirement for reports of record.

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 are not comfortable with the extension of the scope to include work which is not Reserved Work. There are many areas of work which actuaries get involved in which could and frequently is performed by professionals other than actuaries. An example would be in the area of investment where financial economists occupy the same space as actuaries. The suggestion in 2.15, as amplified under 2.16 and 2.17 appears to require the actuary stating, for the avoidance of doubt, whether he has or has not complied with the various TASs. As a user I could view a "statement of non compliance" as indicating that the advice is inferior or not up to scratch, whereas the truth may be completely different and the reason for non compliance is the

competitive disadvantage in having to expressly comply with all the various TASs and the costs thereof. Work which is not Reserved Work needs to be relevant, transparent, complete and comprehensible and the actuary must as a professional seek to achieve this. However the route of compliance with TASs for non Reserved Work is not the route.

2. *The proposed commencement date for TAS R (see paragraphs 3.1 to 3.6).*

Whilst there is a natural inclination to push the date further into the future, the BAS we suspect cannot allow actuaries to continue not to comply fully with principles it believes as necessary minimum standards of conduct for very long. Clearly as a pensions actuary one would like the effective date no earlier than 15 months from the release of this document, but allowing sufficient time for "changes in procedures". That would take the date probably to Q3 2010 or even 31 December 2010

That may be untenable from the BAS perspective, but we believe it cannot be earlier than April 2010 and indeed would prefer some additional time if possible.

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 have commented on this above. As regards the definitions we would suggest that the wording needs revisited as we find the terminology confusing. Aggregate report is defined as the set of all component reports and might include letters and/or emails. Therefore as set out the aggregate report is not a report in itself, but a collection of reports (even where the collection is a single report). Thus the definition of report is actually just a component report. Furthermore there are several instances where the wording only makes sense if the aggregate report is actually a report, for example c.3.2 & C.3.4.

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);*

The comments made in relation to the previous question continue to apply here. Equally we believe that member firms will have to spend considerable time in considering changes to templates as well as the fundamental approach to provision of advice. In this context it is important to retain efficiencies which by their nature aid the quality of the output and the communication thereof. Without at this stage being in a position to consider the impact on TAS R of the non generic TASs such as TAS P it is difficult to know what the impact will be.

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);*

As indicated in the response to question 4 we question as to how we can judge the BAS comment at this stage until we know the full impact of implementing all TASs. Equally until we are able to assess how the user will view the "new world" we cannot say whether, in the eyes of the party meeting the costs, the benefit outweighs the cost. Indeed given that users could include members it is not even clear what benefits some users will see.

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);*

In paragraph 4.2 it states that the BAS will specify in TAS R (and other Generic TASs) how any such conflicts should be resolved. Looking at TAS R this has been achieved by merely stating that TAS R shall prevail. Whilst the commentary in paragraph 4.5 is useful that example clarifies how in fact there is not conflict in meeting both GN9 and TAS R which is not we suggest the issue. A conflict arises where compliance with both the TAS and the GN is not possible and TAS R states in this evident that TAS R will prevail. The document does not state show non compliance with the GN would be treated in the event that compliance to both is not possible. Nor does the fact that TAS R prevails absolve the actuary from criticism in not complying with the GN, which of course in accordance with the GN must be disclosed.

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

The requirements under 4.8 we would suggest is best practice in any case and because it is restricted to material information should not be onerous.

The practicalities under 4.9 could become onerous and indeed may cause the conclusion of a piece of work never to be reached. The valuation of a pension scheme involves a process lasting up to 15 months, or even longer in some isolated cases. We cannot but agree that changes to economic conditions in that 15 month period are relevant to the user and perhaps to the decisions he is to make. However judgement is needed as to how the process is managed and we welcome the use of the word "indication" in C.3.10. The key principle has to be that the user has sufficient information, including recent developments, to make an informed decision. However, that does not mean that work previously undertaken has to be replaced but rather needs to be amplified on. Furthermore we suggest that in some instances it should be made clear that caveats are allowable where material events have not been covered.

We have no comment on paragraph 4.10.

In relation to paragraphs 4.11 to 4.217 we have no particular concerns now that the requirement for values of undiscounted cash flows have been dropped. Nevertheless it will be interesting how individual firms react to these requirements and undeniably some of the fuller solutions will be more costly to produce.

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

Part B, Users

In the definition of users we are concerned at the addition of "third parties for whose benefit a report is written". We are comfortable that this includes the party for whose immediate benefit the report is written, but the extension to say a pension scheme member (who has a right to see the report) does cause difficulties in meeting all needs of understanding from the least educated member to say the Chair of Trustees.

Part B, Aggregate Report, Component Report, Report

We have commented on this above and suggest a rewriting of this is needed.

C.3.2

"It will be necessary to ensure that each user is aware of which information is relevant to their decisions" is a little strong and arguably we may not be in a position to know this. Thus we suggest that the second "is" is replaced by "may be"

C.3.10

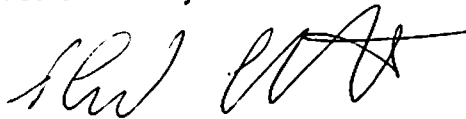
We agree with the thrust here, but we believe it needs rewording as follows:

"A report shall either include an indication of any **material** changes or events that are known to have occurred between the effective date of the data and other information on which it is based and the date of the last component **report**, or include caveats if material events are not covered.

We have no other comments.

We thank you for giving an opportunity to comment as well as, in advance, for the consideration of our comments. I would be more than happy to discuss any of the points in more detail (my contact details are set out above)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Wadsworth', with a long horizontal flourish extending to the right.

Phil Wadsworth MA FFA
Practice Head, Consulting Services