



28 May 2009

Louise Pryor
Board for Actuarial Standards
5th Floor, Aldwych House
71 – 91 Aldwych
London, WC2B 4HN

Subject: Reporting actuarial information (TAS R): exposure draft

Dear Ms Pryor

We welcome the opportunity to respond to the exposure draft published by the Board for Actuarial Standards (BAS) on reporting actuarial information.

Mercer Limited is a global leader for HR and related financial advice and services. In the UK, our client base includes employers and trustees providing occupational pension schemes to employees in all sectors of industry. We provide pensions advice and services to companies in the FTSE100, but we also have a large proportion of clients that are employers classed as “Small to Medium sized Enterprises”, or trustees of pension schemes with sponsoring employers in this class. We will comment from this perspective.

The appendix to this letter sets out our answers to the questions asked in the document. In summary, our main comments are:

- We support the overall focus on providing information to inform decisions made by clients.
- We have concerns about the proposed commencement date. We believe this could cause additional, unnecessary work because of the possible need to revisit reports already issued and also because of overlap with the existing guidance note GN9.

We would be happy to meet with you to discuss any of the points raised or answer any questions you have on our response.

Yours sincerely

(by email)

Debra B Evans





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Appendix

TAS R exposure draft – responses to questions

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 agree with the proposed additions.

2. *The proposed commencement date for TAS R (all work in progress on or started after 1 April 2010).*

For many scheme funding valuations with effective dates in 2009, work will be in the advanced stages by April 2010, but may not be finalised. The proposed commencement date could have the effect of applying retrospectively to some (component) reports already issued, not just before the proposed commencement date but also before publication of TAS R. While this may be reasonable for component reports issued after the publication of TAS R, it is not for component reports issued earlier.

We support BAS's approach of proposing a commencement date now, but think the mandatory compliance date should be put back until at least 12 months after publication of TAS R. This would ensure there is no need for any backtracking over previously issued reports, and would also allow actuaries time to plan the implementation of the new standard.

As an alternative to delaying commencement, would an option be to introduce TAS R on a best practice rather than mandatory basis for an initial period, or have some form of staggered commencement?

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

We agree with the general approach of aggregate and component reports, and the inclusion of documents such as emails and presentations within the definition.

We do not believe draft reports should automatically be included in the definition. We also have some concern over how the use of "aggregate reports" would interact with legislative requirements – such as disclosure of a pension scheme funding valuation "report" to the employer and to scheme members.



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

We believe the proposed TAS will improve communications with users. However, we think the definition of “users” needs some clarification. The definition in the TAS includes “third parties for whose benefit a report is written”, which could be taken to include pension scheme members. Paragraph 3.33 of the exposure draft indicates that this is not the intention. The wording of the definition should be amended to make this clear.

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

We believe the proposed standard will generate benefits to users and should not give rise to significant additional long-term costs.

However, we do have some concern that the introduction of TAS R as proposed would lead to additional and disproportionate short-term costs that could be avoided by delaying implementation.

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

We agree with the proposal in principle. However, we do not agree with the comment in paragraph 4.5 that extra work will not be required to comply with both TAS R and GN9. It seems that a single, written, GN9-compliant report would still need to be produced, and this would be disclosable to the employer and scheme members. It is not clear whether this would necessarily form part of an “aggregate report”, as it may be a record of the valuation rather than the basis of any decisions by the scheme trustees.

This may not be an issue in practice, depending on the timescale for the removal of GN9 and the introduction of TAS R. But we feel that, if there is to be some period of overlap, then more guidance may be needed.

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

We agree with the proposed inclusion of the additional principles, bearing in mind paragraph B.1.2 about materiality.

We do have some concern with some of the additional text, which provides more explanation of these principles. In particular, the requirement to define “prudent” (C.4.9).



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Also, in C.5.3 and C.5.19, possible methods are given – we feel there is a risk that these will become a definitive list with no other possibilities considered.

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

No further comments.