

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

29 May 2009

Dear Ms Pryor,

Re: Exposure Draft-Reporting Actuarial Information

1. The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation.
2. The PPF is a statutory fund run by the Board of the Pension Protection Fund (the Board), a statutory corporation established under the provisions of the Pensions Act 2004. The PPF became operational on 6 April 2005.
3. The actuarial team of the PPF welcomes the opportunity to respond to the exposure draft. Our interpretation of the current draft is that the standard will not apply to statutory work performed by the Chief Actuary of the PPF or to other regular functions of the actuarial team. Nevertheless, we are keen to adopt the standard to reports we deem appropriate in order to meet best practice aspirations.
4. We have set out our responses to the questions raised in the consultation below.

Whether the proposed additions to the Schedule of their *Scope and Authority* document are desirable, and if so whether the suggested text achieves their aims (2.5-2.17)

We believe that the proposal for reserved work and any other work presented as complying with TAS to be included in the scope is reasonable.

The proposed commencement date (see 3.1-3.6)

The proposed commencement date of April 2010 should not pose a problem, as long as there are no major revisions to the final standard or delays in issuing it.

The definitions on “aggregate report” and “component report”

We are satisfied that the definitions are clear.

The effects the introduction of the standard is likely to have on content, format and timing of communications with users of actuarial information (see 1.8-1.12, 3.40-3.46)

We have a number of concerns about the impact of the standard on producing communications. Firstly, ensuring compliance with the standard may make it more difficult to respond quickly to urgent requests for information. Secondly, it may make it more difficult to compile final reports as a review of all possible component reports may be required. There is also the risk that the requirement for more explanatory information, for example definitions of certain terms, may make reports unwieldy. However, as long as actuaries are free to use their own judgement and comply with the spirit of the standard, we do not think these issues will be significant.

BAS's assessment that any long term costs will be justified by benefits to users (see 3.40-3.46)

We agree with the consultation that there are likely to be short term costs in introducing the standard and that it is difficult to judge the impact that the standard will have on future costs in the long term. Ultimately it will be for users to judge whether the changes resulting from the introduction of the standard justify any long term costs arising.

The proposal that the standard will override GNs in the event of conflicts (4.2-4.7)

While we do not expect there to be many conflicts between the standard and GNs, we agree that there is a need to define which guidance will be overriding. We are content that meeting the broader aims and requirements of the new standard should be more appropriate than meeting the more prescriptive communication requirements of GNs. We are therefore satisfied that the standard should override GNs in the event of conflict.

Proposed additional requirements (4.8-4.18)

The requirement for oral advice to be confirmed in writing is sensible and we would already view this as best practice. The requirements for relevance and transparency also appear reasonable and, again, are in line with current best practice. We welcome the revision of the requirements for completeness, which we now view as suitably pragmatic.

However, we are concerned that in some cases meeting the comprehensibility requirement may actually hinder the understanding of some users. We expect that as long as the actuary is able to use their judgement to tailor information to the user's level of understanding, this should not pose a serious problem. We are also concerned about

how actuaries should determine that their advice has been fully understood. We would welcome guidance as to what actions are expected of actuaries in this regard.

The text of the exposure draft as a means of implementing BAS's policy proposals

We believe the text of the exposure draft is sufficient as a means of implementing the policy proposals.

Yours sincerely,
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Chief Actuary

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