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Director
Board for Actuarial Standards
Aldwych House
71-91 Aldwych
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Our Ref: JM/JB/4.1

May 19th 2009

Dear Sir,

EXPOSURE DRAFT: REPORTING ACTUARIAL INFORMATION

We welcome the opportunity to comment on the above exposure draft.

INTRODUCTION TO SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group.

Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

The exposure draft has been considered by SPC's Actuarial Committee, which comprises actuaries from consultancy and life office backgrounds.

COMMENTS ON THE EXPOSURE DRAFT

Question 1: Are the proposed additions to the schedule of our scope and authority desirable and, if so, does the suggested text achieve the aims of BAS?

The scope of the proposed standard has widened significantly since the previous consultation on the subject, but this would be a logical consequence of producing a generic standard.

Generally, the balance between prescription and freedom to exercise professional judgement in a reasonable way seems to be correctly set. An acid test, however, will be whether actuaries in practice feel able to leave out from reports items which they do not consider it justified to include from a cost/benefit point of view.

The Society of Pension Consultants

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Question 2: BAS would welcome views on the proposed commencement date for TAS R

We do not contest the reasoning underlying the proposed commencement date, but it would be desirable to avoid the costs which would be involved in having to change the terms of reference for a piece of work, for example a valuation as at March 31st 2009, which might not have been finished by April 1st 2010.

On the basis that the effective date for expected standards on modelling and data might be October 2010, it might be desirable to make this standard effective from the same date, so that terms of reference for clients only need to be re-addressed once.

If the date for compliance were to be extended this could be accompanied with a statement, encouraging early adoption and pointing out that work, which is being done before October 31st 2010, may be subject to the standard if a report associated with that work is issued after the commencement date.

Question 3: BAS would welcome views on the definitions of “Aggregate Report” and “Component Report” in Part B of the exposure draft

We suggest that it would be helpful to make it even clearer that the “aggregate report” is a collective description of various reports and other communications already provided, and not a separate final document in its own right.

The definition of aggregate report is clear, that it is the combination of all component reports and not a report in itself, the proposed standard itself is not always consistent with this distinction, e.g. C3.3, on relevance, which says that an aggregate report shall include a statement as to its purpose etc. Read on its own this presents an aggregate report as being a report in its own right.

With respect to the concept of “component reports”, sometimes the most effective means of communicating with a client is through an informal email. It would not be helpful if all email communications had to be on a formal footing because they would fall under the heading of a “component report”.

Question 4: BAS would welcome views on the effects which the introduction of TAS R is likely to have on the content, form and timing of the communications with the users of actuarial information

We welcome the sentiments in paragraphs 1.9 and 3.42.

With respect to the latter paragraph, however, we suggest that greater clarity is needed on forming judgements on materiality. We would like to see more strongly reinforced the principle that the assessment of materiality should be based on the actuary’s judgement at the time at which that judgement is made. The actuary should not be open to challenges, made entirely with the benefit of hindsight, to his or her judgement on materiality. The basis for assessing judgements on materiality must be the factors which the actuary could reasonably have taken into account at the time of making the judgement.

Question 5: BAS would welcome views on its assessment that any long term costs would be justified by the benefits to the users of actuarial information

Any judgement on the cost/benefit balance must await practical experience of operating the standard. On the face of it, it seems inevitable that, become more material (including e-mails) than at present will need to comply with a standard, compliance costs will increase.

Question 6: BAS would welcome views on the proposal that TAS R should prevail in the event of any conflict with adopted Practice Standard Guidance Notes

With reference to paragraph 4.5, it is not clear to us how in practice a Part 3 GN9 report could be presented before scheme funding decisions were made.

We suggest that it would be helpful to include a statement that, in the absence of a specific TAS, compliance with GN9 is deemed to provide compliance with the generic standard.

Question 7: BAS would welcome views on the proposed additional requirements described in paragraphs 4.8 – 4.18?

We welcome the statement in paragraph 4.8.

With reference to paragraph 4.9, it would be helpful to make clear that continuous monitoring to detect material events or changes is not required.

We do not understand what is intended under paragraph 4.10 (paragraph C.4.8).

We believe that the content of paragraph 4.11 represents an improvement on the previous proposals.

We are not clear what the proposals in paragraph 4.14 would add to this generic standard. There are numerous calculations, which are performed at regular intervals in different contexts (even within a single report), and whether it is sensible or practical to illustrate the possible results of future calculations will differ greatly depending on the circumstances. For example, in the context of pensions, would recommendations as to appropriate actuarial factors after each scheme funding valuation constitute a calculation performed at regular intervals? If so, due to the nature of these calculations, it would be difficult to include any indication as to the result of future calculations in a meaningful way. We suggest that this area is best covered in specific TASs where the precise requirements in each area can be specified, rather than as a generic requirement.

We agree with the sentiments in paragraph 4.18.

Question 8: BAS would welcome views on the text of the exposure draft as a means of implementing the policy proposals presented in this document

We re-emphasise the importance we attach to judgement on materiality hinging on the factors which the actuary could reasonably have taken into account at the time of making the judgement.

Yours sincerely

John Mortimer
Secretary