

## Response to BAS Pensions Consultation by BBS Consultants & Actuaries LLP

1. Will the proposed purpose of the pensions TAS that is set out in paragraph 2.3 help to ensure that users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility?

*Yes. However, one observation is that in the purpose as drafted the words 'including information on risk and uncertainty' are arguably redundant and could be confusing for this reason. If, as we assume, the intention is to highlight the need to provide information on risk and uncertainty then it would be better in our view to list this as a separate objective.*

2. Do respondents agree that all Reserved Work concerning occupational pension schemes should be within the scope of the pensions TAS? (paragraphs 4.2 to 4.7)

Yes

3. Do respondents agree with our intention that the pensions TAS should apply to work in connection with occupational pension schemes which is almost always carried out by an actuary and which is used to make important financial decisions or which might affect the level of benefits payable to members? (paragraph 4.11)

Yes

4. Should the pensions TAS cover the non-Reserved Work listed in paragraph 4.26?

*Yes, assuming that 'actuarial information' is appropriately defined and work that is often carried out by non actuaries is excluded.*

5. Do respondents agree that the areas of work described in paragraphs 4.29 to 4.33 should not be in the scope of the pensions TAS?

Yes

6. Should the following areas of work performed in connection with defined contribution schemes be within the scope of the pensions TAS:

- a) scheme design; (paragraph 4.35) - No
- b) benefit projections; (paragraph 4.36) – *No. Most projections are carried out under SMPI or FSA rules and it would not be helpful to have additional requirements overlaid on these.*
- c) any other work? (paragraph 4.37) – *Not at this stage.*

7. Should work performed in connection with mergers and acquisitions be in the scope of the pensions TAS? (paragraphs 4.38 to 4.40)

*We are inclined to agree that this is important work and should therefore be included.*

8. Should work for scheme sponsors on inducements to transfer be in the scope of the pensions TAS? (paragraphs 4.41 to 4.42)

No.

9. Is there any work for scheme sponsors other than work on Scheme Funding where agreement is required and inducements to transfer, that should be in the scope of the pensions TAS? (paragraphs 4.43 to 4.44)

No

10. Is there any other work which is not mentioned above that should be within the scope of pensions TAS? (section 4)

No

11. Do respondents have any comments on the proposals concerning data that are presented in section 5, especially those in paragraphs 5.7, 5.10 and 5.12?

*There is a danger in regarding such matters as the employer's opinion on future salary increases and early retirements in the same terms as other data. Apart from anything else, assumptions are normally required over a long period and the employer will often only have a realistic view over relatively short terms.*

*We agree that any relevant legal opinions should be sought as well as information about any practice relating to discretionary benefits.*

12. Are there any other data issues which respondents believe should be covered by principles in the pensions TAS? (section 5)

No

13. Do respondents have any comments on the proposals concerning assumptions that are presented in section 6, especially those in paragraphs 6.3, 6.8, 6.12, 6.14, 6.16, 6.19, 6.33, 6.35, 6.36, 6.42, 6.46, 6.53, 6.61 and 6.63?

*6.12: the effect of material events after the effective date could be illustrated in a number of ways and it would not necessarily be appropriate to allow for the events in the assumptions used.*

*6.19: whilst we agree with this in principle, in practice it is common for some assumptions to be netted off against others and we believe that this should be acceptable. Examples are expressing rates of return or increases in 'real' terms and netting off of investment expenses from assumed investment returns. It is not clear whether these would be caught by the wording proposed.*

14. Respondents are asked for their views on whether a standard comparator rate for discount rates would assist users' understanding, and if so whether a low risk rate should be used? (paragraphs 6.28 to 6.31)

*We believe that it is unlikely that a standard comparator would be an appropriate benchmark in all circumstances and as a consequence this should not be required.*

15. Are there any other principles on the selection of assumptions which respondents believe should be in the pensions TAS? (section 6)

No

16. Do respondents have any comments on the proposals concerning modelling and calculations that are presented in section 7, especially those in paragraphs 7.6 and 7.10?

*We suggest including a requirement to explain what reserves have been included for insured death benefits.*

17. Are there any other principles relating to models and calculations which respondents believe should be in the pensions TAS? (section 7)

*No*

18. Do respondents have any comments on the proposals concerning reporting that are presented in section 8, especially those in paragraphs 8.4, 8.17, 8.18, 8.35, 8.38, 8.39 and 8.40?

*8.18 : we believe that attempting to quantify the maximum liability in relation to any uncertainty in benefits would be very difficult and the results could be misleading. This should therefore not be required.*

19. Do respondents agree that in Scheme Funding exercises any prudent estimate of scheme liabilities should be accompanied by a best estimate? (paragraphs 8.10 to 8.15)

*No. We do not think that the concept of a 'best estimate' is a sensible one to apply in the context of scheme funding, where future decisions (for example in relation to de-risking investment strategy or granting discretionary benefits) may well depend on future experience. Further, we would be concerned that providing 'best estimate' figures may give a false impression of the degree of prudence inherent in any other figures, and could also undermine any negotiations trustees have with scheme sponsors.*

20. Do respondents agree with our conclusion that the final Scheme Funding report should include sufficient information for an informed reader to understand the financial position of the scheme, and that this is best accomplished by defining the intended users and decisions accordingly? Do respondents agree with our conclusion that this would result in little extra work? (paragraphs 8.20 to 8.31)

*We agree that the report should include sufficient information for an informed reader to understand the financial position of the scheme. However, we consider that the main purpose of the report should be to set out the information required by trustees, scheme sponsors and others involved in the management of the scheme, rather than scheme members.*

21. Would the provision of specimen Scheme Funding reports be of value to users? (paragraph 8.32)

*Yes.*

22. Are there any other principles on reporting which respondents believe should be in the pensions TAS? (section 8)

*No.*

23. Do respondents think that actuarial comparisons in pensions should be covered in the pensions TAS or in a Specific TAS covering similar matters across all areas of actuarial work? (section 9)

*We would suggest that these be included in the pensions TAS.*

24. Do respondents have any views on whether it would be of value to users of actuarial information for the BAS to maintain a glossary of actuarial terminology and if so, what it should contain? (paragraphs 10.15 to 10.17)

*We consider that a standard glossary would be useful.*

25. Do respondents have any comments on the proposed transitional arrangements from the adopted GNs to TASs described in section 10?

*No.*

26. Do respondents have any views on whether matters which could be construed as technical or ethical such as those mentioned in paragraphs 10.5, 10.13, 10.20 and 10.24 should be included in the pensions TAS?

*We think it would be helpful to include these matters in the pensions TAS.*