

Board for Actuarial Standards
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FAO: The Director

Dear Sirs,

**Board for Actuarial Standards
Pensions: Consultation Paper**

Deloitte Total Reward and Benefits Limited are pleased to respond with comments on your Consultation Paper. As always, we welcome your consultative approach.

Rather than address each question in your Consultation Paper in turn, our comments below concentrate on the main themes emerging upon which we would like to comment. We do, however, include comments on a number of specific points arising.

Scope of the pensions TAS

As we previously commented in our response to the consultation paper on the structure of the new BAS standards, we believe that BAS should focus on drafting standards for those roles reserved to actuaries.

Much of the commentary in the Consultation Paper and the proposed principles for inclusion within the pensions TAS appear to reflect the perspective of scheme funding advice to trustees as part of a full actuarial valuation. We believe that it is not necessarily appropriate always to apply the same principles to other areas of actuarial work in relation to pensions.

Clients require and request advice from actuaries in a wide range of situations and we believe that it is important for the advice to be focussed on the requirements of the client without being unnecessarily complicated or extended to follow principles that may be more appropriate for other purposes.

We recognise that the over-riding materiality and proportionality concepts are helpful in this respect, but believe that they will be harder to judge and apply beyond the reserved areas of practice.

Assumptions

Our comment that the proposed principles appear to focus on funding advice to trustees is particularly relevant to

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Section 6 on Assumptions. For other purposes an actuary would have to rely upon the materiality and proportionality concepts in order to take a different approach that may be more appropriate in the circumstances. It would be helpful if the TAS could more explicitly recognise this.

Even within the context of scheme funding advice we are not convinced of the requirement to show comparisons of the discount rate with a “low-risk” rate. Whilst we recognise that such a comparison may be appropriate in some circumstances we have reservations about a universal requirement.

Regarding the principle in 6.12, whilst we agree that post-effective date events should be considered, we do not think it is always appropriate to take account of such events when setting assumptions.

In 6.42 the principle that mortality assumptions should “reflect the estimated current mortality rates” does not appear to allow for margins of prudence or other adjustments that may be appropriate in particular circumstances.

It is likely to be impractical in practice to identify the split in expenses between past and future benefits as required under 6.53.

Reporting

We believe that reporting of actuarial advice should be tailored to meet the requirements of the client in the context of the scope of the work undertaken. A report should be clear that it is written to meet the requirements of the addressee and we believe that it would not be desirable to include details within the report addressing the needs of other parties (even for those with a right to access the report, such as scheme members in relation to an actuarial valuation report).

We do not agree with the proposal in 8.14 to require a prudent estimate of scheme liabilities to be accompanied by a best estimate. Notwithstanding the issues relating to defining such a ‘best estimate’, other approaches to measuring and illustrating the degree of prudence may be more appropriate.

We do not believe it is necessary or desirable for BAS to issue specimen Scheme Funding reports. Such specimens are likely to be adopted as a de-facto standard which would be counter-productive to the principle that reporting should be tailored to meet the requirements of the client.

We trust you will find our comments useful in developing an appropriate pensions standard. If you would like to discuss further any of the points we have raised, please contact me using the details at the top of this letter.

Yours faithfully

{ Sent by e-mail only }

Orlando Harvey Wood FIA
Director
Deloitte Total Reward and Benefits Limited