

Paul Greenwood BSc FIA

18th September 2009

The Director
The Board for Actuarial Standards
5th Floor Aldwych House
71-91 Aldwych
London
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Dear Sir

Subject Pensions Consultation Paper

I am one of the two Actuaries at Foresight Trustees Ltd, an independent trustee company and I am writing to set out my response to the consultation paper.

In general I support the proposals in the paper, especially those relating to data, modelling and reporting. In this letter I comment specifically on the proposals regarding assessing prudence in funding described in paragraphs 6.55 to 6.59 and give my answer to question 23.

Prudence in funding

Paragraphs 6.55 to 6.59 appear to be interpreted by some that there is a proposal that a monetary value is placed on the difference between the trustees' scheme specific funding target and the actuary's best estimate. If so much work needs to be done to make such a regime work reliable without being possibly misleading. A no risk best estimate funding liability can be established from market yields and buyout costs with a reasonably narrow funnel of doubt. However, in most cases, that is not the scheme specific funding regime established by trustees where assumptions are usually made about the future returns on risky assets. Such assumptions, whether prudent or best estimate, involve a large element of judgement or (to be less polite) guesswork. Therefore the gap produced between a prudent and best estimate funding liability itself is very judgemental or one could even say random.

A far more reliable way to look at the degree of prudence involved in a funding basis is to look at the gap from the Actuary's estimate of buyout cost, the larger the gap of the target funding liability the less prudent the particular funding regime adopted.

Question 23

I believe actuarial comparisons in pensions should be included in the pensions tasks. Due to the specialisation in the areas actuaries now work in, I believe this best suits users and is more likely to lead to compliance.

Yours Sincerely

Paul M Greenwood BSc FIA
Director