

**Private & Confidential**

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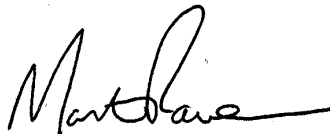
Dear Louise

**Board for Actuarial Standards Exposure Draft: Pensions**

Please find enclosed Buck Consultants' comments in respect of the above mentioned Exposure Draft.

Our comments should be read with proportionality and materiality in mind. In particular, we are keen to avoid the TASs placing an undue burden on smaller actuarial firms and leading to additional fees being incurred by clients.

Yours sincerely

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## **Response to the consultation paper “Exposure Draft: Pensions” issued by the Board for Actuarial Standards (BAS) February 2010**

Please find detailed below our comments in respect of the questions raised by the BAS in section 7 of the paper entitled “Analysis of Responses and Invitation to Comment” that accompanied the Exposure Draft of Pensions Technical Actuarial Standard (Exposure Draft).

In addition, we have also provided comments on other aspects of the Exposure Draft and detailed how these comments would address the BAS’s aim of increasing the reliance that users of actuarial information can place on it.

### **Specific Questions**

#### **1. the application of the Pensions TAS to schemes not subject to Scheme Funding (paragraphs 4.19 to 4.21).**

Where appropriate, we believe that the Pensions TAS should apply to schemes not subject to Scheme Funding.

#### **2. the definition of governing body, especially examples of schemes for which the definition is not appropriate (paragraph 4.22).**

No comment.

#### **3. the proposed commencement date for the Pensions TAS (paragraphs 4.23 to 4.25).**

We believe that the Pensions TAS should apply from the effective date of a piece of actuarial work, where that effective date is on or after the date from which the Pensions TAS first applies. We would like to see the final version of the Pensions TAS published six months before it becomes effective. For example, if the Pensions TAS was published on 30 December 2010 it would apply to actuarial valuations with an effective date on or after 1 July 2011.

This approach would allow users and actuaries time to analyse the implications of the Pensions TAS and avoid the situation where actuarial advice in respect of projects already started would be subject to the requirements of the Pensions TAS part way through the project.

#### **4. the transition to the Pensions TAS from the adopted Guidance Notes (see section 5).**

Subject to our comment in respect of GN28, we believe that it would be appropriate to withdraw the relevant Guidance Notes (GNs) when the Pensions TAS becomes effective (based on 3. above).

**GN9** – Scheme Funding reports already have to comply with GN9 and TAS R. Based on 3. above, we would not expect reports to have to comply with GN9, TAS R and the Pensions TAS. Reports should not have to comply with both GN9 and the Pensions TAS.

**GN16** – No comment.

**GN19** – Obviously, GN19 would continue to apply to historical debt calculations.

**GN26** – We agree that a glossary should be maintained by some organisation, preferably the BAS or the Actuarial Profession.

**GN28** – We note that the BAS is in discussions with the DWP regarding GN28.

**GN34** – No comment.

**GN36** – We would ask BAS to confirm that TAS P applies to all accounting work. Indeed C.1.23 of the Exposure Draft confuses the position by only mentioning specific accounting standards.

**GN49** – No comment.

**5. our impact assessment and the effects that the introduction of the Pensions TAS is likely to have on actuarial information (see section 6).**

We believe that the comments made in 6.2 are not relevant to the potential increase in costs associated with compliance with the TASs.

We do not believe that it is possible to put a figure on the expected costs of transition to the TASs. We believe that the costs will be significant and disproportionate between actuarial firms.

We believe that the TASs will result in significant additional costs for Scheme Funding assessments. Compliance with the Pensions TAS will mean that more work would be required than is currently the case to ensure compliance with GN9.

We do not agree with the BAS's comments regarding the prescriptive nature of the calculations required for the solvency position under GN9. This is based on our understanding that the statutory estimate of solvency can be used.

**6. the text of the exposure draft as a means of implementing the proposals presented in this document.**

The use of the term “statistically well-grounded” might be replaced with “statistically significant”.

**Other comments**

**A. Neutral estimates**

Whilst we appreciate the controversy surrounding the term “best estimate” we are not convinced that the introduction of the term “neutral” aids users’ understanding and feel that it will lead to confusion.

It is highly unlikely that users will gain any benefit from looking at a neutral measure unless there is more specific guidance on what this measure is trying to achieve. There will also be additional work involved in trying to get users to understand this definition.

**B. C.1.14**

Under C1.14, we feel that it would benefit users if the comparison of member options before and after transfer is added to the items listed. It may also benefit users if the first bullet point distinguishes between benefits and discretionary benefits.

**C. C.1.23**

As above, C.1.23 should be amended to include reference to all accounting standards, or removed, to avoid confusion.

**D. Legislative Uncertainty – D.3.5 to D.3.7**

We have concerns over this section and in particular phrases such as “might need to include”, “an indication of the maximum liability” and the “liability under different scenarios”.

We feel that D3.5 to D3.7 should be reworded. Legal opinions should be made available to an actuary as a matter of course. We feel that it would be of more benefit to the user if an actuary is required to detail any uncertainty, and proposed assumptions, with regard to a scheme's benefits and overriding legislation. The users can then instruct the actuary as to whether the proposed course of action is acceptable.

**E. Heading of E.3 & E.4**

The heading E.3 may read better if it is worded more consistently with legislation. For example, "Assumptions used in calculating technical provisions and preparing or revising the statement of funding principals". Similarly the heading for E.4 might be "Preparing or revising a recovery plan or schedule of contributions". We are not convinced that the information required under sections E.3 and E.4 directly relates to the legislation references quoted.

**G. E.5.2**

E5.2 e) "no later than three years after the effective date" may be taken to be one day after the effective date.

**H. E.5.5**

E5.5 should refer to the pension scheme's documentation. Users should not rely on, and an actuary should not be expected to, produce a summary of a pension scheme's benefits.

**I. Section E.**

In section E it should be clarified to which funding level the defined term "funding level" relates. For example, is it the scheme assets divided by the technical provisions, or some other measure such as the statutory estimate of solvency?