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Our ref gs

20 May 2010

By e-mail to: [baspensions@frc.org.uk](mailto:baspensions@frc.org.uk)

Dear Louise

### **Exposure Draft: Pensions**

Following the above Exposure Draft, issued in February 2010, we are pleased to give our comments. These represent the views of the pensions actuarial practice of our UK firm.

### **Scope**

We ask you to reconsider the wording of C.1.7. As drafted, it brings within scope the work of any actuary who is part of an investment consulting team, who will work with actuarial information in giving advice on investment strategy. We understand from the earlier consultation paper that the intended scope is limited to the work of the scheme actuary in providing such information – the draft wording does not provide such limitation.

We are disappointed that despite the submissions to the earlier consultation paper, actuarial work for scheme sponsors is still in scope (C.1.11). Neither the consultation paper nor the responses showed any benefit to users from such inclusion.

The comment in paragraph 2.19 of this paper, that duplication with a scheme actuary's work "need not be a problem", does not reflect the practical situation. The Scope & Authority does permit departures, but only with very full disclosures, which will lead to a great deal of "clutter" in reports to sponsors, and extra time taken to tell them what they have not asked for and what they do not wish to know. It is not obvious that "materiality and proportionality" considerations would lead to any reduction in this. We therefore ask you to think again on this subject, and in particular to seek the views of employer users, as there has been no mention of any such engagement with them in your papers.

## **Neutral estimates**

We supported the introduction of ‘best estimates’ in the earlier consultation paper, and would equally support the introduction of ‘neutral estimates’, assuming these are meant to be the same. This will assist users in having more focused discussions on appropriate levels of prudence in scheme funding.

However we would recommend strongly that the definition of ‘neutral estimates’ be as clear and as comprehensive as possible – discussions on this subject to date have shown that different actuaries will interpret the present draft definition in different ways. Indeed, the term itself may be problematic, introducing what will be perceived as another new concept in actuarial work. One alternative might be to dovetail with accounting standards, where the concept of ‘unbiased’ estimates of assumptions exists.

We would also recommend that D.2.16 be amalgamated with E.4.2, as in many (all?) cases the two subjects will be the same, or at least similar. It will confuse clients to have to discuss separately what they see as the same topic under two different headings.

If you have any questions regarding our response, please contact Gordon Sharp, whose details are at the top of this letter.

Yours sincerely

Alastair McLeish  
Partner