



Punter Southall

Private & Confidential
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April 2008 consultation on
ED reporting actuarial
information

Dear Sir/Madam

**Board for Actuarial Standards
Exposure Draft: Reporting Actuarial Information
April 2008**

This is the reply from Punter Southall Limited to the above consultation paper.

It should be borne in mind that Punter Southall is a pensions consultancy and our comments are made from that perspective.

The definition of a “report” (Section 2 and paragraph 3.1)

In our opinion, this definition is potentially very wide. For example short e-mails with relevance to a particular issue could be subject to the reporting standard. If any e-mail to a client on an actuarial topic is required to satisfy the standard then there is a risk that this would drive up costs as checks would need to be carried out solely to ensure compliance of the short e-mail with the reporting standard. We would appreciate further information on the scope of the reporting standard. Note that as the standard applies to the “totality of information” we are not suggesting that non-compliance of a short communication would lead to non-compliance overall. Given the above, the definition is drafted clearly and relatively succinctly.

The definition of “materiality” (Paragraph 3.1)

We would prefer that instead of “...the document could influence...” that it instead should read “could, in the judgement of the report writer(s)”. We are concerned that as currently drafted a litigious user could subsequently argue that any point not included in a report was material by claiming that a decision would have been influenced had the report writer had mentioned it. This could lead to overly complicated, lengthy and (potentially) costly reports that seek to protect the writer rather than assist the decision maker. We consider our suggested wording would enable report writers to produce suitably succinct reports focussing on the key items.



Paragraph 4.1(d)

We note that under 4.1(d) the exposure draft states that “the information provided in compliance with this standard, and the cost of providing the information, should be proportionate to the benefit the user would be expected to obtain from the information,...”. Does this mean that if there is a fee dispute between the actuary and the client subsequent to a report being issued that a breach of the standard could arise?

Paragraph 6.4

We also note that point 6.4 puts an onus on the actuary to try to establish that users of a report have understood its meaning before taking any decisions based on the report. The exposure draft goes on to note that this is an imperfect art. Whilst we agree with the sentiments, we do not consider that this belongs in a regulatory document.

This point is not confined to paragraph 6.4 of the exposure draft; in general we were left unsure how material breaches of the reporting standard would be identified. A lot of worthy points are made but in a legal dispute, we consider that it might be difficult to determine compliance due to the subjective nature of the exposure draft.

Paragraphs 7.17-7.24 Risks

It is very important in our opinion that users of actuarial reports are not given the impression that the advice given in the report is somehow “complete”. There will inevitably be risks that are not known to be problems at the time advice is given, so whilst it is desirable to set up a regulatory system that aims to cover all aspects, in reality completeness will never be possible. In our opinion it is dangerous to suggest that actuarial reports are complete. We suggest the reporting standard should be amended to make it clear that reports are only considered complete here (and similarly for paragraphs 7.4 to 7.6, 7.8 to 7.13, 7.14, 7.25 and 8.3) for the purposes of complying with the reporting standard.

We have concerns about paragraphs 7.17 (d) and (e). In our opinion it would be difficult for an actuary advising a defined benefit pension scheme to reasonably write a complete report on (d) and (e).

Costs

We consider that the proposals as they stand are likely to cause costs to rise as reports in certain situations (for example a quarterly funding updates of the position of a final salary pension scheme) might be made much more detailed than previously. This may or may not be of benefit to the end-user. We dispute the assertion that the implementation costs would not be disproportionate to the smaller scheme. Firstly there is a limit to the extent that relative savings can be made and secondly a disproportionately high cost per member may encourage the sponsoring employer to close the scheme.

If you have any comments on the above please contact me in the first instance.

Yours sincerely



Andrew MacRae
Principal