

Emily Brown

From: Allan Martin [allan@acmca.co.uk]
Sent: 25 June 2007 21:48
To: basapril07
Subject: BAS Conceptual Framework - Consultation

As a Scheme Actuary and Independent Trustee, I have the following comments, starting with the five specific questions raised on page 21.

1. The BAS priority should be on *actuarial information* but I think it would be a major mistake to neglect or ignore the need for *actuarial advice* based on the "number crunched" information. I suggest an 80:20 split.
2. Again the needs of those who rely on actuarial information should be the primary focus, but I believe it would be detrimental to in any way restrict actuarial advice completing the picture.
3. Prudence should indeed be regarded as decision-makers' attitude to risk but I believe it is naive to suggest that is the end of the story. Each decision-maker may differ. Circumstances may be such that each situation should result in a different level of risk. Certainly in the pensions field, the employer covenant, the degree of liability matching, the industry, the membership profile, the scheme cash flows etc etc could all give different risks and prompt a different level of prudence. I think it is the actuary's job to put all the actuarial information together and assist the decision maker (with actuarial and other advice) to come a balanced conclusion.
4. Agreed, although I would suggest caution in too close an analogy with GAAP, where several "true and fair views" have proved worthless! Also I am aware of the accounting audit "precipice" of a qualification to the accounts. It would be nicer to have an actuarial framework where a "greater degree of emphasis" might be expressed rather than a blunt or stark disagreement, to show where a different view or approach might prevail.
5. A generic communication standard would be useful, but I think it wrong to look on this as a panacea! I would include all of the six Morris points although as mentioned above characterisation of risk is very case specific.

I would personally like to see the BAS encourage more diagrams in actuarial reports. I've seen more trustee and employer knowledge and understanding come out of a pension scheme investment "efficient frontier" diagram (and the emerging probability distributions) than any form of words can ever generate.

In trying to establish the conceptual framework I suggest consideration of Scots Law which I understand is based on Roman Law and has a significant element of underlying principle.

Finally in Appendix 5, I disagree slightly with the column headed "Independent Measurement Verification".

- FRS17 director assumptions are considered by the auditor but I've never encountered any measurement checks. The STRGL figures are comparable to an AVR analysis of surplus, so the figures are partially self checking but nothing more.
- The Scheme financial position is indirectly and approximately checked by TPR (surplus was occasionally checked by GAD).
- Transfer values are indirectly checked by IFAs undertaking transfer analysis calculations (albeit with a less than ideal FSA basis!)
- Commutation factors are increasing checked or challenged by members, unions, IFAs, TPAS and independent trustees.

Regards

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