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Dear Sir

Preliminary Consultation on a Conceptual Framework

I am one of the three Actuaries at Foresight Trustees Ltd, an independent trustee company and I am writing to set out our response to the consultation paper. Below I set out our answers to some of the specific questions asked in the consultation paper.

1. The BAS priority should be to focus on standards that relate to actuarial information, over the other issues discussed (section 1.2)

I would expect most BAS standards to be based on policing the “output” i.e the actuarial information produced. However not all risks that impact the reputation of the profession can be controlled best in that way. Some reputation risks are best controlled by standards impacting the process that produces the actuarial information, e.g. ensuring all stakeholders are adequately consulted is not best done by disclosure of actions after the event. Setting standards for the process of decision making should not be ruled out.

In deed it would appear some at the FRC agree with me. To quote from the “Actuarial Stakeholder Group Survey Of The Needs Of Principal Users Of Actuarial Services”(page 8, 14 in pdf) :-

“In order to address this concern, the FRC should consider whether there needs to be a procedure in place for ensuring direct and equal access for all trustees to information and advice provided by the actuary.”

2. The needs of those who rely on actuarial information should be the primary foundation on which actuarial standards are developed as discussed (section 1.4.1)

Agreed

3. Prudence should be regarded as decision-makers’ attitude to risk (evidenced by the risks they accept or avoid) and is not an element of measurement, as discussed (section 1.4.12 et seq)

I agree as long as other aspects of the standards require full and detailed disclosure with regard to possible variations in future trends of economic and demographic elements on which assumptions are

made for the completion of calculations and formulation of advice; in other words, some form of scenario testing.

4. The concept of SAPT will provide a useful means of distinguishing high quality actuarial information (section 1.7)

I believe not enough detail as been provided at this stage to adequately judge this issue.

5. The BAS should develop a generic communication standard (as recommended by Morris – see sections 1.7.8 and A1.14) as well as detailing specific communication requirements and standard reports in each SAPT standard. If so, which of the six items from the Morris listing are applicable to every report containing actuarial information.

I believe all of the six items Morris outlined are potentially applicable to every report.

I would like to add one further comment. The FRC and hence BAS, believe the best form of regulation is produced by an efficient market based on adequate disclosure of information. For that to work the participants in the market, especially those who make decisions in reliance on actuarial calculations and advice, need adequate knowledge and understanding. That is often not the case, for a variety of reasons. For example:

- Some Pension Trustees have admitted that they would welcome more specialist knowledge on their Trustee Boards. That is not a reflection of poorly constructed or poorly presented actuarial work. It is a reflection of the responsibility unavoidably inherent in overseeing the running of a complex financial institution like a pension scheme.
- Some pension schemes are offering their members transfer values on special terms. Those offers can be driven by the sponsor's and the trustees' desire to control risk. However, from the member's point of view, the temptation to accept short term gain (as a "bird in the hand") might often drive a decision, which is not in the member's best long term interest. This is an example were regulating process can be as important as controlling output.

Yours Sincerely

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Director