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Policy and Planning Manager  
Financial Reporting Council  
5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
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Dear Sirs

**Draft Plan 2009/10 Proposed Update to the Strategic Framework and 2009/10 Levy Proposals including supporting information - Response to Consultation**

The Association of Consulting Actuaries (ACA) welcomes the opportunity to respond to the draft plan issued by the Financial Reporting Council (FRC) in December 2008. Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes.

Members of the Association are all qualified actuaries, subject to the code of professional conduct of the Faculty and Institute of Actuaries. The FRC is responsible for the independent oversight of the UK Actuarial Profession and the setting of actuarial technical standards. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of defined benefit pension schemes.

The ACA is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies.

In looking at our responses to the Consultation we mainly concentrate on those applying to Strategic Outcome Four: Actuarial Practice since that is the main focus of our members. We provide our responses to the six questions asked as follows:

**Question 1: Do you agree with our proposed updates to our Strategic Framework?**

Response: We support the addition of the wording contained in 4(a) ii and 4(b) iv. Additionally we have no comments to make on the updates to outcomes 5 or 6.

**Question 2: Do you agree that the major risks we have identified in the draft Plan 2009/10 are significant in relation to confidence in corporate reporting and governance in the UK? Are there major risks which we have not identified? Do you agree with our draft risks assessments in Section B.**

Response: In relation to Strategic Outcome 2 and whilst it is not our area of expertise we do question the selection of sectors for the examination of accounts and directors' reports. The current economic situation is proving that accurate assessments and planning for all companies is being severely affected. If for no other reason

than they depend critically on the outcome for companies in other sectors, particularly the influence of the banking sector.

Again in relation to Outcome 2 we do not see the issue with disclosure of business models. The real issue we suggest is that it is increasingly challenging to assess the validity of the underlying assumptions in the models.

We agree in relation to Strategic Outcome Four that the current uncertainties are challenging for actuaries in advising their clients. However it is important for both the accounting and the actuarial professions to adopt an appropriate professional stance. It is of no use for either to provide increasing amounts of information highlighting more and more uncertainty, the outcome of which may well be for the user to ignore the advice in its entirety.

The role of our increasingly litigious environment poses risks against all professions which can be exacerbated in times of increasing challenge. FRC must nevertheless encourage their professionals to provide full and complete advice and recommendations without which clients are left floundering and begging what the role of advisers is.

**Question 3:** *Do you have any comments on the scope and relevance of the proposed major activities and projects included in the draft Plan 2009/10? Are there any additional major activities or projects which should be included in the Plan? Do you agree with our draft work programme 2009/10 in Section B?*

Response: The implications on Outcome Four are, with the exception of looking at solvency II relatively small. We therefore have no comment to make.

**Question 4:** *Do you believe there are any other significant risks which may emerge, beyond the 2009/10 horizon, which may be relevant to our future planning?*

Response: At this stage and until some normality returns to the economic scenario it is difficult to predict how this may change. We therefore do not believe there are other risks which can, at this stage, be built in.

**Question 5:** *Do you have any comments on our draft budget for 2009/10?*

Response: We have no comments on the budget. However we do note the sharp increase in the disciplinary costs arising out of the one investigation referred to on page 63. We would question to what extent such costs are recoverable should "guilt" be found?

**Question 6:** *Do you have any comments on our draft funding projections for 2009/10?*

Response: We do not have any comments to make.

**Question 7:** *Do you have any comments on our proposed preparer's levy rates for 2009/10? Do you have any comments on our proposed insurance and pension levy rates for 2009/10?*

Response: Given the level of the Pension levy, which is currently voluntary, the costs of collection and the basic principle of its purpose (to ensure the proper regulation of the individuals and their firms), we do question whether it is correct to invoice the individual pension schemes. At an average levy of £60.00 we would prefer

than the firms be levied, possibly on the same basis (but including all schemes) and that these amounts are then recovered through time cost and fee rates.

Whilst one could argue that this is merely a cost to the profession the counter is that clients pay large fees part of which is to secure proper professional advice and they should not have then to additionally pay for regulation of the profession. The levy is currently voluntary and we would suggest the incidence of non payment could rise as demands on cash, however small, are numerous.

We thank you for giving us the opportunity to respond to this consultation and would be happy to discuss any aspects which are not clear.

Yours faithfully

**Phil Wadsworth MA FFA**  
Chairman  
Consulting Practice Committee  
Association of Consulting Actuaries