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The Director
Board for Actuarial Standards
5th Floor,
Aldwych House
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Dear Sir

Towards a conceptual Framework – Consultation Paper

I regret that I was unable to attend the consultation meeting held in Merchant Company Hall, Edinburgh on 21st January.

This letter includes some remarks which I would have made.

I agree with the broad categorisation set out in paragraph 3.9. but wish to make some observations concerning the “fringes”.

Although I spent my working career predominantly with a life assurance company, I did with the knowledge and consent of my employer work in a part-time capacity as a consulting actuary. My work in that capacity the work fell into three categories, namely (a) valuations as required by the Rules of Schemes providing Widows and Dependants benefits (b) the valuation of pension rights accrued in the case of divorce actions or lost in the case of negligence actions and (c) valuation of reversionary and life interests.

Further comment on these types of task might be helpful. As regards (a) there are a number of ole established schemes that have provided benefits of this nature to their members. They are not occupational pension schemes and are not regulated but the Rules of the Schemes I was involved with required a quinquennial actuarial valuation. One in Edinburgh with which I was not involved is operated by the Merchant Company, in whose Hall you held your consultation meeting. I leave you to decided whether such Rules create a legal obligation and if so they are covered by B or whether they come within C. In practice I would expect an actuary conducting such a valuation would have regard to any relevant standard applying to Category B and to explain any departure from such standard (the rules might require such departure).

As regards (b), legislation now prescribes the approach to be used in valuing the majority of accrued pension rights but there are cases that fall outside the scope of the legislation. These probably fall into Category C but again I would expect an actuary conducting such a valuation to have regard to any standard applying to the calculation of Transfer Values (the basis underlying those within the scope of the legislation) and t>o explain any departure from

such standard. For the record the first instruction I received to carry out such a valuation was the result of a direction by the Court to the parties to obtain an actuarial valuation of the accrued pension rights; whether or not this would have meant the case falling within Category B.

As regards the valuation of lost pension rights I am not aware of any legislative requirement.

As regards(c), no two cases are the same but where a trust is to be broken the Courts invariably expect to see an actuarial valuation. However on one occasion I recall being asked to conduct a valuation of a reversionary interest for Estate Duty purposes (the beneficiary of the reversionary interest had died before the days of Inheritance Tax), I leave you to decide whether such a requirement could be regarded as a legal requirement.

I look forward to seeing the outcome of your consultation.

Yours faithfully

P. H. Grace