



**The Financial Reporting Council**

**Board of Actuarial Standards**

**Consultation on new Conceptual  
Framework for Actuarial Standards**

**Response from**

**The Pensions Management Institute**



## **PMI response to The Financial Reporting Council Board of Actuarial Standards Consultation on new Conceptual Framework for Actuarial Standards**

### **Introduction**

The Pensions Management Institute (PMI) is the professional body for people working in the pensions sector. The PMI's members (currently around 4,000) work as pensions managers, consultants and technical specialists in consultancies and insurance companies. Many are also actuaries, pensions lawyers or company secretaries. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response.

### **PMI's response**

1. PMI welcomes the development of the BAS Conceptual Framework, and urges progress towards an Exposure Draft and then the final version after the carrying out an Impact Assessment, without delay. We believe it is important to maintain the momentum away from Actuarial GNs towards Specific Reporting Standards (in addition to the Actuarial Profession's "Information and Assistance Notes"), whilst at the same time ensuring there are no gaps (or cross-overs) in the regulation of actuarial advice.
2. We recognise that regulated Actuarial advice can be given in the context of General and Life Insurance Business, as well as to Occupational Pension Schemes. At PMI we are only concerned with this latter category. It is apparent that in attempting to cover all areas of actuarial work in a single conceptual framework, some stretching of concepts is apparent (e.g. requirement for cash flow projections). We do not see the need for cash flow projections to be a regular feature of pension fund reports to trustees, but suggest such a feature could be available on request, and the scheme actuary required to draw this to his client's attention.
3. PMI believe that Categories A & B should be covered by BAS, but not Categories C, D or E. An example of Category B could be Investment Advice to scheme trustees.
4. PMI supports the approach in Section 4 for Principle based Standards. However, we have reservations over paragraph 4.11 that "prudent" assumptions (for example in setting Technical Provisions) could in the future constrain the role of Trustees and their actuarial advisers.



5. Section 5 relates to the Enforceability of Standards, and refers in 5.13 to a document setting out the “Scope and Authority of BAS standards”, and in 5.20 to the AADB’s Disciplinary Schemes. PMI recognises the need to maintain high professional standards, and again urges BAS to bring forward its proposals in these areas as soon as possible. We note that BAS is not intending to set any budget for disciplinary work in the next financial year. We assume this is because of the lead time in setting the new Standards, rather than any lack of will to prosecute non compliance.
6. We note the way that BAS intends to differentiate between work which must be done by an actuary (Category A), and other work which traditionally has been carried out by actuaries, possibly with the assistance of non actuaries. PMI supports the “Comply or Explain” proposals. However, we would not want this distinction to be used to dilute the quality of work done under Categories B to E, and suggest that there should be a presumption that such work complies to BAS Standards, unless clients specifically instruct otherwise.
7. In 5.18 BAS recognises that Entities can produce work that “complies with BAS standards”. PMI would welcome the extension of any disciplinary measures by BAS to the Employers of actuaries, as well as to individual actuaries, if the circumstances warrant it.
8. PMI welcomes Sections 6 & 7 as providing useful background information, and if retained in the final version could form useful background reading to parts of the PMI examination syllabus.
9. Section 8 lays the basis for taking the conceptual framework standard going forward; PMI supports the general proposals (general principles, quantification principles, plus generic reporting standard), but has reservations in the context of their application to pension fund reports to trustees. We believe that scheme actuaries should be free to omit minor assumptions, cash flow projections and probability measures in the interests of simplification and proportionality, where appropriate.
10. Para 8.36b refers to justification for assumptions in the actuarial report. However in this circumstance justification is the trustees' responsibility. Where the actuary has a responsibility for setting assumptions then a justification requirement might be appropriate but that is not really the situation in pensions work these days. PMI believe it would be more appropriate to remove justification from the general reporting framework and include it more specifically in the standards where it is relevant.

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