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Our Ref: Response to BAS

November 2007 consultation

paper

Dear Sir/Madam

Board for Actuarial Standards
Towards a conceptual framework: consultation paper – November 2007

This is the reply from Punter Southall Limited to the above consultation paper. .

Having attended the consultation meeting on 15 January, we have only a few comments to make on a few specific points. Before doing so we would like to say that we found this consultation paper to be a considerable improvement on the April 2007 "Preliminary Consultation Paper Towards A Conceptual Framework". It should be borne in mind that Punter Southall are a pensions consultancy and our comments are made from that perspective.

Likely sufficiency of assets

We note that under 8.48 (d) it states that "for any report which estimates the value of liabilities,..., an assessment of the *probability* that the assets held by the entity at the valuation date will be sufficient to meet those liabilities, explaining which risks have been taken into account in assessing the probability". We believe that the number of variables involved in the future outcome of a pension scheme mean that it will be very difficult to calculate a meaningful probability figure.

Given the lack of understanding of probability noted by BAS amongst users of actuarial information, it seems strange to incorporate a requirement for complex stochastically based calculations which do no more than communicate probabilities on a given model. The uncertainty of outcomes could alternatively be communicated by illustrating sensitivities.

We would also make the point that in pensions, the strength of the employers covenant is also a key factor (as well as the level of assets) in whether benefits are ultimately delivered or not.



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Cash flows

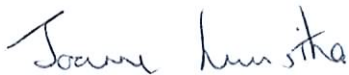
I note that under 8.37 it is proposed that "the total *undiscounted* amount of the projected cash flows, and the time period over which the cash flows are projected to be paid, should be disclosed." I believe that it might be more useful for users to show total undiscounted amounts arising in each future year. This would help illustrate the timeframes to users and is a consistent approach with that set out in the ASB's January 2007 Reporting Statement – "Retirement Benefits – Disclosures".

Accounting Standards

We understand that actuarial work carried out in connection with accounting standards (such as advising on assumptions and preparing disclosures) is not intended to be covered by the scope of the BAS framework. However there appears to be considerable confusion over the issues. We seek clarification as to the position of the FRC on this matter and their reasons.

If you have any comments on the above please contact me in the first instance.

Yours sincerely



Joanne Livingstone
Principal