



BOARD FOR ACTUARIAL STANDARDS

**ANALYSIS OF RESPONSES TO CONSULTATION PAPER
STRUCTURE OF NEW BAS STANDARDS
(AND IMPLICATIONS FOR ADOPTED GNS)**

SEPTEMBER 2008

INTRODUCTION

1. In April, the BAS published a Consultation Paper: *Structure of new BAS standards (and implications for adopted GNs)*. The purposes of this paper were:
 - to set out our views on the contents of the new set of actuarial standards that we will be writing over the next three years; and
 - to invite comments on the contents from respondents.
2. The BAS proposed that by December 2010:
 - the BAS book of standards will consist of eight or nine TASs; and
 - all the adopted Guidance Notes (GNs) will have ceased to apply.
3. The BAS received 20 written responses to the exposure drafts, 19 of which (since one respondent requested confidentiality) have been published on the BAS website¹; see Appendix A to this paper for a list of the (non-confidential) respondents. We found all the responses to be well considered and helpful, and we wish to thank all the organisations, firms and individuals concerned.
4. The overall comments demonstrate that the respondents, with two exceptions, were generally satisfied with the BAS proposals. The two dissenting respondents both expressed reservations on the grounds of the length of the timetable and of our decision to keep maintenance of adopted GNs to a minimum during this period.
5. Also, one respondent qualified their support for generic standards because of their concern that they would handicap actuaries compared to non-members performing similar tasks.
6. In the remainder of this paper we discuss in turn the responses to each of the specific questions we posed in the Consultation Paper.

SPECIFIC QUESTIONS

<p>1. Do respondents have any views on the proposals for generic standards and their contents, as set out in section 2? In particular, respondents are asked to comment on whether the proposed generic standards between them cover the principal concepts that are common across the main areas of actuarial work that fall within the scope of BAS standards.</p>
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7. With one exception, there was general support for our proposals, although a number of respondents commented on the challenges that we would have to overcome. One respondent suggested that, to avoid all possible doubt, the BAS's book of standards should make it quite clear that the generic and specific standards are not mutually exclusive, and particularly that compliance with the generic standards should not be dependent upon also following one of the specific standards. A second respondent repeated their concern that generic standards would handicap actuaries compared to non-actuaries members performing similar tasks, and also expressed concern that

¹ at <http://www.frc.org.uk/bas/publications/responsesConsultation2008.cfm>

generic standards would complicate the control environment in areas already covered by Regulation.

8. The one dissenting respondent stated that they still do not believe that it is practical to draft generic standards that apply appropriately across the board to such a wide range of actuarial work.

2.a) Do respondents think that issues arising from different group structures can be incorporated into the proposed specific standards or that a separate standard is needed?

9. The five respondents who commented on this question all supported the incorporation of group issues into the proposed specific standards.

2.b) Do respondents agree that matters concerning post-retirement medical plans should be covered in the appropriate specific standards?

10. Of the seven respondents who commented on this question, five agreed with the incorporation of post-retirement medical plans into the appropriate specific standards, while two favoured a separate standard, on the grounds that it would keep the pensions standard more succinct.

2.c) Do respondents agree that Skilled Person reports should be covered in the specific standard on business rearrangements?

11. Of the six respondents who commented on this question, three agreed with the proposal to cover them in the business rearrangements standard, but the other three saw no need for a technical standard in this area.

2.d) What views do respondents have on whether there should be a separate specific standard covering actuarial information for financial statements?

12. This attracted more comment (quite lengthy in some cases) than previous questions, but no consensus emerged. Of eleven respondents, three favoured a separate standard, five favoured incorporation into other standards and three saw no need for a technical standard in this area.
13. In the course of the development of its specific standards for long term insurance, general insurance and pensions, the BAS will decide whether or not actuarial information for financial statements should be addressed in a separate standard, taking into account the responses received.

3.a) What views do respondents have on the two criteria that the structure of the new book of standards should meet?

14. Of the nine respondents who commented on this question, all supported the proposed criteria. One respondent suggested a third criterion: that it should also be easy to see what the standard was at any particular date in the past.

3.b) What views do respondents have on the preferred structure and its ease of use?

15. Of the eleven respondents who commented on this question, eight supported the structure preferred by the BAS, one favoured a single standard on a specific subject (as described in paragraph 4.2 of the consultation paper) and one favoured splitting a subject between various standards (as described in paragraph 4.3 of the consultation paper), at least until that respondent could form an informed view on the preferred structure. The eleventh respondent commented only that ease of use would be determined to a large extent by the sophistication of the technology behind it.

4. Do respondents have any comments on the proposed treatment of the adopted GNs that is described in section 5?

16. Generally, the proposed treatment was supported but a few concerns were expressed:
- over transitional arrangements, firstly in respect of the need to give the profession time to recycle some of the material and secondly in respect of scheme funding valuations in progress when GN9 is disapplied and the new pensions standard takes effect;
 - over the many duties that will be encompassed by the pensions standard;
 - over the Board's decision not to be a source of interpretation of legislation for the benefit of actuaries;
 - over the lack of direct discussion with general insurance practitioners in the drafting process; and
 - over the extent of material that will change from 'recommended practice' to mandatory.
17. Also, one respondent repeated their concern about the Board's decision to keep maintenance of adopted GNs to a minimum during the transition period, as referred to in paragraph 4 above.

5. Do respondents foresee any particular problems entailed by the disapplication of the following GNs:
a) GN3, GN4, GN10, GN11, GN13, GN17, GN19, GN39, GN42, GN49 and GN51 in the third quarter of 2008?
b) GN22 on 1 November 2008?

18. A few particular problems were raised by individual respondents, in respect of:
- GN3, in that a few schemes are still in wind-up from before April 1997; and
 - GN4, GN11, GN19, GN49 and GN51, which contain material that a few respondents considered to be worth incorporating into a new pensions standard.
19. Having considered these responses, the BAS has decided to proceed with the disapplication of these twelve GNs. As some of them contain professional and ethical material, the exact timing of their disapplication will be decided after further discussions with the Actuarial Profession and with the DWP.

6. Do respondents have any comments on the overall timetable proposed in section 6, or on the order in which standards will be developed?

20. There was general support for the overall timetable and, with two exceptions, for the proposal to develop generic standards before specific standards (the two dissenting respondents both suggested concurrent preparation). One respondent also suggested cutting down on consultation periods and another respondent suggested concentrating initially on standards purely for roles explicitly reserved for actuaries. Two respondents repeated their concern over the Board's decision to keep maintenance of adopted GNs to a minimum during the transition period.
21. One respondent asked for clarification in respect of any overlap between generic standards (once they have been introduced) and GNs still in force, and another respondent suggested there should be an option for early adoption of the new transfer value regulations (in place of GN11).

CONCLUSION

22. The BAS will proceed to develop new standards as proposed in the Consultation Paper, but will postpone a decision on the development of a specific TAS to cover information for financial statements. The timing of the disapplication of a number of GNs will be subject to further discussion with the Actuarial Profession and with the DWP.

A LIST OF NON-CONFIDENTIAL RESPONDENTS

Association of British Insurers

Association of Consulting Actuaries

Aon

Actuarial Profession

Barnett Waddingham

Clifford Sharp

Deloitte

Department for Work & Pensions

Grant Mitchell

Hewitt

Hymans Robertson

Investment and Life Assurance Group

Jardine Lloyd Thompson

Mercer

Peter Hinton

Pensions Management Institute

PricewaterhouseCoopers

Society of Pension Consultants

Watson Wyatt

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