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08 January 2010  
Our Ref: 1699544 - 1/PB/ljw

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The Director  
Board for Actuarial Standards  
5<sup>th</sup> Floor, Aldwych House  
71-91 Aldwych  
London  
WC2B 4HN

Dear Sir

**Consultation paper : Actuarial information used for accounts and other financial documents**

Thank you for the opportunity to comment on the above paper.

This letter sets out Punter Southall's comments on the above consultation paper. Punter Southall provides a full range of actuarial advice, pensions consultancy and pensions administration services. Our clients are primarily large and medium sized occupational pension schemes and their employers and we therefore feel well placed to comment on the paper.

**Introductory Comments**

When preparing disclosures for use in company accounts, the actuary is following a standard prepared by the accounting profession. Our responsibility is towards our client (the sponsoring employer) and it is for the auditor to ensure that the standard is appropriately followed and that the calculations are reliable to the appropriate level of materiality. Compliance with TAS D, TAS M and the pensions TAS will ensure that high quality work is produced and we do not see the need for an additional TAS. Some of the proposed requirements of the accounts TAS appear to increase our responsibility beyond the current level and in particular we believe that some of the proposals on assumptions would be difficult to comply with and would be of little or no value to our clients.

Specific answers to the questions posed are as follows. Whilst we do not believe a separate accounts TAS is necessary, we have responded to the questions on the basis that the proposed purpose would instead apply through the pensions TAS:

1. Should there be a separate TAS for actuarial information used for accounts and other financial documents? Respondents are asked to consider the benefits to the users of actuarial information (including the preparers of accounts and auditors) and to practitioners complying with BAS standards. (paragraphs 1.17 to 1.22)

*As outlined above, we do not believe that there should be a separate accounts TAS. We are not familiar with the issues surrounding accounting for insurance companies, but consider that pensions accounting should be covered by the pensions TAS. The pensions TAS should recognise that actuarial figures for accounting standards are produced with significantly different aims than those produced for funding purposes and should draw appropriate distinctions in its requirements for setting assumptions.*



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2. Will the proposed purpose of the TAS on actuarial information used for accounts and other financial documents that is set out in paragraph 2.7 help to ensure that users of actuarial information can place a high degree of reliance on its relevance, transparency of assumptions, completeness and comprehensibility?

*Our responsibility is to our clients in ensuring that they meet the relevant standard appropriately to their circumstances and requirements. Whether the disclosure is relevant, transparent, complete and comprehensible will depend on the accounting standard being used and the auditor's requirements rather than the work that we produce. The ultimate responsibility of what is contained in the accounts is that of the directors and actuaries should not have a responsibility to users of accounts in respect of disclosures which are not in their full control. It would not be desirable to impose a duty of care on the actuary to any party other than his client. It is currently common practice in giving accounting advice to make it clear that no other parties should rely on the advice given to the client.*

3. Do respondents agree that the proposed scope of the accounts TAS should be the provision of actuarial information for the preparers or auditors of any accounts or related financial documents which are required by statute or other rules (including stock exchange listing rules) but excluding those produced solely for the use of regulators? (paragraph 4.6) If respondents believe that the scope should be different they should set out their preferred approach with reasons.

*We suggest that actuarial information should be clearly defined here so that the actuary is always clear whether compliance with the TAS is a requirement or not.*

4. Do respondents agree that provision of actuarial information for preliminary statements of annual results should be in the scope of the accounts TAS? (paragraph 4.27)

*Yes, we do not see a distinction between preliminary and final advice.*

5. Do respondents agree that provision of actuarial information for material which is made publicly available, but which is not required by any formal rules or regulations, should be in the scope of the accounts TAS? (paragraph 4.30)

*We produce actuarial information for our clients and have no final control over whether this is made publically available. We therefore consider this to be unworkable.*

6. Do respondents agree that provision of actuarial information for internal budgeting exercises for management should not be in the scope of the accounts TAS? (paragraph 4.35)

*Yes.*

7. Is there any other work which respondents believe should be within the scope of the accounts TAS? (section 4)

*No.*

8. Are there any data issues specific to accounts and other financial documents which respondents believe should be covered by principles in the accounts TAS? (section 5)

*No, the principles of TAS D are appropriate.*

9. Do respondents have any comments on the proposals concerning assumptions that are presented in section 6, and in particular on the principles proposed in paragraphs 6.6, 6.9, 6.10, 6.13 and 6.17?

*Paragraph 6.6: we have no issues with this proposal.*

*Paragraph 6.9: we do not believe that the actuary is well placed to judge on the fitness for purpose of the assumptions. The assumptions are the responsibility of the directors and it is for the auditor to judge whether they meet the accounting standard appropriately. It is becoming common practice for a different actuary to set the assumptions to the person producing the disclosures. Without knowledge of the reasons for using the assumptions, it will be very difficult to make such judgements.*

*Paragraph 6.10: the principle is sensible in theory. Under the principles of materiality and proportionality in the TAS, all the available information may not be used in the majority of cases.*

*Paragraph 6.13: again this is a sensible principle which may not always be followed on grounds of proportionality.*

*Paragraph 6.17: we are comfortable with this proposal: however, please note that some accounting standards permit directors to set a basis that is best estimate in aggregate, and if they wish to adopt such assumptions, then the actuary should be able to provide results on that basis to his client.*

10. Are there any other principles on the selection of assumptions which respondents believe should be in the accounts TAS? (section 6)

*The accounting standards should override the requirements of any accounts TAS.*

11. Do respondents have any comments on the proposed principle regarding materiality levels for accounting purposes in paragraph 7.4?

*We consider this to be a reasonable principle. However information on the level of materiality may not always be easy to obtain. The actuary should not be responsible for the level of materiality, but must make it clear to the client the process used in deriving the figures and where approximations have been made. When producing a roll-forward some way from the valuation date, the error may be relatively large; however, it is impossible to calculate this estimation error without producing accurate calculations.*

12. Are there any specific issues relating to modelling and calculation work for actuarial information provided for accounts and other financial documents which respondents believe should be covered by principles in the accounts TAS? (section 7)

*No.*

13. Do respondents have any comments on the proposed principles on reporting in paragraphs 8.4 and 8.6?

*Paragraph 8.4: We feel strongly that this requirement is inappropriate. It is for the auditor and not the actuary to determine the range of acceptable assumptions. If the assumptions are set by a different actuary, the information to determine an appropriate range may not be available. We believe that this requirement would be very difficult to comply with and lead to an increase in the costs of providing disclosures to our clients to provide information of little use to them.*

*Paragraph 8.6 : We do not agree with this principle. Calculations for accounting are produced for completely different purposes to funding and will often be at different dates. The explanation of the difference will involve complex matters such as the effect of the sponsor covenant on funding assumptions. Furthermore, the actuary producing the accounting figures may not be aware of the reasons behind the choice of funding assumptions. We do not see why our clients would find this information useful to them since the purposes are so different and it would lead to an increase in the costs of providing disclosures. The accounting standards do not require this information, so users of accounts would not see it.*

14. Are there any other principles on reporting which respondents believe should be in the accounts TAS? (section 8)

No.

15. Do respondents have any views on whether the accounts TAS should require the user to be given an indication of the time constraints for actuarial work in relation to reporting pension costs for company accounts? (paragraph 9.6)

*We do not believe this is necessary to be included in the TAS as we would always agree timescales with our clients as part of the professional relationship.*

16. Do respondents have any comments on the proposed transitional arrangements from the adopted GNs to TASs described in section 9?

No.

We have no further comments.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P. Black', written in a cursive style.

Peter Black  
**Principal**