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The Director
Board for Actuarial Standards
5th Floor Aldwych House
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Our Ref: JM/JB/4.1

December 17th 2009

Dear Sir or Madam,

BOARD FOR ACTUARIAL STANDARDS – ACTUARIAL INFORMATION USED FOR ACCOUNTS AND OTHER FINANCIAL DOCUMENTS: CONSULTATION PAPER

We welcome the opportunity to comment on the above consultation paper.

INTRODUCTION TO SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group.

Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services. Your letter has been considered by SPC's Actuarial Committee, which comprises actuaries and consultants and insurance companies.

The consultation paper has been considered by SPC's Actuarial Committee, which comprises representatives of actuaries and consultants and insurance companies.

COMMENTS ON THE CONSULTATION PAPER

Question 1: Should there be a separate TAS for actuarial information used for accounts and other financial documents?

We are neutral on this question.

We consider that it would be feasible to split the material in this consultation paper between the planned TASs covering pensions and insurance and that is where those using actuarial information for accounts and other financial documents might naturally look to find material of the kind contained in this consultation paper.

The disadvantage of incorporating the material into these other standards would be to significantly add to their size.

The Society of Pension Consultants

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Question 2: Will the proposed purpose of the TAS on actuarial information used for accounts and other financial documents, 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?

We would like it to be clearer that, while the actuary can, and should, be responsible to those preparing accounts and other financial documents, for the actuarial information provided to them, they cannot, and should not, be responsible for the subsequent content of the accounts and other financial documents and, therefore to the end users of those documents.

We do not believe that paragraphs 2.2, 2.3 and 2.6, taken together, make this clear enough. For example, paragraph 2.6 starts by stating that "Readers of accounts and other financial documents should be able to rely on the accuracy of actuarial information provided", although the statement is then qualified.

The key distinction is that, while actuaries can be ultimately responsible for ensuring that paragraph 2.7(a) is met, they can only influence, but not ultimately control, the outcome under paragraph 2.7(b).

Question 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? If respondents believe that the scope should be different, they should set out their preferred approach with reasons

We see potential problems if the exact areas to be covered by an accounting TAS (or the relevant parts of TAS P and TAS I) are not specified. For example, an actuary involved in producing his or her own company's accounts could be caught if there is any "actuarial" feel to the numbers he or she produces. This seems stringent if the work is not usually undertaken by an actuary and the only reason he or she has to be compliant is because of an actuarial qualification. Similarly, with new areas of work, which do not necessarily have to involve actuaries, such as share based payment accounting, it seems unfair to subject actuaries trying to enter this relatively new market to a higher level of compliance than, for example, accountants.

Question 4: Do respondents agree that provisions of actuarial information for preliminary statements of annual results should be within the scope of the accounts TAS?

Yes.

Question 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 within the scope of accounts TAS?

We would expect that bringing this information within the scope of the TAS would make the provision of this type of information more complicated, because we would expect actuaries to tend to seek a specific indication from clients of whether or not the destination of the actuarial information is material which is to be made publicly available, whereas currently they might not.

In consultation on the Pensions TAS, BAS did not propose to bring corporate work within scope, other than for scheme funding purposes. This proposal seems effectively to be doing the opposite, since one cannot be sure what will go into numbers made public.

Question 6: Do respondents agree that provision of actuarial information for internal budgeting exercises for management should not be within the scope of the accounts TAS?

Yes.

Question 7: Is there any other work which respondents believe should be within the scope of the accounts TAS?

No.

Question 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?

We suggest that it ought to be recognised that the actuary will probably be more dependent on the client for the provision of accounting data than he or she would be in the pension area.

Question 9: Do respondents have any comments on the proposals concerning assumptions, which are presented in section 6?

We are satisfied with the content of paragraph 6.6.

On paragraph 6.9, we suggest that the proposed principle should be more closely aligned with the explanation leading up to it, and that, therefore, the actuary should only be required to comment where he or she has material concerns regarding the appropriateness of the assumptions, rather than including an indication of fitness for purpose in each instance,

It should also be possible to state that one has not been asked to advise on fitness for purpose, to cover situations where an actuary has simply been engaged to carry out calculations, while another has been asked to comment on the overall appropriateness of assumptions.

We also have concerns that this requirement could prove to be disproportionate, particularly in the light of the time scales which often apply to the preparation of accounts.

We also observe that many accounting standards have as an objective consistency from year to year and suggest that this should be recognised..

Paragraph 6.17 could be read as running counter to IAS 19, which, on our understanding, requires a best estimate as a whole.

Question 10: Are there any other principles on the selection of assumptions, which respondents believe should be in the accounts TAS?

No.

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

It needs to be left beyond doubt that the actuary cannot be responsible for making judgements on questions of materiality for accounting purposes, although he or she can usefully assist the client in understanding the degree of approximation which might apply to a calculation.

Question 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?

No.

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

Under paragraph 8.4 it needs to be clear whether the test is intended to be qualitative or quantitative.

It would be entirely reasonable to give a qualitative view, i.e. an indication of where in a range an assumption lies. It would not be reasonable, at least for a current year, to have to indicate what the range was, although one could do this in respect of assumptions relating to a previous year.

It is not clear to us how paragraph 8.6 contributes to the purpose of the proposed TAS.

Additionally, we doubt whether it will very often be practical to carry out the comparison proposed, since the two calculations will usually have different effective dates, decided by different people and aimed at different audiences.

Question 14: Are there any other principles on reporting, which respondents believe should be in the accounts TAS?

No.

Question 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?

No.

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

There is a very useful comment in section 2.2 of GN36 that "It is recognised that in some circumstances the degree of accuracy which can be achieved by [a valuation update] compared with the results of a full valuation will be outside the normal materiality levels." It can be very difficult for actuaries to work within certain accounting materiality limits, particularly if they are performing a roll forward rather than a full actuarial valuation, and the loss of this wording might lead to unnecessary work being undertaken, to try to establish disproportionately accurate accounting figures

ADDITIONAL COMMENT

With reference to paragraphs A23 and A24, we were not clear why these were included. They do not seem relevant to the scope of the proposed TAS.

Yours sincerely

John Mortimer
Secretary