

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

8 January 2010

Dear Ms Pryor,

**Re: Accounts: Consultation Paper**

1. The Pension Protection Fund (PPF) was established to pay compensation to members of eligible defined benefit pension schemes, when there is a qualifying insolvency event in relation to the employer and where there are insufficient assets in the pension scheme to cover PPF levels of compensation.
2. The PPF is a statutory fund run by the Board of the Pension Protection Fund (the Board), a statutory corporation established under the provisions of the Pensions Act 2004. The PPF became operational on 6 April 2005.
3. The actuarial team of the PPF welcomes the opportunity to respond to the consultation paper. We have set out our responses to the questions raised in the consultation below.

Q1. We recognise that there are good arguments for both proposals, namely a separate accounts TAS and incorporating accounts principles within other specific TASes. While recognising that the argument is not strongly weighted either way, on balance we believe that it is more appropriate to have a separate TAS for actuarial information used for accounts.

Q2. We believe that the proposed purpose of the accounts TAS will help ensure users of actuarial information can rely on its relevance, transparency, completeness and comprehensibility.

Q3. We agree with the proposed scope of the accounts TAS.

Q4. We agree that actuarial information for preliminary statements of annual results should be within the scope of the accounts TAS in order to ensure consistency with final published figures.

Q5. We note that “financial statements” is not a uniquely defined term and believe that it would be helpful to define it in order to clarify the scope of this TAS. For example, results of other actuarial exercises such as formal scheme funding reports are sometimes made publicly available – would these constitute financial statements? In general, we agree that public information in relation to financial statements which is not required by any formal rules and regulations should be included within the accounts TAS.

Q6. We agree that actuarial information for internal budgeting exercises should not be in the scope of the accounts TAS.

Q7. There is no other work which we feel should be within the scope of the accounts TAS.

Q8. We believe that TAS D is sufficient to cover data issues relating to accounts and financial documents.

Q9. As a general point, we feel it would be helpful to clarify what should be done in the event of any conflict between the accounts TAS and any relevant regulations and/or accounting standards. For example, the requirement under 6.10 to include financial and economic outlooks when selecting assumptions could be seen as inconsistent with the overarching requirements of accounting standards to base assumptions on conditions at the accounting date.

6.10 We suggest that the wording is amended to refer to all *relevant* available information.

6.17 We are concerned that this could be taken to preclude the use of single discount rates. Whilst we do not think this is the intention, we would like it made clear that this is not the case.

Q10. There are no other principles on selecting assumptions which we feel should be within the scope of the accounts TAS.

Q11. We believe that the proposed principle regarding materiality is sensible and is in line with current best practice.

Q12. There are no other specific issues relating to modelling and calculation work which we feel should be covered by the accounts TAS.

Q13.

8.4 It is unclear to us whether this principle requires that the actuary should apply the entire range of possible methodologies in order to determine the range of potential assumptions, or merely give an indication of the potential range. If it is the former, we feel that it would not be practical to determine the full range of assumptions which could potentially be used, and that this might prove confusing for the user. It would be preferable to clarify the wording of this requirement, and perhaps provide examples of how this would be applied.

8.6 We agree that many users will find some comparison between Scheme Funding and accounting results helpful (although we do note that, since there is no requirement for this to be disclosed in accounts, the principle is of limited use to the wider audience of financial statements). However, we think this principle would benefit from further clarification. For example, should every individual assumption be compared to the Scheme Funding assumption, or (as we would prefer) only key assumptions? An indication of the depth of analysis required here would also be helpful. Moreover, an indication of the overall strength of the two bases may be more useful for the user than a comparison of individual assumptions, many of which, for example longevity improvements, are highly technical and difficult for many users to understand.

Q14. We believe that TAS R is sufficient to cover reporting issues relating to accounts and financial documents.

Q15. We believe that notifying the user of time constraints is not a technical matter, nor is it specific to accounting work. We feel that this is a matter of best practice in all aspects of actuarial work. If BAS believes that they should comment on this area, we believe it should be included in all TASes.

Q16. We do not have any comments on the proposed transitional arrangements.

Yours sincerely,

**Stephen Rice**  
*Chief Actuary*

email: [stephen.rice@ppf.gsi.gov.uk](mailto:stephen.rice@ppf.gsi.gov.uk)  
direct telephone: 0208 633 4942