



Board for Actuarial Standards

Consultation Paper

**Actuarial Information used for
accounts and other financial
documents**

**Response from
The Pensions Management Institute**



PMI's response to BAS consultation: Actuarial information used for accounts and other financial information

Introduction

The Pensions Management Institute (PMI) is the professional body for people working in the pensions sector. The PMI's members (currently over 4,200) work as pensions managers, consultants and technical specialists in consultancies and insurance companies. Many are also actuaries, pensions lawyers or company secretaries. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response.

The PMI's Response

In preparing its consultation document, the Board for Actuarial Standards (BAS) has invited comments from those who use information prepared by actuaries for companies' financial statements. PMI's membership covers both those involved in the management and administration of pension schemes as well as those working in pensions audit, so we are keen for their views to be reflected in our response.

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

We are not persuaded that there is a compelling case for a separate Technical Actuarial Standard (TAS). Our view is that the existing pensions standards adequately cover the requirements of corporate financial statements, and the introduction of a new and separate standard would be an unnecessary complication.

Question 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 main concern is that actuarial assumptions used for pension scheme accounting are ultimately determined by the directors of the company concerned. This inevitably compromises the credibility of the calculations used. Whilst the full disclosure of assumptions used would be helpful, the relevance of calculations might still be of questionable relevance. Perhaps there is a case for funding and accounting conventions to be merged to ensure proper consistency.



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? (paragraph 4.6) If respondents believe that the scope should be different they should set out their preferred approach with reasons.*

Subject to our views set out above for the need for a specific accounts TAS, we agree with this.

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

We agree with this.

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 the accounts TAS? (paragraph 4.30)*

We do not see any advantage in incorporating information not subject to formal regulation within the scope of this TAS.

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? (paragraph 4.35)*

We agree with this.

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

We do not believe that there is any other work which should be included.

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?*

Whilst the need for accurate data cannot be understated, we do not see that there are any issues which are specific to accounting work.



Question 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?*

We believe that that the proposals concerning assumptions are appropriate.

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

We do not believe that there are any other principles which should be included.

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

We believe that materiality is an important consideration. However, we believe that materiality levels should be formally agreed with the scheme auditor.

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?*

We do not believe that there is any additional information that a separate accounting TAS should cover. We would however reiterate our view set out above that we see a separate TAS as unnecessary.

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

We agree with the proposed principle set out in 8.4. We would however repeat our view set out above that assumptions used for accounting should be consistent with those used for scheme funding. That said, it is appropriate for a formal explanation to be provided if assumptions have been changed.

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

If there is to be a separate accounting TAS, we do not believe that any further principles on reporting need be included.



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? (paragraph 9.6)*

We believe that it would be appropriate for the problems associated with time constraints to be formally acknowledged.

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

We do not have any additional comments.

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