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Dear Sirs

Response to Accounts TAS Consultation Papers

Jardine Lloyd Thompson provides consulting, actuarial and administration services to trustees and employers in relation to 1,500 or so work-based pension arrangements with assets ranging from a few thousand pounds to over £1,400m, and to individuals with regard to individual pensions. Following the combination of the JLT and HSBC Actuaries and Consultants businesses we now employ close to 100 qualified actuaries. This letter sets out JLT's response to the consultation.

Before responding to each question as posed I would suggest we have 2 over arching concerns. First we are not convinced that this work necessitates an additional TAS as most of the principles are either arguably covered in the Pensions TAS (or could be) or are specific requirements of the accounting standards. Second the TAS is directed to FRS17 and IAS19, but no mention of FAS87 or other international standards. Conceptually we struggle to see the difference, but this merely enforces our view that accounting should not be singled out to require a separate 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.*

As said in the introduction we do not believe this is necessary. General professional guidance coupled with the specific Pensions or Insurance TAS are in our opinion more than sufficient to deal with these requirements.

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?*

Whilst we are happy with the provision of advices to the Directors who are responsible for the preparation of the accounts, the extension under 2.7 b) is not acceptable. This is far too wide reaching, especially as we are not responsible for what is actually reported. Furthermore the extension of what needs to be provided under 2.7 a) in relation to risk, uncertainty, cash flows and long term effects may not be appropriate in all cases due to materiality.

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.*

This appears to be very wide ranging and is not clear as to what is meant by information. This needs to be clarified in the Exposure Draft.

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)*

Preliminary statements are generally treated identically to full accounts as far as the advices which are to be provided and therefore we would agree that these should equally be subject to the TAS.

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 cannot agree that all such work should be subject to the TAS since it is not at all clear what may be included. Indeed this is further justification that the provision of advices and information should be governed by the Pensions TAS and general guidance, otherwise there will be confusion as to whether an aspect is subject to one, both or neither of the TASs.

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)*

Yes

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

As stated in our introduction it seems inconsistent to merely pick out the FRS17 and IAS19 accounting standards. If there is to be an Accounts TAS then the principles should equally apply to other International Standards. The thrust of Question 3 implies that the intention would be to include such standards in the scope of the TAS, so we are puzzled as to how the TAS is drafted.

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?*

No we believe that the generic standards TAS D and TAS M to be sufficient.

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?*

6.6 It is the Directors who finally select the assumptions for inclusion of information in the accounts. Equally the purpose of the calculations is to provide information for inclusion in the accounts so the purpose for most situations is well defined. We would suggest this should be amended to.

Any assumptions which are proposed for adoption should be consistent with the relevant accounting standard where appropriate and take account of the purpose for which they will be used.

6.9 We struggle with this proposal for the same reasons as under 6.6. Where the actuary proposes assumptions for adoption they should adhere to the principle set out. However reports may be required which include calculations on different bases proposed either by the Directors or other advisers. We do not believe that such reports should include any comments on the fitness for purpose.

6.10 This requirement is very onerous. On materiality grounds many preparers of accounts would not require such detailed analysis or justification. The general principles on materiality may be felt to be overriding. However we would suggest "Where appropriate in terms of materiality.." be inserted at the beginning of the second sentence.

6.13 This principle follows directly from such a requirement in the Pensions TAS.

6.17 As with the points raised in relation to 6.6, whilst we would agree where assumptions are being proposed by the actuary, the actual assumptions adopted are the Directors' decision and they may wish to act differently.

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

No.

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

We would agree entirely with this principle. However materiality is in accounts work much wider than the narrow section (modelling and calculations) in which this is included. We therefore suggest that in the Accounts TAS this is the subject of a dedicated section.

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.

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

8.4 We do not believe this to be practical. Equally the range typically develops as these are influenced by what other actuarial advisers are using and very much by what auditing firms and their internal actuaries regard as acceptable and unacceptable. Much of this commentary will be being provided but as set out we suggest the principle is unachievable.

8.6 This is entirely inappropriate. The purposes are entirely different. If the Trustees have adopted a buy out basis for Technical Provisions for whatever reason, how would the material differences be described? Second for many clients the advices are provided by different actuaries, either within the same firm or by different firms and therefore it is neither practical nor appropriate for such comparisons to be made.

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

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)*

Whilst the answer has to be in the affirmative, such discussion of time constraints ought to be a requirement for the provision of any actuarial advice. We are therefore puzzled why it should be highlighted in the Accounts TAS.

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 other comments.

We thank you for giving an opportunity to comment as well as, in advance, for the consideration of our comments. We hope that you regard our comments as helpful even though on reading these you will sense our general discomfort with the TAS as drafted. I would be more than happy to discuss any of the points in more detail (my contact details are set out above)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phil Wadsworth', with a long horizontal flourish extending to the right.

Phil Wadsworth MA FFA
Practice Head, Consulting Services