ASSOCIATION OF CONSULTING ACTUARIES

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17 September 2025

Andy Lowe
Chair – PRAG SORP Working Party

Submitted via PRAG Web response address

Dear Andy

PROPOSED AMENDMENTS TO THE STATEMENT OF RECOMMENDED PRACTICE, FINANCIAL REPORTS OF PENSION SCHEMES 2025 (THE "DRAFT SORP")

I am contacting you on behalf of the Accounting Committee of the Association of Consulting Actuaries Limited (ACA) in response to the above invitation to comment dated June 2025.

We welcome the opportunity to respond to PRAG's invitation to comment on proposed amendments to the SORP and appreciate PRAG's work in reviewing the SORP. Our consideration of the draft SORP is focussed on the asset disclosures that typically require actuarial input because this is the main area of SORP reporting with which we are involved. The ACA's membership has considerable experience of advising entities on the actuarial valuation of bulk annuities and longevity swaps, and the auditing of those disclosures. The ACA's members have significant expertise in the assessments, management and communication of financial risks more generally.

We have the following comments on these specific areas:

- Removal of the option to use the annuity provider's valuation for bulk annuity policies (para 3.11.19): we understand that the rationale for this proposal is that the opaque assumptions underlying insurer valuations of bulk annuity polices can result in a valuation that is impossible to audit. However, rather than removing the option completely, we suggest allowing it to be retained in circumstances where either (i) the annuity provider is able to provide sufficient supporting detail on the underlying assumptions to satisfy the auditors or (ii) given the materiality of the bulk annuity policy (e.g. a legacy policy relating to a small number of members that was implemented many years ago), the annuity provider valuation is unlikely to lead to a material misstatement. We believe this approach would avoid a change that could impose unnecessary costs on preparers in some circumstances.

- Other updates to "Insurance policies – annuities" (paras 3.11.18 to 3.11.23) and "Insurance policies – longevity swaps" (para 3.11.25): we are supportive of PRAG's proposals and do not have any substantive concerns.

We would be happy to respond to any questions that you may have on our comments.

Yours sincerely

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Chair, Accounting Committee
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About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the ACA are all qualified actuaries and all actuarial advice is given subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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