ASSOCIATION OF
ACA
CONSULTING ACTUARIES

St Clement's House, 27-27 St Clement's Lane, London EC4N 7AE
Tel: (0) 20 3207 9380 Fax: (0)20 3207 9134 EMail: acahelp@aca.org.uk
Web: www.aca.org.uk

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Email to basmodelling@frc.org.uk
The Director
Board for Actuarial Standards
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

Dear Sirs

Exposure Draft: Generic Modelling Standards

The Association of Consulting Actuaries (ACA) welcomes the opportunity to respond to the Exposure Draft issued May 2009.

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes.

Members of the Association are all qualified actuaries, subject to the code of professional conduct of the Faculty and Institute of Actuaries. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of defined benefit pension schemes.

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

In summary we support and welcome the exposure draft as now presented. As with the other TAS standards we welcome the concise presentation.

The consultation seeks our views on 3 aspects which we address in turn.

1 the proposed commencement date for TAS M

There is no doubt that it is difficult ever to argue in favour of delay in implementing "best practice". A significant factor in advocating delay is judging whether much of the detail is already being complied with by our members, or not. We believe with two possible exceptions that most aspects are either already being met or would take little effort to ensure compliance. The first exception relates to general documentation where we would suggest more rigour will have to be applied in future. The second is in relation to evidencing back testing of existing models (which may have been in constant use for several years). The need to back test these models could cause issues with the proposed timescale.

The long timescales for the completion of Scheme Funding exercises could result in a valuation with an April 2009 effective date having preliminary results presented prior to finalisation of this TAS M, but which is completed after April 2010. Unless that component report complied with TAS M then it would have to be revisited prior to completion of the aggregate report. This illustrates that a later implementation date would be more practical. However given this exposure draft was issued in May it can be argued that the content should have been reflected in that component report. The only remaining concern would then be material changes to the final document.

In conclusion therefore we would find it difficult to object strongly to the proposed implementation date, but do have concerns over the need to review work already in progress and would hope that a pragmatic approach will be taken in the early days following commencement.

2 the effects that the introduction of TAS M is likely to have on actuarial information and our impact assessment

Unlike TAS D where we believed the costs of compliance to be relatively small (since we believed most aspects are already being met by most of our members as a matter of best practice), we believe the initial costs of implementing TAS M could be significant. There will first be a general need to improve documentation. Second there will be more costly aspects in relation to back testing of models already in use and the documentation thereof.

We have no issues with models under development and would agree with the paper that full documentation can positively assist the process of implementation. However some of the existing models may be sourced from outside the organisation and evidence of whatever testing was done at the time it was purchased long gone. Individual calculations will be being done to spot check outputs, but the general mechanics of how the model works will be taken for granted.

It is these aspects of bringing existing models "up to scratch" which we believe will be costly.

3 the text of the exposure draft as a means of implementing the proposals presented in this document

B.2.1 In the definition of **aggregate report** we cannot see what extra the second sentence adds to the first sentence and suggest its deletion.

B.2.1 In the definition of **documentation** in order to distinguish from the colloquial use of the term relating to documents such as scheme rules, we would suggest the first sentence be amended to "Records and explanations of judgements made and other matters relevant to the preparation of the actuarial information."

C.8.2 We question the intention in including the bullet referencing how suitable the outputs are for purposes other than those intended. We cannot see that it would ever be relevant to speculate on the needs of anyone other than the users, nor in relation to needs other than those for which the actuarial information is being provided.

We hope you find our answers to your questions helpful. If you have any queries or wish clarification on any aspect of our submission please do not hesitate to contact us.

Yours faithfully

Phil Wadsworth MA FFA
Chairman
Consulting Practice Committee
Association of Consulting Actuaries