HYMANS ROBERTSON

BAS and the Pensions TAS

- Charles Young
- 10 September 2009

Real people. Real skills. Real results.

BAS consultation

- BAS reliability objective
  - Relevance, transparency of assumptions, completeness and comprehensibility
- Sufficient information for users to make decisions
  - Financing of pension schemes
  - Payments to and from pension schemes
- Consultation closes 18 September
- Final version planned for Q3 2010

BAS key questions

- How the discount rate is selected
- Assessment of the degree of prudence in funding valuation
- Content of valuation report, which is available to scheme members

Material and proportionate

- Material
  - Could it affect decisions made by users of advice?
- Proportionate
  - Work provides commensurate benefits to users

Scope

- Complies with BAS Scope & Authority
  - Reserved work
    - Including work under “some other legal obligation”
  - Certain non-reserved work
    - Work “almost always carried out by an actuary”
- “Technical” (for BAS) or “ethical” (for the profession)
- Covered by other TAS’s?
  - “Financial reporting” and “Business rearrangements”

Users of actuarial information

- “Users for whom a piece of actuarial information was created”
- Pension scheme members?
  - “Intended users of the Scheme Funding Report should include scheme members, ... who will make decisions based on the financial position of the pension scheme”
  - Assume to be “informed readers”

Choosing actuarial assumptions

- Relationship between discount rate and a low-risk rate
- Accompany prudent estimates by best estimate
- Material events after effective date
- Risk that future investment yields will be lower than current yields
- Miscellaneous
  - solvency, transfer values, s75 debt

Risk and uncertainty

- Scheme sponsor failure
- Insufficient future investment return
- Unmatched assets
- Unanticipated mortality changes
- Exercise of member options

- Uncertain legislation eg GMP equalization

Miscellaneous issues

- Checking benefit calculations
- BAS sample reports
- Transition from Guidance Notes
  - Technical or ethical?

Over to you

- What works
- What doesn't
- Killer arguments