



The Actuarial Profession

making financial sense of the future

discussion paper response

Department for Work and Pensions

**Draft guidance on method and
assumptions to use when
undertaking a valuation for
relevant FAS qualifying schemes**

May 2009

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Mr Andy Maggs
Financial Assistance Scheme Consultation
Department for Work and Pensions
Private Pensions Policy
The Adelphi, 3rd Floor
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13 May 2009

Dear Mr Maggs

Draft guidance on method and assumptions to use when undertaking a valuation for relevant FAS qualifying schemes

Thank you for offering The Actuarial Profession the opportunity to comment on the draft guidance. Our detailed comments follow.

This draft guidance appears to be very comprehensive and should be welcomed by actuaries called upon to determine asset shares for those schemes with residual assets that are intended for transfer to the Financial Assistance Scheme. With this in mind we have the following comments:

- We suggest that there should be the ability for the actuary to certify that no individual asset shares are likely to result in enhanced assistance without having to always go through a calculation process as described in this draft guidance. There may well be some cases where such a statement can be readily given and costs, which ultimately will be borne by the tax-payer, are not incurred as a result.
- In para 3.2.1 the statement is made that the asset share calculation should be carried out in the same way as it would have been done had the scheme completed its wind-up outside of the FAS subject to exceptions set out in this guidance document. However, it is not clear from the guidance when exceptions are being made. It would be very useful to highlight this.
- It might be useful somewhere in section 3.3 to mention the importance of the crystallisation date as the means by which the status of members is settled for calculation purposes.

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We have no particular comments to make on the proposed basis.

If you have any questions or would like to discuss any of these matters further, please do not hesitate to contact us. Should you wish to do so, please contact Martin Hewitt, Pensions Practice Manager on 0207 632 2185 or via Martin.Hewitt@actuaries.org.uk.

Yours sincerely,

Robert Hails
Chairman, Consultations Group of the Pensions Practice Executive Committee

Please reply to Staple Inn

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About The Actuarial Profession

The Actuarial Profession is governed jointly by the Faculty of Actuaries in Edinburgh and the Institute of Actuaries in London, the two professional bodies for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuing professional development and a professional code of conduct supports high standards reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business's assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals, and advise on social and public interest issues. Members of the Profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

The Profession also has an obligation to serve the public interest and one method by which it seeks to do so is by making informed contributions to debates on matters of public interest.