



BOARD FOR ACTUARIAL STANDARDS

EXPOSURE DRAFT: REPORTING ACTUARIAL INFORMATION

MARCH 2009

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ANALYSIS OF RESPONSES

AND

INVITATION TO COMMENT

1 INTRODUCTION

EXPOSURE DRAFT AND RESPONSES

- 1.1 The Board for Actuarial Standards (BAS) is responsible for setting technical actuarial standards in the UK; it is an operating body of the Financial Reporting Council (FRC)¹. In April 2008, it published an exposure draft of its proposed Generic Technical Actuarial Standard (Generic TAS)² on *Reporting Actuarial Information* (TAS R).
- 1.2 The consultation period ended on 18 July 2008. A total of 23 public responses³ were received (see Appendix B). We also held a number of meetings with practitioners and other stakeholders, and discussed the proposals with the FRC's Actuarial Stakeholder Interests Working Group. We thank all those who contributed.

SUMMARY

- 1.3 Some of the comments that we received urged us to issue guidance on what would constitute compliance with some of the proposed requirements. We believe that it is in the nature of principle-based standards that they require judgement to be exercised by those complying with them, and we believe that actuaries and others who seek to comply with our standards are responsible professionals who are capable of exercising it.
- 1.4 Some concerns were expressed about the scope of TAS R. As it will be a Generic TAS, its scope is defined in the Schedule to the BAS's *Scope & Authority of Technical Standards* (*Scope & Authority*). In Section 2 we propose two amendments to the Schedule that will extend the scope of Generic TASs.
- 1.5 A number of the comments concerned the structure of the TAS and its style, the definition of a report and whether the TAS would be unduly onerous. As a result of these comments the TAS has been substantially redrafted, using a new structure and style but retaining the essential content of the previous draft. Section 3 describes the comments we received and our responses to them.
- 1.6 In response to comments received we are also proposing to include a few requirements that were not in the previous draft. Section 4 describes them and our reasons for proposing them.
- 1.7 Because of the substantial changes in structure and style, and the proposed inclusion of further requirements, we are issuing a further exposure draft of the proposed text of TAS R. Section 5 contains our invitation to comment on this and the proposed amendments to the *Scope & Authority*, and the second part of this document contains the proposed text.

¹ The Financial Reporting Council is the UK's independent regulator responsible for promoting confidence in governance and corporate reporting.

² Generic TASs are generic to all work falling within the range specified in the Schedule to the BAS's *Scope & Authority of Technical Standards*. Specific TASs are limited to a specific, defined context.

³ The responses are available at <http://www.frc.org.uk/bas/publications/pub1691.html>.

EXPECTED EFFECTS

- 1.8 While we believe that many practitioners currently comply with most or all of the proposed requirements, we expect that TAS R will encourage several changes in actuarial practice. We hope that it will drive more consistency of practice between different actuarial fields by imposing requirements for good practice that apply to all fields.
- 1.9 We believe the most fundamental change resulting from the introduction of TAS R will be a shift of emphasis from the compliance of a formal document in isolation to the compliance of a collection of communications on which a user bases one or more decisions. The important question will no longer be whether a single document checks all the boxes, but whether users have sufficient high quality actuarial information to make their decisions. The proposed text contains 25 requirements, of which only three place requirements on individual documents (and two of those are that they should be understandable and should not include immaterial information that obscures material information). All the others are requirements that apply to the totality of actuarial information on which decisions are based.
- 1.10 TAS R may therefore result in fewer formal reports being issued. Those that are issued may be shorter than they are currently, either because there is no need to repeat information that has already been conveyed to the user, or because information that is not relevant to the intended users can, or should, be omitted.
- 1.11 For example, GN12 (which we adopted from the Actuarial Profession) currently requires that the General Insurance reports to which it applies contain “detail sufficient for another suitably experienced member to form an opinion on the original member’s key judgements and assess the reasonableness of the results” (member in this context means actuary). Under TAS R, unless it is a specific purpose of the report, that level of detail would not be necessary.
- 1.12 Finally, and importantly, we hope that TAS R will encourage an increased emphasis on the communication of risk and uncertainty, which will assist users to give the appropriate weight to actuarial information in the decisions they make.

RESPONSES TO THIS EXPOSURE DRAFT

- 1.13 Details of how to respond to this paper are set out in Section 5. Comments should reach the BAS by **29 May 2009**.

2 SCOPE OF GENERIC STANDARDS

INTRODUCTION

- 2.1 The scope of Generic TASs (of which TAS R will be one) is defined in the Schedule to the *Scope & Authority* as “work which falls within the scope of one or more Specific TASs”. As we are developing the Generic TASs before the Specific TASs this means that as things stand TAS R will not become mandatory for any work until the first Specific TAS comes into force. We have received a number of comments to the effect that this is an unsatisfactory situation, and that the Generic TASs should take effect as soon as possible. Other correspondents have suggested that, as the Specific TASs will not cover all actuarial work, the Generic TASs should apply more widely.
- 2.2 The BAS has some sympathy with these views. We are proposing, in paragraphs 2.8 and 2.15, two amendments to the Schedule to the *Scope & Authority* that would significantly extend the range of work to which TAS R (and other Generic TASs) would initially apply. The amendments affect the scope of all Generic TASs, not only TAS R.
- 2.3 We recognise that there may be inconsistencies between the Generic TASs and the Guidance Notes (GNs) that we adopted from the Profession. Each Generic TAS will specify the treatment of any conflicts that arise between the TAS and the adopted GNs while the GNs remain in force. The proposals for TAS R are discussed in paragraphs 4.2 to 4.7.
- 2.4 We welcome respondents’ views on these proposals, both in principle and on the precise wording of the amendments.

RESERVED WORK

- 2.5 We are proposing that all Reserved Work (as defined in the *Scope & Authority*) should be within the scope of Generic TASs. The *Scope & Authority* defines⁴ Reserved Work as work that is undertaken in order that the entity commissioning the work complies with regulations (or with some other legal obligation) that require the entity to have the work carried out (or make certain outcomes conditional on the work having been carried out), and which the entity is required to commission from an individual who holds a prescribed qualification (usually Fellowship) from an Actuarial Professional Body.
- 2.6 As described in the *Scope & Authority*, Reserved Work excludes work assigned by regulations to the holder of a unique post and work that consists of monitoring the work of another actuary.
- 2.7 Although we expect that most Reserved Work will fall within the scope of one or more Specific TASs, there may be some that does not. We believe that bringing all Reserved Work into the scope of Generic TASs will reduce possible misunderstandings and thus do much to further our objective that the users of the information resulting from such work should be able to place a high degree of reliance on the information’s relevance, transparency of assumptions, completeness and comprehensibility, including the

⁴ In paragraphs 15 to 19.

communication of any uncertainty inherent in the information (our Reliability Objective).

- 2.8 We are therefore proposing an addition to the Schedule of the *Scope & Authority* to include the following in the definition of the specified work to which a Generic TAS applies:

“Reserved Work.”

- 2.9 There is little Reserved Work in general insurance: the only such work required by regulation is the Statement of Actuarial Opinion required by Lloyd’s. The Statements of Actuarial Opinion required by the National Association of Insurance Commissioners and the New York Insurance Department Regulators in respect of Lloyd’s syndicates writing US business do not fall within the BAS’s geographical scope.
- 2.10 The main areas of Reserved Work in life insurance are those performed by Actuarial Function Holders, With Profits Actuaries, Appropriate Actuaries and holders of similar offices.
- 2.11 There are many types of Reserved Work in pensions. For example, there are many matters on which trustees are required to take advice from the Scheme Actuary (or, sometimes, simply from an actuary). Other work that must be performed by the Scheme Actuary includes various calculations in connection with contracting out, bulk transfers without member consent, and scheme windups. The Scheme Actuary also has obligations in connection with the assessment of the PPF levy. Individual scheme documents may require some types of work, such as the determination or certification of factors, to be performed by an actuary. The regulations for a number of statutory pension schemes require certain work to be performed by actuaries. This list is by no means complete.
- 2.12 Reserved Work in other areas includes the valuation of the assets and liabilities of trusts associated with some Pre-paid Funeral Plans.
- 2.13 In these and other areas there may be Reserved Work that is required by legal obligations other than regulations – for example, a with profit life insurance policy may specify that a market value reduction in the benefits payable should be calculated by an actuary.

USER EXPECTATIONS

- 2.14 We believe that it is important that users are not misled about the compliance of work with TASs. For example, if an actuary or anyone else appears to represent to clients or other users that information complies with “applicable standards”, users may believe that it complies with TASs even if it does not.
- 2.15 We are therefore proposing a second addition to the Schedule of the *Scope & Authority* to include the following in the definition of the specified work to which a Generic TAS applies:
- “Any other work which is presented as complying with TASs (whether by express statement or necessary implication).”
- 2.16 This would provide clarity for users about the status of the work in question, since TAS R will require reports to include a statement of the TASs with which the work complies.

- 2.17 The phrase “express statement or necessary implication” is framed narrowly in order to avoid the inadvertent inclusion of work within the scope, but would, we believe, include cases where the client has requested that the work complies with TASs but the report does not expressly state that this has been done. Where there is any danger of users being misled, the matter could easily be resolved through the inclusion of an express statement or disclaimer.

3 PROPOSALS

COMMENCEMENT DATE

- 3.1 We are proposing that TAS R should come into effect for all aggregate reports completed on or after 1 April 2010. This means that it would apply to all Reserved Work in progress on, or started after, that date. We encourage earlier adoption.
- 3.2 It has been suggested that the commencement of TAS R should be specified in terms of the effective date of the work to which it applies: for example, that TAS R should apply to aggregate reports on work with an effective date on or after 1 September 2009. This approach works well when the gap between the effective date and the date of the report varies little, but the range of work to which TAS R will apply means that reports can be issued as late as 15 months after the effective date (for Scheme Funding). There is also work for which an effective date is difficult to define, such as when actuaries provide pension scheme trustees with information supporting the choice of assumptions for transfer value calculations which will be carried out at many dates in the future.
- 3.3 We believe that these difficulties will not arise if the commencement date is expressed in terms of the completion of aggregate reports. An aggregate report is defined for any decision or piece of work, regardless of whether TAS R applies. Under our proposals, the component reports relating to any decision (for work within scope) made after the commencement date would have to comply with TAS R. It is the date of the last component report, which is the date that the aggregate report is completed, that is significant. An aggregate report that is completed after the commencement date may include component reports issued before the commencement date. We discuss some examples in the next two paragraphs.
- 3.4 Scheme Funding exercises for defined benefit pension schemes generally have to be completed within 15 months of the effective date. TAS R would therefore usually have no effect on such exercises with an effective date on or before 31 December 2008. For those with later effective dates, TAS R might apply to at least some of the aggregate reports, depending on when the relevant decisions are made. For example, if the trustees have decided on the assumptions before 1 April 2010, the aggregate reports for those decisions need not comply. If, however, the calculations using those assumptions have not been performed by 1 April, the aggregate report describing the results (which might include component reports issued before 1 April) would have to comply.
- 3.5 Similar considerations apply when considering work done by actuaries in connection with Statements of Actuarial Opinion (SAOs) for Lloyd's of London. SAOs are submitted to Lloyd's in February, before the accounts are finalised at the end of March. The SAOs for the year ending 31 December 2009 would therefore be submitted in February 2010, and would not have to comply with TAS R. However, a fuller report, which complies with GN12 and GN20, is submitted to Lloyd's in April. Those reports submitted in April 2010 (or any aggregate report of which they form a part) would have to comply with TAS R as well as with GN12 and GN20.

- 3.6 We hope that, by proposing a commencement date now, we are assisting practitioners to prepare for the introduction of TAS R.

STRUCTURE OF THE TAS

- 3.7 Although a number of respondents were happy that the text of the exposure draft was an effective means of implementing the proposed policy, many were not. The style was criticised for being discursive and repetitive, and for having the flavour of a commentary or educational document. Some respondents thought that the text would not be practical to use or easy to interpret, and that it lacked clarity. In addition, some of the comments on the proposed requirements indicated to us that the respondents had misinterpreted the text.
- 3.8 Some respondents felt that the text of the exposure draft could encourage a “tick box” approach to complying with the TAS, which they felt consisted of rules rather than principles. Others were concerned that it was not clear from the text when a report would comply with the TAS and when it would not.
- 3.9 TAS R will be our first TAS, and will inevitably create a precedent in terms of style and structure for later TASs. We have therefore given serious consideration to the comments that were made, and have extensively redrafted the text in a different structure and style.
- 3.10 It is far from our intention to encourage a “tick box” approach, or to issue rules-based standards, and we believe that the overall effect of the revisions will be a move in the opposite direction. Although there may be some superficial resemblance to rules, the proposed content of the TAS is firmly based on principles. Moreover, complying with the requirements (which are expressed in terms of principles) will require the exercise of judgement. We hope that the extent of such judgement is now clearer.

SCOPE

- 3.11 A number of respondents felt that it was unclear what work TAS R would apply to, and that this made it difficult to comment on some of the details it contains. Others thought that the reference in the description of the scope to the BAS’s *Scope & Authority of Technical Standards* was confusing, and that the scope should be set out in TAS R itself.
- 3.12 As discussed in Section 2, we are proposing to extend the scope of Generic TASs (including TAS R) to cover all Reserved Work and work that is presented as complying with TASs. They will also apply to all work that is within the scope of our Specific TASs (which are currently under development).
- 3.13 As we develop the Specific TASs we will be consulting on their scope, and we hope that the respondents to those consultations will consider the effect of TAS R and the other Generic TASs on the work in question as well as the effect of the Specific TASs.
- 3.14 The scope of TAS R, like that of the other Generic TASs, will change while it is in force, as Specific TASs are issued and changes are made to them or to our *Scope & Authority*. Moreover, TAS R may be applied voluntarily to work for which it is not mandatory, by actuaries or by others. We have therefore tried to draft it so that it can be applied to a wide range of work, avoiding as far as possible requirements that apply only in very specific contexts. Specific

TASs may include more detailed requirements (applying in particular contexts) that supplement or subsume the requirements in Generic TASs.

- 3.15 The application of all our TASs will be the same, and the details of how to comply with them are contained in the *Scope & Authority*. We do not think that it would be helpful to repeat all the information in the *Scope & Authority* in the individual TASs, and believe that as actuaries and others become accustomed to complying with TASs they will find it more useful to have that information in a single document.

TAS R and Reserved Work

- 3.16 We do not know of any Reserved Work as defined in the *Scope & Authority* for which the proposed TAS R would in our view be inappropriate.
- 3.17 It has been suggested that there are some pieces of Reserved Work for which the requirements of TAS R would be unduly onerous. We believe that the requirements concerning materiality and proportionality will ensure that this is not the case. We discuss this issue further in paragraphs 3.28 to 3.33.

REPORTS

- 3.18 We particularly asked respondents to consider the definition of a “report” that was given in Section 2 and paragraph 3.1 of the earlier exposure draft. The comments we received indicated that the definition in paragraph 3.1 created some confusion, and that the concept of a “report of record” presented in Section 2 was not helpful.

Definition of report

- 3.19 We have now introduced definitions of “aggregate report” and “component report”, making it clear that most of the requirements in the TAS apply to the aggregate report rather than to individual component reports.
- 3.20 We recognise that the word “report” may carry with it connotations that it signifies a single, complete, formal document, which should comply with the TAS. These connotations are contrary to the spirit of the TAS, which emphasises the need for the totality of the information that is given to users to comply with the TAS, rather than the compliance of any single communication or document. Individual communications may contribute to compliance with the TAS, inasmuch as they include items of information that should be included in the totality of the information.
- 3.21 We hope that the definitions make it clear that all permanent forms of communication can contribute to compliance, including emails and copies of presentations, but that oral communications cannot. It is not our intention to discourage the use of less formal modes of communication when they are warranted. However, we believe that it is important that informal communications are not misleading and do not contradict other communications, either formal or informal.

Report of record

- 3.22 We have found it possible to express the requirements without using the concept of a “report of record”. We hope that it is now clear that it is all the information that is supplied to users in order to assist them with their decisions, ie an aggregate report, that is required to comply with the TAS. A report that records the decisions cannot assist the making of those decisions, and cannot therefore contribute to compliance. Such a report may of course

contribute to further decisions that are made, in which case it would form part of the aggregate report for those further decisions and would contribute to compliance.

- 3.23 We do not see the need for a general requirement that all the information be presented in a single formal document. Such a requirement may be desirable in specific contexts, and will therefore be considered (and consulted on) as we develop the Specific TASs.

Piece of work

- 3.24 It has also been suggested that we should define the term “piece of work”. We do not believe that a definition is necessary for the way in which the concept is used. We have made it clear, we hope, that it is aggregate reports that are most important in terms of compliance with TAS R; and the concept of a “piece of work” is used in some cases in order to determine the extent of an aggregate report. We expect that in most cases it will be clear what the relevant piece of work is. If there is any doubt it is likely to be because there are many separate decisions involved, and we have now made it clearer that in that case it is the aggregate report for each decision that must comply with TAS R.

ONEROUS

- 3.25 A number of the comments that were made, both in response to the specific questions that we asked and on particular paragraphs of the text, indicated that the respondents thought that compliance with the TAS would be unduly onerous in many instances. For instance, one respondent commented that, because notes of meetings or telephone conversations meet the definition of “report”, it would become impossible to supply such notes.
- 3.26 This reaction is based on a misunderstanding of the requirements, which we hope has been removed in the redrafting. Although notes of meetings which have been provided to users may indeed be “component reports” (in the new terminology), this imposes few requirements on them – simply that they should include a statement of their purpose and to whom they are addressed, and that they should be clear and understandable. Again, the important point is that such notes can contribute to compliance – the information that they contain does not necessarily have to be repeated in a more formal document.
- 3.27 In general, we think that the combined effect of materiality, the requirement for proportionality and the fact that it is the aggregate report that must comply with the TAS (in terms of information that should be included) will militate against our requirements being too onerous. TAS R will not require that all the information is included in a single document. Moreover, if information is not material, its omission will not constitute a departure from the TAS. By contrast, the inclusion of immaterial information may well constitute a departure from the TAS, which discourages the inclusion of immaterial information that obscures material information. On the other hand, if information is material, we believe that it is important that it is communicated to the users.

Reserved Work

- 3.28 Other comments were made to the effect that some requirements, mostly those concerning information that should be included, would be too onerous for particular reports, especially some required by legislation or regulation.

We believe that the requirements for proportionality and that material information is not obscured by immaterial information will prevent this.

- 3.29 A number of specific examples in the pensions field have been suggested to us, including the report on the determination of the level of funding to be used in the calculation of the Pension Protection Fund (PPF) levy, and cases in which actuaries prepare statements or reports for the use of pension scheme members or that are available to members. We consider these examples, and generalisations of them, in the following paragraphs.
- 3.30 The report on the determination of the level of funding to be used in the calculation of the PPF levy is an example of a report that has a very limited purpose and that covers work of very limited scope. The calculation methods to be used and the principal assumptions are prescribed. Although the production of the report is required, the information in it is not usually used as the basis for any decisions by the trustees or, indeed, the PPF – the actuary is required to certify the results of the calculations to the PPF. In this case many of the required disclosures in TAS R either would be immaterial, or could be satisfied with simple verbal descriptions. In most cases, calculations any more complex than those that are currently performed would, we expect, be disproportionate to the scope of the work. We expect that similar considerations would apply to other reports with similarly limited scopes.
- 3.31 Statements or reports prepared by actuaries for the use of scheme members or that are available to them raise somewhat different issues.
- 3.32 Our understanding is that there are very few cases in which statements (of benefits, say) are required to be produced by an actuary. Trustees may be required to produce them, and may ask an actuary to do the work, but the actual communication to members is from the trustees or their administrators rather than from the actuary, who simply provides the information to the trustees. The trustees are therefore responsible for ensuring that the statement contains all the information that the member needs. However, if there is any Reserved Work that requires actuaries to communicate directly with the members, we think that it is important that members receive all the material information. We see no reason to suppose that members will benefit if material information is withheld from them.
- 3.33 There are some reports, such as Scheme Funding reports, that actuaries are required to produce, that are addressed to and for the use of trustees, and that are available to members. If scheme members were to be considered as users of these reports compliance with TAS R would potentially require the inclusion of more information than is required by trustees. However, the definition of “users” in TAS R does not include scheme members for these reports, as they are not addressed to scheme members or produced directly for their benefit. Specific TASs may broaden the definition of users for particular reports; we will consult on any such proposals in the usual way.

Oral communications

- 3.34 Some respondents were concerned that the TAS would provide an incentive not to commit important information to writing, as oral communications would not be within the scope of the standard.
- 3.35 We hope that it is now clear that the intended effect of the TAS is the opposite. Oral communications cannot contribute to compliance. If material information is conveyed orally, it must be confirmed in a more permanent form in a component report.

- 3.36 As all material oral communications must be confirmed in the form of a component report, any that are materially inconsistent with other component reports or are misleading would then have to be explained, or the aggregate report would not comply with the TAS.

Materiality

- 3.37 We received a number of comments to the effect that we had not defined materiality sufficiently precisely, and that this would encourage the inclusion of information just in case it was material. We have extended our definition of materiality slightly, to make it clear that it covers the users' understanding of the information on which decisions are based. However, we would like to emphasise that materiality is a matter for judgement. We believe that actuaries and others who seek to comply with our standards are responsible professionals who are capable of applying reasoned and justifiable judgements. We also note that the inclusion of possibly immaterial information may contravene paragraph C.4.6 of the TAS.

Effect of regulations

- 3.38 It has been suggested to us that difficulties may be encountered in ensuring the compliance with TAS R of reports some or all of whose contents are prescribed by regulation. Examples of such reports include those provided by the Appropriate Actuaries of Friendly Societies (required by the FSA) and by Scheme Actuaries (required by the Pensions Act 2004 and associated regulations).
- 3.39 We do not anticipate any such difficulties. TAS R places few requirements on the contents of individual documents, and those few requirements (concerning the purpose of the document and its clarity and comprehensibility) will not, we believe, conflict with regulatory requirements. We also believe that all content prescribed by regulation would, for the users of those reports, be material.

IMPACT ASSESSMENT

- 3.40 Several respondents commented that, if TAS R is expected to lead to an increase in the standard of reporting, then it will probably also increase costs in the long term. Others highlighted the costs of changing internal processes in response to the new requirements, while still others thought that there would be no additional costs. Respondents also commented that it was difficult to assess the costs without being sure of the work that will fall within the scope of the TAS.
- 3.41 We agree that it is difficult to assess the long term impact. Costs will indeed depend on which work falls within the scope of the TAS, which will depend partly on the scope of the Specific TASs. However, there are some aspects that are clear at this stage.
- 3.42 First, the TAS is likely to change the overall pattern of actuarial communications. There may well be fewer formal documents and more reliance on the regular communications that take place in any case. Second, although the TAS does include requirements for the disclosure of information that may not always currently be included in reports, it also includes requirements that exclude information that is not material. The overall effect is likely to vary, but will not inevitably be in the direction of more information. Third, the effect of the TAS is likely to focus actuarial

information much more on the needs of its users. It is of course difficult to quantify this benefit, but we believe that it will be significant.

- 3.43 We agree that there are likely to be some costs in moving to the new standard, in terms of revising internal procedures and templates. In particular, those complying with TAS R will need to be clear which component reports constitute an aggregate report, and if necessary be able to prove compliance retrospectively. However, we believe that it should always be made clear to users what actuarial information they should be basing their decisions on, so do not believe that this is a new requirement.
- 3.44 The extension of the scope of Generic TASs will mean that the costs of moving to the new standard will be incurred earlier than would otherwise be the case.
- 3.45 We would be interested to know how respondents believe the introduction of TAS R would affect the content, form and timing of communications with the users of actuarial information, and whether the effects would be different for large and small pieces of work.
- 3.46 Overall, we believe that the benefits to the users of actuarial information will be significant, and that any long term costs will be justified because users will be receiving information that is more focused on their needs.

GENERAL COMMENTS

- 3.47 A number of generally applicable points were made by respondents, many of which have been addressed in the revised draft.
- 3.48 Some of the comments urged us to add more detail on some aspects – for example, guidance on what would constitute an acceptable indication of the extent of any material uncertainty in different circumstances. We believe that it is in the nature of principle-based standards that they require judgement to be exercised by those complying with them. There is a danger that any guidance that we give will be seen more as requirements than as guidance. We do not believe that we can predict all the aspects of every circumstance in which our standards will be applied, and think that any attempt to be too detailed, especially in a Generic TAS, will lead to standards that are too rules-based.
- 3.49 However, we by no means rule out the possibility that Specific TASs will include requirements that are more detailed than those in the Generic TASs and that may subsume some of the latter.
- 3.50 In other cases, it was suggested that we should require more specific disclosures – for example, in addition to a statement of the purpose of any report, a statement of how that purpose has been met. We do not wish to impose requirements that are disproportionate, and think that in this case (and others) requiring such explicit statements in all reports, even short emails, would be impracticable. The requirement that users should be able to judge the relevance of the information that they receive should result in the inclusion of such statements when they are needed.

4 NEW CONTENT

INTRODUCTION

- 4.1 The revised draft has, in the main, the same content as the earlier draft. However, we received several comments and suggestions for requirements that were not present in the earlier draft. We are therefore proposing the addition of a few requirements that we believe are generally applicable and that will result in users receiving more useful information.

CONFLICTS WITH GUIDANCE NOTES

- 4.2 If the amendments to the scope of Generic TASs are accepted, there will be a period during which there will be some work for which both TAS R and one or more adopted Guidance Notes (GNs) may be mandatory. We recognise that it is possible that the requirements of TAS R may in some instances conflict with requirements of GNs. We will therefore specify in TAS R (and in other Generic TASs) how any such conflicts should be resolved.
- 4.3 We are proposing that TAS R should prevail in the event of a conflict between TAS R and any GN, for both Recommended Practice and Practice Standard GNs. Recommended Practice GNs are not mandatory, so TAS R would in any case prevail. We are making this explicit, in order to provide more clarity.
- 4.4 We believe that, in most cases, there will be no conflicts between Practice Standard GNs (which are mandatory) and TAS R. A number of the GNs impose disclosure obligations on actuaries complying with them, but only two GNs (GN9 and GN12) have reporting as their primary focus.
- 4.5 GN9, *Funding Defined Benefits – Presentation of Actuarial Advice*, imposes many requirements on the contents of the Scheme Funding report for defined benefit pension schemes. TAS R imposes few requirements on an individual component report such as the Scheme Funding report. We do not envisage that any extra work would be needed in order to comply with TAS R as well as with GN9 – the information required by GN9 would, if presented to the trustees before the Scheme Funding decisions were made, form part of the aggregate report for those decisions and thus contribute to compliance with TAS R. It seems likely that the component reports in which that information was presented could simply be incorporated into the Scheme Funding report, which would then comply with GN9.
- 4.6 GN12, *General Insurance Business: Actuarial Reports*, covers the basic elements that should be included in a formal report in the field of general insurance (as well as giving guidance on the circumstances in which such reports should be prepared). TAS R does not impart any special status to formal reports, and does not require that they are prepared. However, a formal report (as a component report) may contribute to compliance with TAS R. Most of the disclosures required by GN12 are entirely consistent with TAS R, but the requirement in paragraph 3.3 of GN12 that “the report should normally contain detail sufficient for another suitably experienced member to form an opinion on the original member’s key judgements and assess the reasonableness of the results” may, in some cases, contravene the requirement in TAS R that material information should not be obscured by immaterial information. This would depend on the purpose and users of the formal report, and on the manner in which the information required by GN12

is included in the report. We believe that it would be possible to present this information in a manner that would not contravene TAS R, for example by putting it in one or more appendices.

- 4.7 We do not believe that the disclosure requirements in other Practice Standard GNs will be inconsistent with TAS R. Some of the disclosures that are required by GNs are professional or ethical in nature, rather than technical.

APPLICATION

- 4.8 The proposed text now includes an explicit requirement (in paragraph C.2.6) that material information that is conveyed orally is confirmed in permanent form. This requirement was implicit in the earlier draft, which stated that an oral communication did not constitute a report.

RELEVANCE

- 4.9 There is now a requirement (in paragraph C.3.10) to report material events or changes that are known to have occurred since the effective date of the information. Subsequent events may affect the relevance of information to its users – for example, significant changes in asset values after the date at which the liabilities are assessed may render any statement of the surplus or deficit at that date either irrelevant or misleading, depending on the decisions to be made.

COMPREHENSIBILITY

- 4.10 The requirement to explain a description that is not uniquely defined and that is applied to an assumption has been extended to the results of calculations (in paragraph C.4.8). This subsumes the earlier draft's requirement to be clear about the meaning of any results presented as values.

COMPLETENESS

- 4.11 We believe that the earlier draft's requirement that information be included about any future cash flows being quantified was insufficiently clear about what the purpose of that information should be and how it was intended to help the users. In previous consultations the idea that both undiscounted and discounted values of cash flows should be presented proved not to be popular, and many arguments were deployed to convince us that it would be neither useful nor practical. However, we continue to believe that a single value, whether discounted or undiscounted, provides only very limited information about future cash flows.
- 4.12 We are therefore proposing a requirement, in paragraph C.5.9, to indicate the nature of any cash flows being quantified, and their timing. We have deliberately not been prescriptive about the form that the indication should take, as we believe that this should depend on the context, including the relative significance of the cash flows, the purpose of the report and the levels of technical knowledge of the users. In some circumstances a simple statement that the cash flows consist of payments to retired scheme members, or to policyholders, and that they are expected to occur over the next fifty years (say), might well be sufficient. In other circumstances a more detailed analysis could help the users in making strategic decisions.
- 4.13 This requirement will support the purpose of the TAS that is stated in paragraph A.1.2, and in particular will assist users to understand the implications of the contents of reports.

- 4.14 An understanding of the implications of the contents of reports will also, we believe, be assisted by the proposed requirement in paragraph C.5.18, for an indication of the likely results of future calculations (when calculations are performed at regular intervals). This is the forward looking equivalent of the requirement to compare results with those from previous calculations that is in paragraph C.5.15, which it has been suggested is rather one sided.
- 4.15 Again, we have deliberately not specified the form that any indication might take, or the time frame that it should cover. We ruled out the possibility of suggesting the next time the calculations are expected to occur, as in some cases that would be of limited utility. For example, in general insurance technical provisions are often calculated quarterly, but it is the expected provisions at the next year end (rather than the next quarter) that are of interest.
- 4.16 It is not our intention that this requirement should necessarily involve complex calculations. In some circumstances a statement that, for example, if the actual experience matches the assumptions the discounted value of liabilities will increase over a period of twenty years, to about ten times its current value, before decreasing over the following fifty years (say), would help users understand the possible evolution of the financial circumstances of the entity over time.
- 4.17 However, if the requirement is met by indicating the possible results of the next set of calculations (which is certainly an option), it may make the comparisons that are included in the next aggregate report easier to understand.

TRANSPARENCY

- 4.18 Paragraphs C.6.4 and C.6.6 require indications of any differences between the assumptions used in different parts of the work being reported on, and explanations for them. We think that this is needed as it may be difficult for users to judge the consistency of assumptions that are reported on in different communications (or even in different parts of the same communication).

5 INVITATION TO COMMENT

QUESTIONS

- 5.1 The BAS invites the views of those stakeholders and other parties interested in actuarial information who wish to comment on the content of this document.
- 5.2 This consultation is not intended as an opportunity to re-visit those issues that have already been exposed for comment in previous consultation documents. Those wishing to comment at this stage should bear in mind that the BAS has already consulted on the majority of the policy decisions underlying TAS R.
- 5.3 Respondents are therefore asked to focus on the policy decisions that were not articulated in the April 2008 Exposure Draft and accompanying consultation document. In particular the BAS would welcome views on the following matters:
- 1 whether the proposed additions to the Schedule of our *Scope & Authority* are desirable, and if so whether the suggested text achieves our aims (see paragraphs 2.5 to 2.17);
 - 2 the proposed commencement date for TAS R (see paragraphs 3.1 to 3.6).
 - 3 the definitions of “aggregate report” and “component report” in Part B of the exposure draft (discussed in paragraphs 3.18 to 3.24);
 - 4 the effects that the introduction of TAS R is likely to have on the content, form and timing of communications with the users of actuarial information (see paragraphs 1.8 to 1.12 and 3.40 to 3.46);
 - 5 the BAS’s assessment that any long term costs will be justified by the benefits to the users of actuarial information (see paragraphs 3.40 to 3.46);
 - 6 the proposal that TAS R should prevail in the event of any conflict with adopted Practice Standard Guidance Notes (see paragraphs 4.2 to 4.7);
 - 7 the proposed additional requirements described in paragraphs 4.8 to 4.18; and
 - 8 the text of the exposure draft as a means of implementing the policy proposals presented in this document.

RESPONSES

- 5.4 For ease of handling, we prefer comments to be sent electronically to **basreporting@frc.org.uk**, with any attachments in Word format.

Comments may also be sent in hard copy form to:

The Director
Board for Actuarial Standards
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

- 5.5 Comments should reach the BAS by **29 May 2009**.
- 5.6 All responses will be regarded as being on the public record unless confidentiality is expressly requested by the respondent. A standard confidentiality statement in an e-mail message will not be regarded as a request for non disclosure. We do not edit personal information (such as telephone numbers or email addresses) from submissions; therefore only information that you wish to publish should be submitted. If you are sending a confidential response by e-mail, please include the word “confidential” in the subject line of your e-mail.
- 5.7 We aim to publish non confidential responses on our web site within ten working days of receipt. We will publish a summary of the consultation responses, either as a separate document or as part of, or alongside, any decision.

DRAFT OF
TECHNICAL ACTUARIAL STANDARD R:
REPORTING ACTUARIAL INFORMATION

REPORTING ACTUARIAL INFORMATION (TAS R)

Status

This standard (TAS R) is a Generic Technical Actuarial Standard (Generic TAS), as defined in the *Scope & Authority of Technical Standards (Scope & Authority)* of the Board for Actuarial Standards (BAS).

This standard should be read in the context of the *Scope & Authority*.

The *Scope & Authority* sets out circumstances in which material departures from this standard are permitted or required and the disclosures which are required in respect of them.

Appendix I 'The development of TAS R' reviews considerations and arguments that were thought significant by the BAS in reaching the conclusions on the document. [Note: Appendix I is not included in this exposure draft.]

Scope

This standard, as a Generic TAS, applies to the work specified in the Schedule to the *Scope & Authority*. The scope of this standard may be affected by amendments to the Schedule to the *Scope & Authority*.

Specific TASs may include provisions that include or exclude particular categories of work from the scope of this standard or other Generic TASs.

Wider adoption is encouraged.

Commencement

This standard applies to aggregate reports completed on or after 1 April 2010.

Earlier adoption is encouraged.

Relationship with other TASs and with Guidance Notes

This standard sets out principles to be adopted across the range of work to which it applies, as described above. Other Generic and Specific TASs may apply to work that is within the scope of this standard, setting out additional principles that should be adopted.

In the event of a conflict between this standard and a Guidance Note adopted by the BAS (as described in the *Scope & Authority*), this standard shall prevail.

CONTENTS [OF TAS R EXPOSURE DRAFT]

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A PURPOSE OF TAS R

A.1 PURPOSE

- A.1.1 The BAS's Reliability Objective is that the users for whom a piece of actuarial information was created should be able to place a high degree of reliance on the information's relevance, transparency of assumptions, completeness and comprehensibility, including the communication of any uncertainty inherent in the information.
- A.1.2 The purpose of this standard is to assist the achievement of the Reliability Objective by ensuring that in the reporting of work within its scope:
- sufficient information is included to enable **users**¹ to judge the relevance of the contents of the reports;
 - sufficient information is included to enable **users** to understand the implications of the contents of the reports; and
 - information is presented in a clear and comprehensible manner.
- A.1.3 This standard makes few assumptions about the way in which reporting takes place. In particular, there is no assumption that all the information is contained in a single, formal, document. The definitions of the terms **aggregate report**, **component report** and **report** allow for the provision of information to **users** in a number of separate communications which, in aggregate, provide all the detail that is needed.

¹ Terms appearing in **bold** in the text are explained in the Definitions set out in Part B.

B INTERPRETATION

B.1 INTERPRETATION OF THE TEXT

- B.1.1 All text in this standard has equal status unless stated otherwise. Paragraphs setting out explicit principles are emphasised with boxes for convenience.
- B.1.2 The **Scope & Authority** states that a failure to follow the principles in this standard need not be considered a departure if it does not have a **material** effect. The contents of this standard should be read in that context, even where the term **material** is not explicitly used or where the word “shall” is used.
- B.1.3 This standard should be interpreted in the light of the purpose set out in Part A.
- B.1.4 This standard applies to a wide range of **reports** that fall within its scope. It sets out principles for the content and presentation of **reports**, but imposes no requirement for any particular format, list of contents, order in which matters are addressed or number of **component reports** that should be used.

B.2 DEFINITIONS

- B.2.1 Terms appearing in **bold** in the text are used with the meanings set out below. Some of the definitions are taken from the **Scope & Authority**.

aggregate report	For each decision taken by a user in connection with work within the scope of this standard, the set of all component reports received by the user containing information material to that decision. The aggregate report for a piece of work is the set of all component reports relating to that piece of work.
component report	Information which relates to work within the scope of this standard and which is given to a user in permanent form. A component report may be given to the user in hard copy or electronically. Examples of component reports include formal written reports, draft reports, emails and copies of presentations. A component report may consist of tables, charts and other diagrammatic presentations as well as or instead of text. Information in a component report may include references to other documents, such as minutes of meetings or public documents. A component report may form part of one or more aggregate reports .
entity	The pension scheme, insurance company, fund or other entity being reported on.
Generic TAS	A Generic Technical Actuarial Standard as defined in the Scope & Authority .

material	A departure from this standard is material if, at the time the work is performed, the effect of the departure (or the combined effect if there is more than one departure) could influence the decisions to be taken by users or the users' understanding of the information on which decisions are based. Assumptions, calculations and other matters are material if they result in information whose disclosure or misstatement could influence the decisions or understanding of users . A matter that is immaterial when considered in isolation may be material when considered in conjunction with others.
measure	The approach that is used to define how an (uncertain) asset or liability amount is quantified. Two different measures of the same asset or liability may produce different results.
method	The mechanism that is used to quantify an (uncertain) asset or liability amount. Two different methods of calculating the same asset or liability measure are intended to produce similar results.
planning	The quantification of a provisional amount for budgeting or target-setting purposes. Examples of planning exercises include calculating contribution rates for pension schemes or loss ratios for insurance pricing.
report	An aggregate report or a component report .
Scope & Authority	The BAS's <i>Scope & Authority of Technical Standards</i> .
Specific TAS	A Specific Technical Actuarial Standard as defined in the Scope & Authority .
users	Those people whose decisions a report is intended (at the time of writing) to assist. Examples of possible users include those to whom the report is addressed, regulators and third parties for whose benefit a report is written.
valuation	The quantification of an amount which can be used in a transaction or recorded in a formal document. Examples of valuation exercises include calculating technical provisions for the financial statements of insurance companies, transfer values and surrender values.

C REPORTING ACTUARIAL INFORMATION

C.1 INTRODUCTION

- C.1.1 This Part contains principles that support the purpose of this standard as set out in Part A. It should be interpreted as described in Part B.
- C.1.2 Section C.2 describes how this standard should be applied. Sections C.3 to C.6 contain principles that contribute to the relevance, comprehensibility, completeness and transparency of **aggregate reports**.

C.2 APPLICATION

C.2.1 All **aggregate reports** relating to work within the scope of this standard shall comply with this standard.

C.2.2 An **aggregate report** may consist of one or more **component reports**, each of which contributes to the compliance of the **aggregate report**. This standard does not require that any single **component report** complies with paragraph C.2.1 unless there are no other **component reports** in the **aggregate report**.

C.2.3 The **aggregate report** for a decision or piece of work includes all **component reports** given to a **user** that contain **material** information. A **component report** cannot be excluded from the **aggregate report** if it includes **material** information relating to the decision or piece of work in question.

C.2.4 **Component reports** issued after the relevant decisions have been made by **users** cannot contribute to compliance with this standard except as described in paragraph C.2.7.

C.2.5 This standard does not require that each **component report** accompanying the results of a single calculation which is one of a series of similar calculations, each addressing different individual cases, complies with paragraph C.2.1. The **aggregate report** may include an earlier communication or an easily available document to which the individual **component report** refers.

Oral information

C.2.6 Any **material** information relating to work within the scope of this standard that is conveyed orally shall be confirmed in a **report**.

C.2.7 If **material** information is conveyed orally it will need to be confirmed in a **report** as soon as practicable even though that may be after the making of any decisions based on it. Such a **report** would contribute to compliance with this standard.

Judgement

C.2.8 Judgements concerning the application of this standard shall be exercised in a reasoned and justifiable manner.

C.2.9 Examples of matters on which judgement may be needed include those concerning the extent of a piece of work, who the **users** of a **report** are,

materiality, proportionality and the possible obscuring of **material** information by immaterial information.

C.2.10 This standard does not require the documentation or disclosure of judgements concerning its application unless stated otherwise.

Proportionality

C.2.11 An **aggregate report** shall be proportionate to the scope of the decision or piece of work to which it relates and the benefit **users** would be expected to obtain from the information contained in it, striking a balance between the interests of those who pay for the **report** and its **users**.

C.3 RELEVANCE

C.3.1 An **aggregate report** shall include sufficient information to enable its **users** to judge its relevance to the decisions for which they use it.

C.3.2 It will be necessary to ensure that each **user** is aware of which information is relevant to their decision(s). An **aggregate report** may need to include an indication of its **component reports**, especially if parts of some **component reports** have been superseded or are no longer relevant, or if different **users** have received different **component reports**.

Purpose of reports

C.3.3 An **aggregate report** shall include statements of its purpose, its **users** and who commissioned the work. A **component report** shall include statements of its purpose and to whom it is addressed.

C.3.4 The purpose of any individual **component report** is not necessarily the same as the purpose of an **aggregate report** of which it forms a part. An individual **component report** may have a very limited purpose, such as clarifying a particular point in another **component report** or confirming a point that had previously been made orally, or may have several purposes, not all of which are also served by the **aggregate report**.

C.3.5 If a **report** is prepared, and the underlying work performed, in order to comply with legislative or regulatory requirements, a reference to the legislation may be sufficient as a statement of the purpose.

C.3.6 Statements of the addressees or **users** of a **report** will need to indicate the capacity in which they are being addressed or are expected to use the **report**. For example, the same person may be both a director of a company and a trustee of a pension scheme sponsored by that company.

C.3.7 An **aggregate report** that includes the results of calculations of monetary amounts shall explain for each result whether it is the outcome of a **planning** exercise, a **valuation** exercise or some other exercise.

C.3.8 Regulations and other legal documents may not always distinguish between **planning** and **valuation** exercises, using the term "valuation" for both. The explanations required by paragraph C.3.7 may need to include explanations of any differences between the terminology used in the **aggregate report** and that used in the governing documents.

Compliance with TASs

- C.3.9 An **aggregate report** shall include:
- a) a statement of any TASs that apply to the work that has been carried out;
 - b) a statement of whether it complies with this standard, and of any other TASs that have been complied with; and
 - c) as required by the **Scope & Authority**, particulars of any **material** departures from TASs.

Subsequent events

- C.3.10 An **aggregate report** shall include an indication of any **material** changes or events that are known by any person responsible for the **aggregate report** to have occurred between the effective date of the data and other information on which it is based and the date of the last **component report**.

C.4 COMPREHENSIBILITY

Addressing users' needs

- C.4.1 The style, structure and contents of **reports** shall be suited to the skills, understanding and levels of relevant technical knowledge of their **users**.

C.4.2 **Reports** will need to address the needs of, and be understandable by, all their **users**, however varied their levels of relevant technical knowledge. This may be achieved by, for example, providing more detailed explanations in addition to setting out the basic information, or by providing clear explanations of technical terms.

C.4.3 It may be convenient to use standard formats and wordings for **reports** covering similar work performed for different **users**. However, paragraphs C.4.1 and C.4.6 always apply. It may be necessary to depart from standard formats and wordings in order to avoid including information that is not **material** for some **users** and that obscures **material** information, or to avoid the use of a style that is not understandable by some **users**.

- C.4.4 If a person responsible for a **report** becomes aware of any evidence of a **report** not being understood by any **user** they shall provide clarification or correct misunderstandings. If a person responsible for an **aggregate report** becomes aware of any evidence of a **component report** not being understood by any **user** they shall provide clarification or correct misunderstandings.

C.4.5 Whether the clarification or correction needs to be issued in a supplementary **component report** is a matter for judgement.

Obscuring material information

- C.4.6 A **report** shall not include information that is not **material** if it obscures **material** information.

C.4.7 The **materiality** of information depends, among other things, on the level of relevant technical knowledge of the **users**. For example, in many cases it is not necessary to know the details of the underlying calculations in order to understand their results or to make decisions based on the information.

Descriptions

C.4.8 An **aggregate report** shall include a statement of the intended meaning of any description which is not uniquely defined and that is applied to any **material** assumption or the results of any **material** calculations.

C.4.9 Examples of descriptions that may not be uniquely defined include “best estimate”, “central estimate” and “prudent”.

C.4.10 An **aggregate report** shall include an explanation of what the results of any **material** calculations are intended to represent.

C.4.11 **Reports** will need to be clear about matters such as the totals to which percentages apply, the definitions of any relevant dates or periods, and the nature of any result presented as a value (such as market values, realisable values, fair values, book values, surrender values and transfer values) among others.

C.5 COMPLETENESS

Uncertainty

C.5.1 An **aggregate report** shall include an indication of the nature and extent of any **material** uncertainty inherent in the information it contains.

C.5.2 Inherent uncertainty may concern results of calculations, assumptions on which information is based, or other aspects. It may arise from random variations, lack of information, or other sources. The extent of any **material** uncertainty may itself be subject to uncertainty.

C.5.3 There are many ways of indicating the extent of uncertainty, including:

- a range, measure of the value at risk, or other statistical calculation;
- the numerical consequences of changes in assumptions;
- presenting the outcomes of scenarios, possibly including extreme scenarios;
- a description of the uncertainty together with an explanation of why it has not been quantified.

Risks faced by the entity being reported on

C.5.4 An **aggregate report** shall include, for each source of **material** risk or uncertainty faced by the **entity** in relation to the work being reported on, statements of the nature and significance of the risk, and an explanation of the approach taken to the risk.

C.5.5 The statement of the nature of the risk may need to distinguish those aspects that are quantifiable from those that are not. The significance of a risk includes such matters as its relative importance to the **entity** compared to other risks and to the **entity's** capacity to bear risk. The approach taken to the risk includes such matters as the assumptions that are made in relation to it and the effects of any actions taken to mitigate it.

- C.5.6 The level of detail required will be a matter for judgement, and will need to take into account the scope of the work in order to comply with paragraphs C.2.11 and C.4.6.

Calculations

- C.5.7 An **aggregate report** shall include explanations of the following for any **material** calculations that have been performed:
- a) the nature and objective of the calculations;
 - b) where applicable, any specific **measure(s)** adopted; and
 - c) the **methods** used to achieve the calculation objective.

- C.5.8 Paragraph C.5.7 applies to any calculations that are used to derive **material** assumptions.

Cash flows

- C.5.9 An **aggregate report** shall include an indication of the nature of any future cash flows being quantified, including their timing.

- C.5.10 The timing of future cash flows may be indicated by analysing their discounted or undiscounted values (either real or nominal) by period, by providing a textual description (such as a statement of the period over which they are likely to be received or paid), by stating their mean discounted term or in some other way. Values may be presented in charts or other diagrams, in tables or within text.

Probabilities

- C.5.11 If an **aggregate report** includes probabilities it shall also include explanations of:
- a) the intended meaning of the probability;
 - b) the nature of any statistics on which the probability is based.

- C.5.12 The intended meaning of a probability depends on what it relates to (in statistical terminology, the population or sample space). Probabilities may be applied to a large population – for example to estimate the likely number of car accidents over a given period – or to a particular member of the population – for example to make a statement about the likelihood that an individual company will become insolvent. In the latter case, the sample space for the probability consists of the possible future scenarios, only some of which will involve the company’s insolvency.

- C.5.13 Explanations of the nature of any statistics on which probabilities are based will need to distinguish between evidence of past events and research into expected future developments, and indicate how directly comparable past events are to the events now under consideration.

- C.5.14 Paragraph C.5.11 does not apply to probabilities such as mortality rates which have been adopted entirely from another source as assumptions for input into calculations.

Comparisons

C.5.15 An **aggregate report** shall include a comparison with an **aggregate report** which has previously been provided for a similar purpose, with explanations of any differences. The comparison shall cover assumptions, results of calculations, recommendations, and other **material** matters. The comparison of the results of calculations shall include a reconciliation of the two sets of results.

C.5.16 The similarity of the purposes of two **aggregate reports** is a matter for judgement, and will depend on such matters as whether the entities being reported on or for whom the **reports** are intended are the same.

C.5.17 The forms of the comparison and reconciliation and the level of detail at which they are presented are matters for judgement.

Projections

C.5.18 An **aggregate report** that includes the results of calculations that are performed at regular intervals shall include an indication of the projected results from future corresponding calculations.

C.5.19 Methods of indicating the results from future calculations include:

- a statement of the results anticipated if experience is in line with the assumptions used for the current calculations;
- a chart of the anticipated pattern of results over a longer period; and
- a description of the anticipated evolution of the results.

C.5.20 The **aggregate report** will need to include explanations of any differences between the assumptions on which the current calculations are based and those used to project the results from future corresponding calculations.

C.6 TRANSPARENCY

Data

C.6.1 An **aggregate report** shall include:

- a) a description of any data or any other information used; and
- b) a statement of the source of the data or other information.

C.6.2 Paragraph C.6.1 applies to all information used in the **aggregate report**, whether obtained from the **entity** or from other sources. Examples of information that may be used include membership or policyholder data, claims data, asset and investment data, operating data (such as expenses), benefit definitions and policy terms and conditions.

C.6.3 If there is any **material** uncertainty over the accuracy of the data, an **aggregate report** shall include:

- a) a description of the uncertainty; and
- b) an explanation of any approach taken in the calculations or in the results to allowing for the uncertainty.

Assumptions

C.6.4 An **aggregate report** shall include statements of:

- a) the **material** assumptions on which any calculations or judgements are based; and
- b) any differences between the assumptions used or recommended in different parts of the work.

C.6.5 Paragraph C.6.4 applies to all **material** assumptions, whether they are implicit or explicit, qualitative or quantitative.

Rationales

C.6.6 An **aggregate report** shall include the rationales for:

- a) any **material** assumptions used or recommended;
- b) any differences between assumptions used or recommended in different parts of the work; and
- c) the **measures** and **methods** used in any **material** calculations.

C.6.7 Rationales will need to distinguish between fact, judgements based purely on evidence and judgements influenced by personal opinion.

C.6.8 The assumptions, **measures** or **methods** to be used for some purposes may be specified in regulations (or in some other legal document governing the work) or they may be the responsibility of some other party (such as the **entity** or a **user**). In either case, a statement that a **report** is required to comply with regulations and does so, or that it complies with the other party's instructions, would constitute a sufficient rationale.

C.6.9 If the assumptions, **measures** or **methods** are considered to be **materially** inaccurate or inappropriate by a person responsible for a **report**, the **report** will need to include a statement to that effect, or other explanations in order to comply with paragraph C.3.1.

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