

THE HUNDRED GROUP

*Cumbria
School Lane
Seer Green
Beaconsfield
Bucks HP9 2QJ
01494 673479*

basmortality@frc.org.uk

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

19 June 2008

Dear Sir

Response to the Board for Actuarial Standards' Discussion Paper on Actuarial Mortality Assumptions

I am writing on behalf of the Hundred Group of Finance Directors with regard to the Board for Actuarial Standards' consultation named above. The Hundred Group represents the Finance Directors of the UK's largest companies.

The Hundred Group notes that the Board for Actuarial Standards has indicated that it is particularly anxious to have feedback from those who will be affected by the answers, not just from the actuaries themselves. We are therefore submitting a brief response covering three key points.

1. Risks of Overestimating Future Improvements

We welcome the balanced tone of the paper in respect to the serious effects both of underestimating and of overestimating future improvements in mortality. We agree entirely with 2.19 that "Both the over- and underestimation of future improvements in mortality can ... have adverse effects on pension scheme members and their employers". We feel that the risks of overestimation have all too often been ignored, and yet this can have very significant financial consequences for both the sponsors and members of defined benefit schemes.

2. Uncertainty of Future Improvements in Mortality

We welcome the statement in 1.5 that "Assumptions about future mortality are inevitably subject to high levels of inherently unquantifiable uncertainty". Again, we feel that this is a point that has not been recognised fully by other bodies, in particular by the Pensions Regulator. We agree that it is important for actuarial information to communicate the extent of the uncertainty involved rather than to attempt to impose artificial limits on future projections. We are also therefore of the view that it would be inappropriate for the Board for Actuarial Standards to set a minimum standard for future mortality improvements.

3. **Costs of Reporting on Mortality Assumptions**

In Chapters 5 and 6, the Board for Actuarial Standards makes a number of suggestions as to what a reporting standard on mortality might include. We would urge the Board to bear in mind that the needs of users of actuarial information may well differ – the type and level of information needed by an employer sponsoring a Hundred Group company may well be different from that needed by a small employer with a £500,000 scheme. We would therefore suggest that any mandatory disclosure requirements are kept to a sensible minimum, in order to avoid unnecessary expense in providing mandatory summary statistics that may well not be of any value to the users of a particular actuarial report.

Please contact me if you would like any further information on any of the matters discussed in this letter.

Yours sincerely

Edward Weiss

E L S Weiss
Chairman
Hundred Group Pensions Working Party