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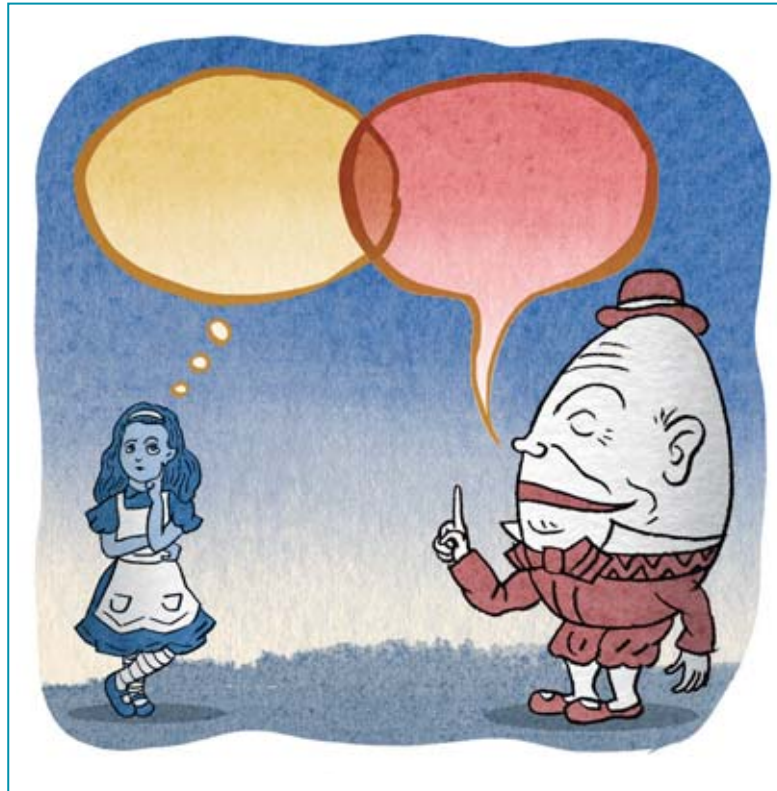
# Know what I mean?

'WHEN I USE A WORD IT MEANS JUST what I choose it to mean, neither more nor less' said Humpty Dumpty. The subtlety of the characters and vignettes of the novels of Charles Dodgson (aka Lewis Carroll) can take time to appreciate but his commentary on such a singular essence of meaning cannot be lost on those practising in the actuarial realm. Words surely only have some useful purpose where they have a similar, even if not identical, translation for the hearer as for the utterer.

That we take care to be up to date with what a word means today is brought home to us when we learn how our languages have changed meanings so much over the years. Sixteenth-century speakers would 'resent' to express their pleasure and offer an 'inhabited' building for use because it was unoccupied. Today we do the opposite with the same words!

'The assumptions chosen should be prudent' is a phrase familiar to actuaries working in a variety of areas and yet few words of such importance to actuarial work seem to have been capable of such wide interpretation. Traditionally, insurance actuaries reduced their discount rates for reserving for risk, while a 'prudent' pension valuation would have discounted employee pension liabilities at a rate of return reflecting the actuary's expected future returns on equities, without any adjustment for risk. Nowadays, rather lower discount rates are more common in pensions and yet the Pensions Regulator still allows pension schemes in deficit to plan using 'prudent' assumptions for valuing the liabilities ('technical provisions' in Eurospeak) while permitting higher allowances for equity investment in their recovery plans. How this 'mixing and matching' will work in practice with the threat of the regulator's intervention remains to be seen.

'Reasonable expectations' was for a while a phrase to send a shiver down the spine of any insurer who had sold pensions or endowment policies. Lawyers didn't do too badly out of arguing the meaning of both 'reasonable' and 'expectation'. Instead, today, we are invited to 'treat customers fairly'. Nice-sounding words, but do they really always mean the same for the buyer and the seller?



It is, however, our elected representatives who are most adept at coming up with words whose meaning is intended to fit their own imagination, not that of the listener. The NHS may be proclaimed in the midst of troubles to have had its 'most successful year ever' and, in the rare event when a pensions minister is in office long enough to make a keynote speech, he will use language such as 'building on the existing strengths of the UK pensions system', even as the whole edifice crumbles around him.

One of my favourite words in today's political newspeak is 'simplification'. When it is applied to pensions, it is a word to bring joy to even the most hardened recruitment consultant. Pensions tax has been 'simplified' in literally hundreds of pages of new legislation and thousands of pages of Revenue & Customs guidance (once it's eventually all been issued). Can there be more than a handful of specialist advisers who understand the differences between an 'overseas pension scheme', a 'recognised overseas pension scheme', or a 'qualifying recognised overseas pension scheme'?

So before addressing our customers and clients, let's remember how Alice replied to her overblown ovoid friend – 'The question is, whether you can make words mean so many different things.'

 PETER TOMPKINS