



St Bartholomew House, 92 Fleet Street
London EC4Y 1DG
Telephone: 020 7353 1688 Facsimile: 020 7353 9296
Web: <http://www.spc.uk.com>
e-mail: john.mortimer@spc.uk.com

Email: TM1@frc.org.uk

Director of Actuarial Policy
The Financial Reporting Council
Aldwych House,
71-91 Aldwych
London WC2B 4HN

Our Ref: JM/JP/4.17.2

August 28th 2012

Dear Sir or Madam,

FINANCIAL REPORTING COUNCIL CONSULTATION ON ASSUMPTIONS FOR STATUTORY MONEY PURCHASE ILLUSTRATIONS

We welcome the opportunity to participate in the above consultation document.

INTRODUCTION TO SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group.

Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

This consultation document has been considered by SPC's Actuarial, Financial Services Regulation, and Money Purchase Committees, which comprise representatives of actuaries and consultants, pension lawyers and product providers.

RESPONSES TO THE CONSULTATION QUESTIONS

Question 1: Do you agree that the assumption in AS TM1 should be consistent as far as possible with those specified in COBS 13, Annex 2 of the FSA Handbook?

Yes.

Question 2 (a): Should AS TM1 continue to specify a maximum accumulation rate?

We would favour an approach, which would permit a rate of more than 5% per annum, if justified by the expected returns from the member's current and anticipated investment strategy.

Question 2(b): If AS TM1 continues to specify a maximum accumulation rate should it be the same as FSA's intermediate projection rate?

As the consultation paper notes, statutory money purchase illustrations and projections serve different purposes, so there is no absolute reason why the two rates need to be the same.

The Society of Pension Consultants
A company limited by guarantee. Registered in England and Wales No. 3095982

Question 2(c): If your answer to (b) is “no”, what rate should be specified in AS TM1?

We have nothing to add to our responses to questions 2(a) and 2(b).

Question 3: Should the wording for the mortality assumption in AS TM1 be changed along the lines of the wording proposed in Chapter 2?

We suggest that there should be provision for alternative approaches to blending, provided that they achieve the same mix as set out in paragraph 2.11 of the consultation paper.

We understand that some firms' systems might not readily accommodate the single methodology proposed.

Question 4: Given the proposed nature of the changes to AS TM1, do respondents envisage any difficulties with a four-week consultation period for an exposure draft of a revised version of AS TM1?

We suggest that the primary consideration should be the length of any transition period, rather than that of the consultation period.

Question 5: Do you agree with our proposals for the timing of any changes?

To avoid the costs associated with implementing two changes over a very short time, we suggest that the effective dates for versions 2.0 and 2.1 are merged, and that a single effective date of April 6th 2013 should be specified.

Question 6: Do you have any comments on the impact assessments for our proposals?

No.

Yours sincerely

John Mortimer
Secretary