

The Director
Board for Actuarial Standards
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(sent by e-mail to: basTM1@frc.org.uk)

22 December 2008

Dear Sir/Madam

AMENDING TM1 FOR REVISED CONTRACTING-OUT PROVISIONS: CONSULTATION PAPER, BAS

Thank you for providing The Actuarial Profession with the opportunity to comment on this discussion paper and to contribute to the amendment of TM1.

The Actuarial Profession welcomes the opportunity to respond to this public consultation. We note that, although the consultation covers only two aspects of *Technical Memorandum 1*, there will be a wider review in a few months time.

The indications from the changes proposed in the present consultation appear to us to be going in the right direction. We recognise the need to update TM1 in view of the new requirements placed on TM1 by the Pensions Act 2007.

Further, we recognise the significance of April 2012 as the government's preferred proposed date for the abolition of money purchase contracting out, as both the date when Personal Accounts begin and the date when the current quinquennial period ends.

We have two further comments about the implementation dates.

For the first change – the abolition of money purchase contracting out – we would point out that further changes to the abolition date, in effect delaying it from April 2012 to April 2015, will carry significant implications for investors who might have made substantially different decisions if the changes were introduced in 2015 rather than in 2012.

For the second change – affecting contracted out earnings – the difference between UEL and UAP will become relevant by April 2009 and not 2012 as first envisaged. This could prove problematic for actuaries involved in calculating the amount of rebates received by contracted out pensions arrangements on the basis that the UAP would replace the UEL in April 2012.

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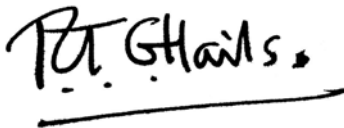
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The practical implications of the proposed new rules are important to both actuaries and contributor / pensioners in requiring time to prepare for them. The new rules need to be applied consistently in terms of the wider policy principles and smooth policy transition the government is seeking to achieve.

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 me, Martin Hewitt, Pensions Practice Manager on 0207 632 2185 or via martin.hewitt@actuaries.org.uk.

Yours sincerely



Robert Hails
Chairman, Consultations Group, Pensions Practice Executive Committee

Please reply to Staple Inn

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