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26 August 2010

The Director
Board for Actuarial Standards
5th Floor, Aldwych House
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Dear Sirs

Response BAS Consultation on Exposure Draft: Transformations

The Association of Consulting Actuaries (ACA) welcomes the opportunity to respond to the Exposure Draft issued by the BAS in June 2010. Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes.

Members of the Association are all qualified actuaries. All actuarial advice given by our members is subject to the Actuaries' Code. The FRC is responsible for the independent oversight of the UK Actuarial Profession and the setting of actuarial technical standards. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of defined benefit pension schemes.

The ACA is the representative body for consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

Before turning to the specific questions I would express disappointment that in spite of all bar one of the respondents suggesting these aspects would be better dealt with under TAS Pensions and TAS Insurance the BAS has sought to pursue the separate TAS. We must accept this. We would however suggest that after the issue of all TASs is complete and a review of them is undertaken you look at whether in practice the separate TAS was justified.

We now treat each of the aspects on which you have sought our views.

1. *The proposed commencement date of the Transformations TAS.*

We welcome the setting of the commencement date after the intended commencement date of the TAS Pensions. However, given that transformations are certainly less frequent than other aspects of pensions or insurance work we do not foresee great difficulties with earlier implementation.

2. *Our impact assessment and the effects that the introduction of the Insurance TAS is likely to have on actuarial information.*

We do not expect the costs of implementation to be significant in comparison to the sums generally involved in transformations.

3. *The text of the exposure draft as a means of implementing the proposals presented in this document.*

Part A

We suggest that the words "including information on cash flows, risk and uncertainty" to be removed as this is very much dependent upon the nature of the work involved and in any event the term "sufficient information" adequately covers the requirements.

Part B

In the definition of pension transformation we suggest "without the consent of all members" be replaced by "without the consent of all of the affected members" since one would not seek the consent of members who are not affected by the transformation.

Part C

In relation to C.1.9: For non-life insurance Part VII transfers and for simple life insurance Part VII transfers (primarily those not involving with-profits business) we believe that forced compliance with the Transformations ED would disadvantage actuaries compared to other professionals who could fill these roles, potentially at a lower cost due to a lesser compliance burden on them compared to actuaries.

Part D

In relation to D.2.2 we would have expected this would need to be disclosed to the user. However the requirement to document does not require this.

We are generally uncomfortable with the inferences in the second bullet under D.3.2. The commentary on pages 13 and 14 suggests that a party would deliberately provide incomplete or inaccurate data with the aim of distorting the impact of the proposals on the beneficiaries. We believe that the existing requirement of TAS D to challenge the accuracy and completeness of data to be sufficient. As worded the TAS appears to leave the actuary having to suggest to a party that the data they have provided may be inaccurate and influenced by their interest in the transformation proceeding. We would suggest that this requirement is not only unwelcome but unnecessary. Actuaries will in addition always have to comment that they have relied upon the accuracy of data supplied by a party since the actuary cannot in general provide or obtain the records directly from source.

Section D.3.4 would appear not to be a necessary requirement as one would naturally assume that the actuary is fully aware that the grouping of data or individuals may influence his conclusions and how this could lead to the impacts not truly being reflective of the individual effects.

The first bullet under D.4.2 would we suggest be better expressed as "any changes to the incidence of payments to be received."

Under D.4.3 as worded this could include a requirement to state the nature of risks to beneficiaries who are not of any concern to the user. An example would be the members of the receiving pension scheme. The wording therefore needs to be amended to restrict the considerations to those of concern to the user.

The meaning of the first bullet under D.4.7 is not clear and an example would provide clarity. In regard to the second bullet under D.4.7 we have the same concerns as under D.4.3 since it is for other parties to advise the insurer accepting the liabilities.

We would suggest the wording of D.4.12 is amended to state "..... the interests of that group are positively or adversely affected". As a consequence D.4.14 can be removed and the bullets under D.4.15 added to this under D.4.13.

We have no other comments and would like to thank the BAS for the opportunity to comment on this exposure draft. We would be happy to discuss any of the aspects above.

Yours faithfully

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Chairman
Consulting Practice Committee
Association of Consulting Actuaries