

Barnett Waddingham

PRIVATE AND CONFIDENTIAL

20 August 2010

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

Dear Louise

Exposure Draft: Transformations

Barnett Waddingham LLP is a UK based firm of actuaries and consultants. We provide a range of actuarial and consultancy services to trustees and sponsoring employers of occupational pension schemes. The following represents the views of many but not necessarily all of the actuaries working at Barnett Waddingham LLP.

We also provide actuarial services to life insurance companies and friendly societies. A separate response is being submitted on behalf of Barnett Waddingham LLP in relation to those aspects of the proposed Transformations TAS.

General comments

We believe that there are considerable disadvantages in terms of loss of clarity and simplicity in having areas of work covered by more than one specific TAS and we are not convinced by the arguments put forward in favour of a separate Transformation TAS. In particular, we do not agree that the different emphasis between the Pensions and Insurance TAS justifies a separate TAS and we do not believe that the practical considerations described in paragraph 2.20 of the consultation document are valid reasons for the construction of a separate TAS.

We are concerned as to the view expressed in 2.27 of the consultation document that reliance on the definition of materiality by practitioners might in some circumstances be contrary to the spirit of the standards. Our understanding is that the definition of materiality is central to the principles based regime, and has been referred to by BAS on several occasions in response to concerns that the standards will be too onerous to comply with.

In our view the statement in 2.27 represents a significant change to the application of BAS standards (including the generic reporting standard TAS-R) and as such this consultation response seems an inappropriate place to raise this issue. We suggest that the definition of materiality and its impact on the application of standards is clarified by BAS.

Specific comments

In response to the specific questions raised in the consultation document, we wish to make the following comments:

Barnett Waddingham LLP, Cheapside House, 138 Cheapside, London EC2V 6BW
Tel: 020 7776 2200 Fax: 020 7776 3800 www.barnett-waddingham.co.uk

AMERSHAM - BROMSGROVE - CHELTENHAM - GLASGOW - LEEDS - LIVERPOOL - LONDON

Barnett Waddingham LLP is authorised and regulated by the Financial Services Authority and is licensed by the Institute of Actuaries for a range of investment business activities.
Registered No. OC307678. Registered Office: Cheapside House, 138 Cheapside, London EC2V 6BW. A list of members of Barnett Waddingham LLP may be inspected at the registered office.
A member of EURACS and NORACS, the European and North American networks of independent consulting actuaries.

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

We have no concerns with regards the proposed commencement date.

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

We have no specific comments with regards the impact assessment, although we would re-iterate our points above with regards the disadvantages of having a separate Transformation TAS and our concern over the statement regarding reliance on the definition of materiality.

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

Paragraph A.1.2: We believe that the purpose should not contain the words “including information on cash flows, risk and uncertainty”. The purpose of the TAS is presumably to provide users with sufficient information to make an informed decision and to assess the impact on beneficiaries. Requiring information about cashflows, risks and uncertainty to be provided is one way in which the TAS meets this purpose.

Paragraph B.2.1: Presumably the definition of pension transformation is intended to include only past service benefits? If so, this point needs to be made clear.

Paragraph C.1.6: As above, presumably the scope is intended to refer only to the modification of past service benefits?

Paragraph D.4.2: It is not clear to us what is intended by “deferral or acceleration of the average payment term”. Is this intended to cover situations where pension payments are changed from, say, in advance to in arrears? If so, we suggest that the example is made clearer.

Paragraph D.4.3: In many cases the actuary will not be in a position to comment on the risks to classes of beneficiary affected directly by the transformation, or the terms of reference may not extend to doing so. For example, in a transfer without consent, the actuary advising the transferring trustees would not normally be in a position to comment on the risks faced by the beneficiaries of the receiving scheme, nor would his terms of reference normally extend to doing so. We suggest that the text of the TAS is amended to reflect this position.

Paragraphs D.4.12 and D.4.14: These paragraphs lack clarity and could be improved. This might be achieved, for example, by separating the issues relating to beneficiaries in D.4.14 from the advantages to the party proposing the transformation and combining them with the issues relating to beneficiaries in D.4.12.

If you would like to discuss any of our comments in more detail, please let me know.

Yours sincerely



Steve Hitchiner FIA
Partner, Barnett Waddingham LLP