

10 August 2010

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

Dear Ms Poyor,

CBI consultation response to the BAS exposure draft: transformations

The CBI welcomes this opportunity to respond to Board of Actuarial Standards (BAS) consultation on an exposure draft on transformations. The CBI is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce.

CBI members are supportive of efforts to encourage best practice and comprehensive actuarial information for end-users. Having said that, occupational pension provision has become a costly undertaking in recent years. Contributions to defined benefit (DB) schemes passed £8bn a year for the first time in 1998. By 2008, they were over £8.5bn a quarter and they are continuing to rise. This means that any additional requirements that increase costs for the sponsoring employer should be carefully considered in the balance of cost and benefit.

A transformation exercise in relation to pensions relates to the transfer of members' benefits without consent; the modification of members' benefits without consent or the transfer of liabilities and assets to an insurance company for a pension scheme in wind up. Existing legislation under section 67 of the Pensions Act 1995 does not require an actuarial opinion on the fairness or otherwise of these exercises. In fact, fairness is a subjective term that is not clearly defined in legal terms. We understand other stakeholders have raised similar concerns in this area.



Ultimately, the onus of protecting scheme members accrued benefits lies with the scheme trust board. Trust boards have a fiduciary duty to do so, while the Pensions Regulator has powers to remove existing trustees and appoint new ones if they fail in their duties. Therefore, CBI members strongly oppose any requirement in the technical actuarial standard (TAS) for an actuarial opinion on fairness.

In relation to the principles outlined in the exposure draft as necessary for the actuary to produce the information that will help a user decide on the fairness of the proposed transformation, we accept that these are reasonable requirements. These include projecting benefit amounts and values under different economic scenarios; identifying sources of risk; explaining the particular circumstances which might have an adverse impact on beneficiaries and identifying circumstances which might have a different effect on some beneficiaries than others and quantifying that difference.

In conclusion, CBI members' support for the exposure draft is dependent on the condition that a requirement for actuaries to express an opinion on the fairness of any transformation exercises is excluded from the final TAS.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Carberry', written in a cursive style.

Neil Carberry
Head of Pensions