



26 August 2010

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Dear Sirs

Response BAS Consultation on Exposure Draft: Transformations

Jardine Lloyd Thompson provides consulting, actuarial and administration services to trustees and employers in relation to 1,500 or so work-based pension arrangements with assets ranging from a few thousand pounds to over £1,400m, and to individuals with regard to individual pensions. Following the combination of the JLT and HSBC Actuaries and Consultants businesses we now employ close to 100 qualified actuaries. This letter sets out JLT's response to the consultation.

Before turning to the specific questions I would ask to express disappointment that in spite of all but 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. We have restricted our comments to pension transformations as JLT do not in general provide advice or undertake work which would be covered under insurance transformations.

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 reserve our comments solely to pensions work on which, provided we understand correctly the scope of work covered by this TAS, we accept the impact assessment as being not material.

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

We have no comments on the wording in this part. However, please could you clarify if the scope (and particularly C1.6) is intended to include changes to future service benefits in a pension scheme (such as a change in pension increases (for future service) or even a closure to future accrual). It would appear to lie within a strict reading of the currently defined scope (a modification of benefits in the everyday sense) yet does not seem to fit with most of the content of the TAS.

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 concern to the user. An example would be the members of the receiving pension scheme in a bulk transfer – these beneficiaries are affected directly but would lie outside the scope of the actuary advising the trustees of the transferring scheme. The wording therefore needs to be amended to restrict the considerations to those of concern to the user.

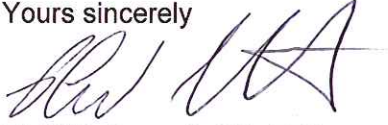
The meaning of the first bullet under D.4.7 is not clear and an example would provide clarity. In regard to the second bullet under D.4.7 we have the same concerns as under D.4.3 since it is for other parties to advise the insurer accepting the liabilities.

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 those under D.4.13. As with D4.3, the first half of this paragraph would benefit on greater clarity regarding affected beneficiaries lying outside the scope of the work. Indicating the *extent* of any change for such individuals would appear disproportionate and so perhaps could be ignored but our strong

preference would be to simply have a more clearly worded standard enabling transparent compliance.

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 sincerely

A handwritten signature in black ink, appearing to read 'PW MA FFA', with a long horizontal flourish extending to the right.

Phil Wadsworth MA FFA
Executive Director, Trustee Solutions