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The Director
Board for Actuarial Standards
Aldwych House
71/91 Aldwych
London WC2B 4HN

Our Ref: JM/JB/4.1

August 20th 2010

Dear Sir or Madam,

EXPOSURE DRAFT: TRANSFORMATIONS

We welcome the opportunity to comment on the above exposure draft.

INTRODUCTION TO SPC

SPC is the representative body for a wide range of providers of advice and services to work-based pension schemes and to their sponsors. SPC's Members' profile is a key strength and includes accounting firms, solicitors, insurance companies, investment houses, investment performance measurers, consultants and actuaries, independent trustees and external pension administrators. SPC is the only body to focus on the whole range of pension related services across the private pensions sector, and through such a wide spread of providers of advice and services. We do not represent any particular type of provision or any one interest - body or group.

Many thousands of individuals and pension funds use the services of one or more of SPC's Members, including the overwhelming majority of the 500 largest UK pension funds. SPC's growing membership collectively employs some 15,000 people providing pension-related advice and services.

The exposure draft has been considered by SPC's Actuarial Committee, which comprises representatives of actuaries and consultants and insurance companies.

COMMENTS ON THE EXPOSURE DRAFT

Paragraph 2.27. We continue to regard it as unsatisfactory that as fundamental a component of the exposure draft as the definition of materiality cannot be relied upon at face value. One is bound to question whether the definition has been properly framed if reliance upon it could be viewed as contrary to the objects and the spirit of the standards.

Paragraph 2.28. We share some of the doubts about whether a separate Transformations TAS is needed.

The major practical problem which will be caused by having a separate TAS will be the need to refer to more than one such document.

Paragraph 4.9. On similar grounds to our concern at paragraph 2.27, we have reservations about the approach in this paragraph.

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It would be better to have standards, which do not give rise to disproportionality, rather than to accept that they could cause a disproportionate approach, but should not be interpreted so as to do so.

Even following the advice in this paragraph, gives rise to the costs of documenting why one has chosen to follow the standard with what could be viewed as less than full rigour. This is a cost which should have been reflected in the impact assessment.

Paragraphs 4.14 – 4.16. We have no comment on the proposed timetable for the introduction of the TAS.

Paragraph A.1.2. We do not consider that a reference to cash flows adds to the Purpose.

Paragraph B.2.1. We assume that the definition of “pension transformation” is meant to apply only to past service benefits. If so, we suggest that this should be clarified.

Paragraph C.1.7. We suggest that it would be more helpful to refer to “the transfer or modification of benefits” at the end of this paragraph, rather than to “the transfer of liabilities and assets to an insurer”.

Paragraph D.3. We remain unconvinced that it is necessary to include paragraph D.3, except perhaps paragraph D.3.2.

Overall, however, the wording of paragraph D is an improvement on that in the consultation paper.

Paragraph D.4.2. We are not sure how the first bullet point should be interpreted. Would it cover, for example, moving the payment date for a pension from the first day of the month to the last day or swapping a pension payment for a lump sum?

We would appreciate greater clarity and, if the term “average payment term” is retained, for it to be defined.

Paragraphs D.4.3 – D.4.7. It would be appropriate to have wording in this section, relating to material risks, similar to that on assumptions, making clear that comments should not extend to risks for classes of members not covered by the actuary’s terms of reference.

We are not clear why paragraph D.4.6 is relevant to meeting paragraph D.4.3, unless paragraph D.4.3 is actually meant to refer to classes of beneficiaries who are directly or indirectly affected.

Arguably, the lack of clarity is not a major concern, because paragraph D.4.6 only states that information might need to be included, but it would be helpful to have certainty on the intention.

Paragraphs D.4.12 – D.4.15. We found these paragraphs difficult to follow, probably because of their lay out.

If they are not meant to still refer to the range of assumptions, it would be helpful to have a separate sub-heading above them.

Additionally, arguably, paragraph D.4.14 (particularly the wording up to “and the advantages ...”) could more naturally be incorporated into paragraph D.4.12, for example by adding two words so that it reads “...group are positively or adversely affected”. (We certainly found the use of the word ‘benefits’ in the proposed paragraph D 4.14 to be unhelpful to understanding.) Paragraph D.4.13 would then provide comment on the expanded paragraph D.4.12.

Yours sincerely

John Mortimer
Secretary