



The Actuarial Profession

making financial sense of the future

Consultation response **HM Revenue & Customs**

Overview of draft legislation for Finance Bill 2011

February 2011

About the Actuarial Profession

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

HM Revenue & Customs
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18 February 2011

Dear Sir

Overview of draft legislation for Finance Bill 2011

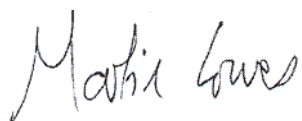
Thank you for giving the Actuarial Profession the opportunity to comment on draft legislation for the Finance Bill on restricting pensions tax relief. We sincerely apologise for responding so far past your deadline and thank you for agreeing to consider our comments, which are fortunately not extensive.

First, the Profession does not believe that the phrase "applying normal actuarial practice" in the newly inserted s236A(5) of the Finance Act 2004 is well defined. We suggest that HMT/HMRC may wish to consider alternative ways to phrase the requirement in order to express more explicitly what they intend.

Secondly, the Profession did not find that the draft made clear whether the reference to "cash equivalent value" in the explanatory note for s236A is intended to mean the cash equivalent as defined in Chapter IV of the Pensions Schemes Act 1993 or something else. We suggest that it would be helpful if HMT/HMRC clarified the intention here.

We hope that these comments are helpful. We would be very happy to discuss them further should that assist. Please contact Margaret Watchorn, Pensions Practice Manager on 0207 632 2185 or via margaret.watchorn@actuaries.org.uk.

Yours faithfully



Martin Lowes
Chairman, Consultations Group, Pensions Practice Executive Committee