

# Response to Third Pensions Principles Consultation from Peter N Thompson

## **For the attention of Andrew MacFaul**

Consultation Co-ordinator  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Andrew,

I would like to make a brief response to the consultation as follows:-

**1.** Do you have any comments about the overall process, which was adopted for this consultation?

I consider the importance of the provision of Pensions to both the existing and future employees and particularly to the peace of mind of the existing Pensioners to be critical. Much has happened in the financial markets to provide history and experience and this should be used to allow good pension provision to not be impacted by the best and well intentioned controls which might risk disproportionately and negatively inhibiting a company from trying to protect its employees for future detrimental impacts of the market. The correct application of the regulatory formula to this particular area is important and therefore welcome Ofgem's view that the issue should be dealt with as a separate consultation from the main PCR's in order to form the overarching policy to be applied.

- 2.** Do you have any comments about the overall tone and content of the report?
- 3.** Was the report easy to read and understand, could it have been better written?
- 4.** To what extent did the reports conclusions provide a balanced view?
- 5.** To what extent did the report make reasoned recommendations for improvement?
- 6.** Please add any further comments?

The one point I would particularly appreciate being taken into account is this: I actually question the ability of any formula however complex, yet well structured, to be able to manage the particular elements of Pension provision to an actuarial standard? While I understand that miss use of funding is the key objective of the controls sought to be applied through the course tool of PCR and formula there are many who spend a whole life trying to manage the Actuarial responsibilities of pension funds and still are not able to protect the funding.

I would therefore suggest that the issue is even outside of the ability of any particular formula based management tool and therefore recommend the allowance of the elements of Pension funding to be a pass through cost but on an annual or bi-annual basis for Ofgem to apply the external management review tool as provided by the Government Actuary's Department (GAD)

Peter N Thompson  
Solihull