The Pensions Regulator

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Private & Confidential
The Trustees Carillion Staff
Pension Scheme
c/o Mr Peter Clarke
Group Pensions Manager
Carillion plc
24 Birch Street
Wolverhampton
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Our ref: TM9095

27 July 2011

Dear Trustees

Carillion Staff Pension Scheme - 10246759
Actuarial valuation as at 31 December 2008

Thank you for your submission of the scheme funding valuation summary, recovery plan and schedule of contributions and our subsequent correspondence. We have reviewed the actuarial valuation for the above scheme to assess compliance with Part 3 of the Pensions Act 2004 ("the Act").

We looked at the level at which the technical provisions have been set and the structure of the recovery plan and this raised some questions as to the appropriateness of the approach taken. Thank you for your time and assistance in answering our queries.

Based on the information provided, our review has concluded that at the scheme's next actuarial valuation you should address the following areas:

- the allowance made for future improvements in longevity and whether the long term rate of improvement allowed for is sufficiently prudent for scheme funding purposes;
- whether the assumptions used accurately reflect the likely development of the investment strategy of the scheme (and are therefore prudent in the context of long term funding). We note your intention to reduce investment risk as the scheme matures, which we expect will lead to lower investment returns over time and hence feeds into the assumptions adopted to set technical provisions;
- that adequate allowance is made for recouping of scheme expenses from the employer in the agreements reached.

The trustees may find it useful to review our statement from June 2009 'Scheme funding and the employer covenant', particularly page 6 regarding the acceleration of recovery plan payments if the financial position of the employer improves http://www.thepensionsregulator.gov.uk/docs/employer-covenant-statement-june-2009.pdf.

For further details, you should refer to Code of Practice 03: Funding Defined Benefits, and the related guidance available on our website. We also recommend that you discuss these comments with your scheme actuary and other advisors as appropriate, so that they can be borne in mind when providing future advice.

However, notwithstanding the above, we are able to confirm in respect of this valuation that, on the basis of all the information provided to us, we do not propose to exercise any of our powers under section 231(2) of the Act.

This confirmation does not relate to any of our other powers, and if there is a material change in circumstances or if we receive information which is different from that provided we may use our powers under section 231(2) of the Act.

We are pleased to note that the trustees and employer have agreed a detailed timetable for the negotiations regarding the actuarial valuation as at 31 December 2011, with the aim of ensuring that you comply with the requirement to complete all of the funding documents within the statutory period of fifteen months of the valuation date.

We understand that there is now a single trustee company acting as trustee for this scheme and five others within the same employer group. We take this opportunity to recommend that the trustee gives careful consideration to how it will deal with conflicts which will naturally arise when dealing with more than one scheme. This may include (but is not limited to) how the trustee decides to allocate any contributions agreed with the employer across the different schemes, or how quickly each scheme is brought up to being fully funded.

If you have any questions or difficulties relating to your scheme, information can be found on our website (www.thepensionsregulator.gov.uk). If you would prefer to speak to someone, our customer support phone number is 0870 6063636.

Yours sincerely

[redacted]

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