TPR Annual Funding Statement

Comment from the Association of Consulting Actuaries (ACA)

ASSOCIATION OF CONSULTING ACTUARIES

PRESS RELEASE: IMMEDIATE

ACA says AFS strikes good balance

27 April 2022: Patrick Bloomfield, Chair of the Association of Consulting Actuaries (ACA) commenting on the TPR's Annual Funding Statement, commented:

"TPR's 2022 AFS strikes a good balance across the range of circumstances UK schemes and businesses are finding themselves in. I'm impressed with TPR's ability to cover all the bases in a digestible way, including Ukraine, high inflation, COVID-19 and Brexit.

The emphasis on trustees tuning into to how their scheme's sponsor is coping is spot on. TPR's messaging is suitably nuanced, ranging from struggling businesses being given breathing space on contributions, to thriving sponsors treating their scheme fairly when paying special dividends.

The 2022 AFS marks a subtle but important shift in focus for TPR and UK schemes as a whole. Where past messaging has centred on repaying deficits, this year's statement speaks to schemes who've reached full-funding and are on track. It's helpful to see TPR call this out, encouraging trustees' forward-thinking on long-term funding targets, journey plans and contingencies.

The clarity with which TPR's set out its stall on longevity and inflation is welcome. These are unquestionably the two key technical topics all schemes will wrestle with in 2022 valuations.

Recognising that the impact of COVID-19 on life expectancy is uncertain is fair but it is also reasonable for trustees and sponsors to begin to draw inferences from the available data. Giving schemes the green light to think about allowing up to 2% of liabilities is better than a head-in-the-sand view that COVID-19 has had no impact on the world around us. Thinking through the multifaceted impacts of inflation on sponsors, benefits and investments is no small task and TPR has done well to guide the market on how to pull this together.

It's hard not to grumble that TPR's new code of practice on scheme funding is taking some time to come to fruition, but we understand the need to be patient. The ACA has sympathy for pandemic and Brexit pressures TPR has had to juggle, not to mention the colossal agenda of regulatory change being pushed through the pensions industry. We would prefer to see a good outcome than a rushed outcome, evolving the UK's scheme-specific funding regime to be ready for the great DB run-off in the decades to come.

I'm confident that the members of the ACA will rise to the challenges in 2022, helping trustees and sponsors figure out what's appropriate for their unique circumstances."

Contacts for further information:

Patrick Bloomfield, ACA Chair at patrick.bloomfield@hymans.co.uk – 020 7082 6111
Steven Taylor, ACA Chair-elect at steven.taylor@lcp.uk.com – 07785 907 425

About the Association of Consulting Actuaries (ACA)

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes. The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

Association of Consulting Actuaries Limited · First Floor · 40 Gracechurch Street · London · EC3V 0BT
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk
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