ASSOCIATION OF CONSULTING ACTUARIES

Association of Consulting Actuaries Limited · First Floor (129) · 40 Gracechurch Street · London · EC3V 0BT
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk

PRESS RELEASE

ACA COMMENTS ON TPR ANNUAL FUNDING STATEMENT

5 March 2019: In an initial comment on the TPR Annual Funding Statement, issued today, the Association of Consulting Actuaries (ACA) has welcomed its content outlining the processes trustees should ideally follow in approaching defined benefit (DB) scheme valuations in the period ahead and what should be expected of trustees, sponsoring employers and the Regulator itself. Whilst welcoming the Statement, the ACA notes that there will continue to be cases where it will be very difficult to identify the correct balance between approaches that are needed to sustain ongoing businesses and the funding necessary to support the needs of legacy DB arrangements.

Commenting on the Statement, **ACA Chair, Jenny Condron** added:

"We are seeing a step change in that the Statement for the first time includes expectations on investment strategies and examples of scenarios with scheme types being segmented by maturity as well. As expected, there is a growing focus on establishing and agreeing long term objectives - a positive step as Technical Provisions often fall significantly short of a sufficient run-off funding level. It is important however that such plans address demographic risk as well an investment risk as the scheme moves toward this type of long-term target.

"As ever, the proof of the pudding will be in the eating and how its content will influence sponsors, trustees and the workings of the Regulator, where recent – often unfair – criticism has pushed them to a view that they must be seen to be 'tougher' in their defence of DB members' benefits. We note the Regulator is looking for Trustees to evidence and justify departures from the expectations set out in the various scenarios set out in the Statement, which will need appropriate advice and input from their actuaries and other advisers.

"Sponsors, trustees and their advisers need to be assured that the changing approach will not herald an overly inflexible one and that the Regulator will remain proportionate in using its powers, particularly those situations where employers are engaged in corporate restructuring – often with the specific aim of enhancing the organisation's future prospects and therefore the covenant supporting the pension scheme. Identifying a fair balance between competing calls on employer resources must remain largely a decision taken at company level, taking due note of advice and after proper processes have been followed. The Regulator must not be tempted to second-guess on a 'we

know better' basis – an approach that would inevitably lead to new but different mistakes arriving at the Regulator's door."

Contacts for further information:

Jenny Condron, ACA Chair at jenny.condron@mercer.com - 01483 777053

Jane Beverley, Chair, ACA Pension Schemes Committee at Jane.Beverley@xpsgroup.co.uk – 020 3327 5314

David Robertson, ACA Secretariat at david.robertson@aca.org.uk – 020 3102 6761

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.

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