KPMG

cutting through complexity™

ACA welcomes the Regulator’s first annual funding statement

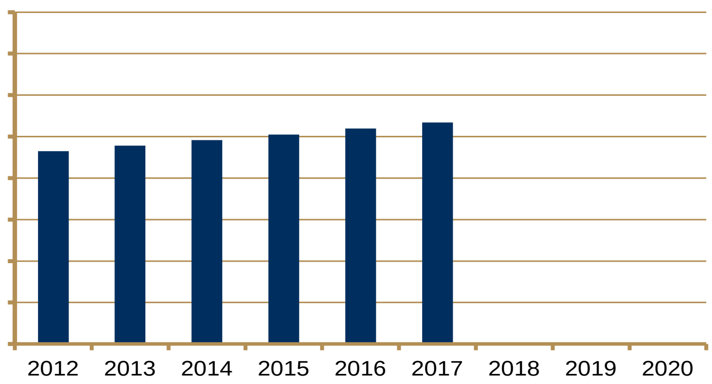
The Pensions Regulator’s statement on funding

John Martin 28 June 2012

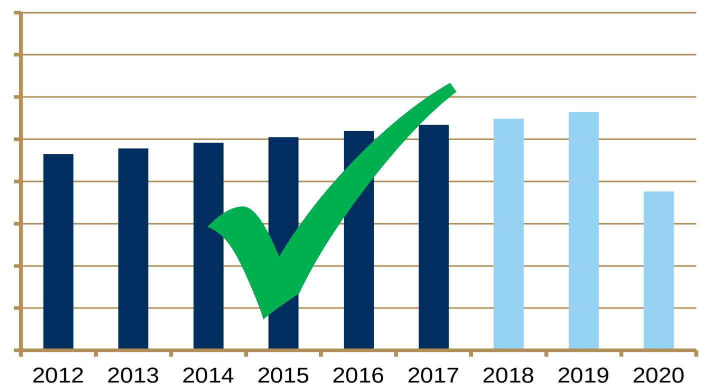
Recovery Plans

...current level maintained in real terms (paragraph 22)

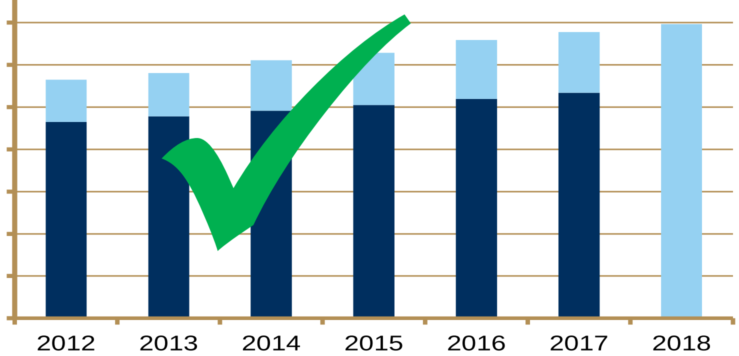
Existing plan



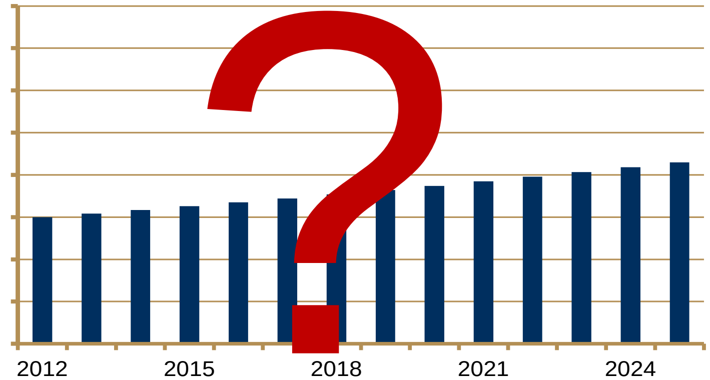
Longer period



Higher contributions



Reduced level / extended period



Economic circumstances

…sufficient flexibility… to address challenges

“Any increase in the asset outperformance assumed in the discount rate seen as an increase in the reliance on the employer’s covenant” (paragraph 19)

“Contingency plans”

…where schemes assume gilt yield reversion they should have viable “contingency plans” to address the situation where this is not borne out (paragraph 28)

“[this statement] will also be relevant to all trustees and employers with a DB pension scheme”

High standard of proficiency

[tPR] do not expect late valuations or issues with governance (para 31)

What we would welcome from tPR

- Consistency of approach
- Timely completion of reviews of funding plans
- Clear unambiguous feedback

Scope

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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