

PENSION SCHEME FUNDING

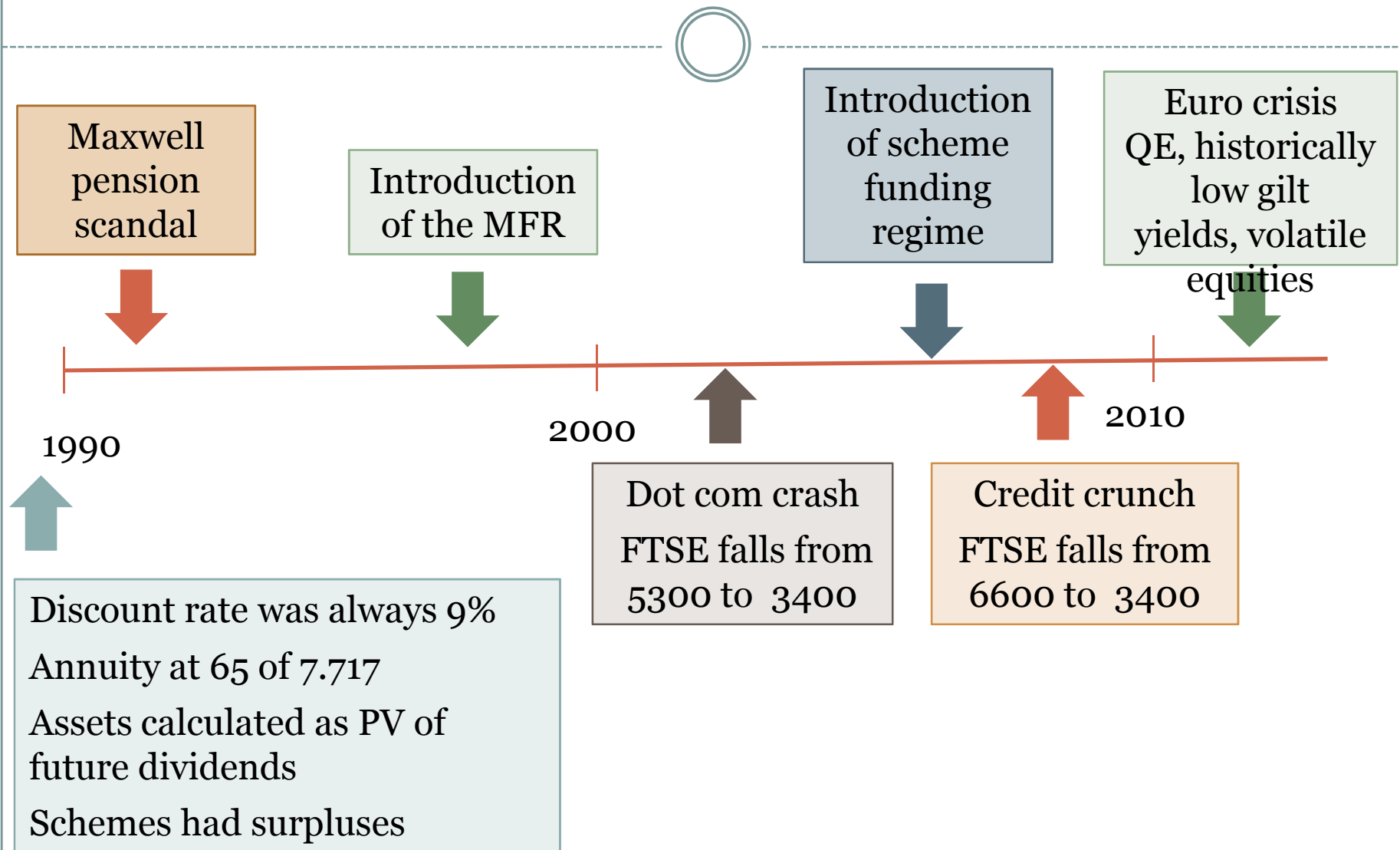


ACA SESSIONAL MEETING
21 JUNE 2012

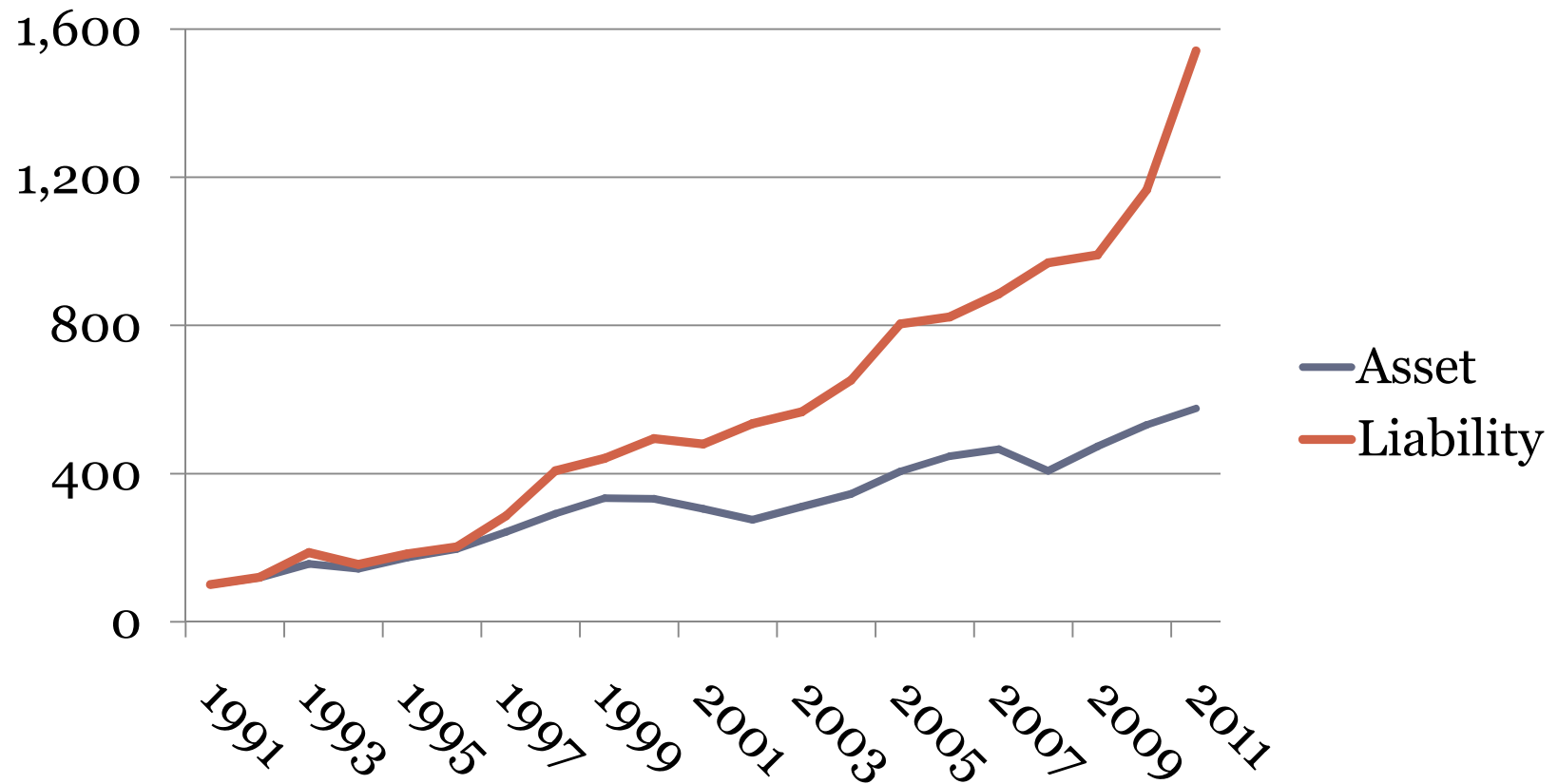
A PRACTITIONER'S VIEW

ALISON CREASY FIA

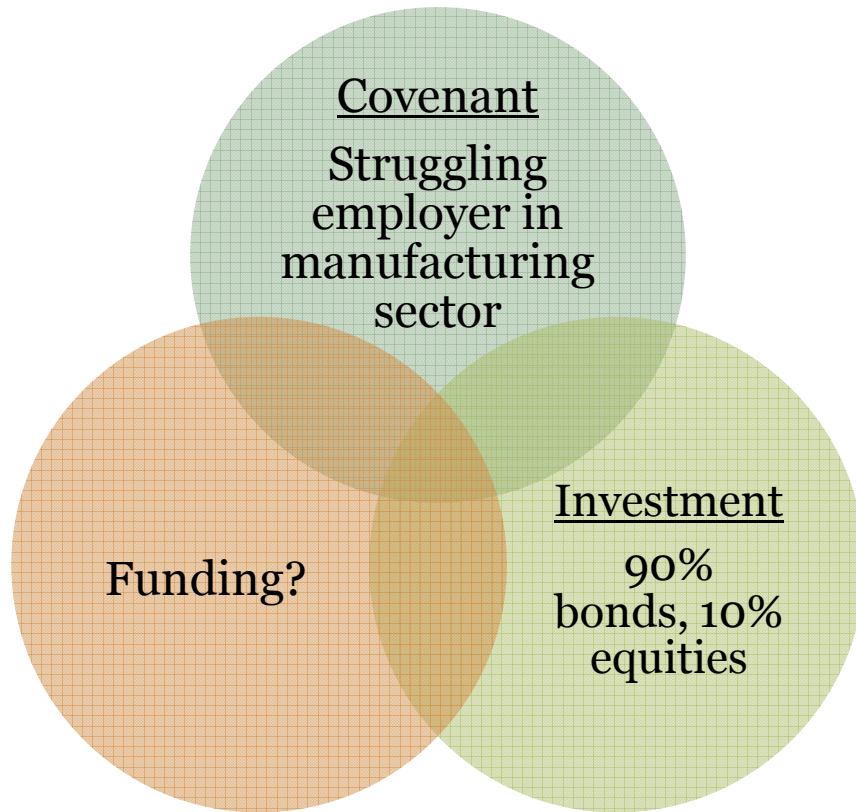
A history lesson



Current conditions



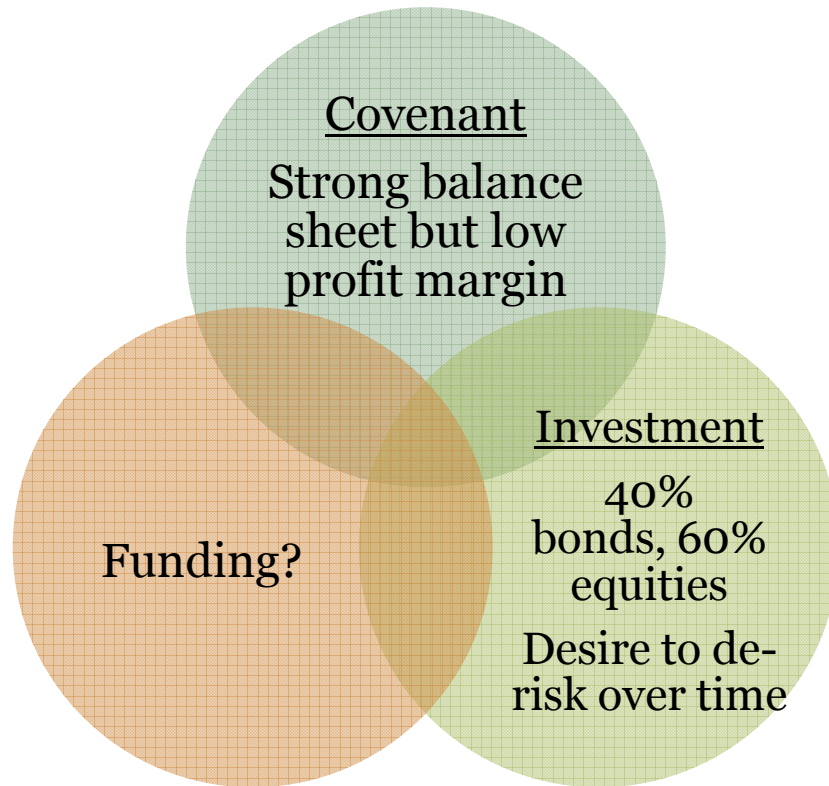
1. Testing the current framework



Observations

- Weak employer so set Technical Provisions close to self sufficiency/ buy-out
- Large deficit (but *relatively* stable vs gilt yield changes)
- Long Recovery period based on affordability
- Include profit related contributions ?

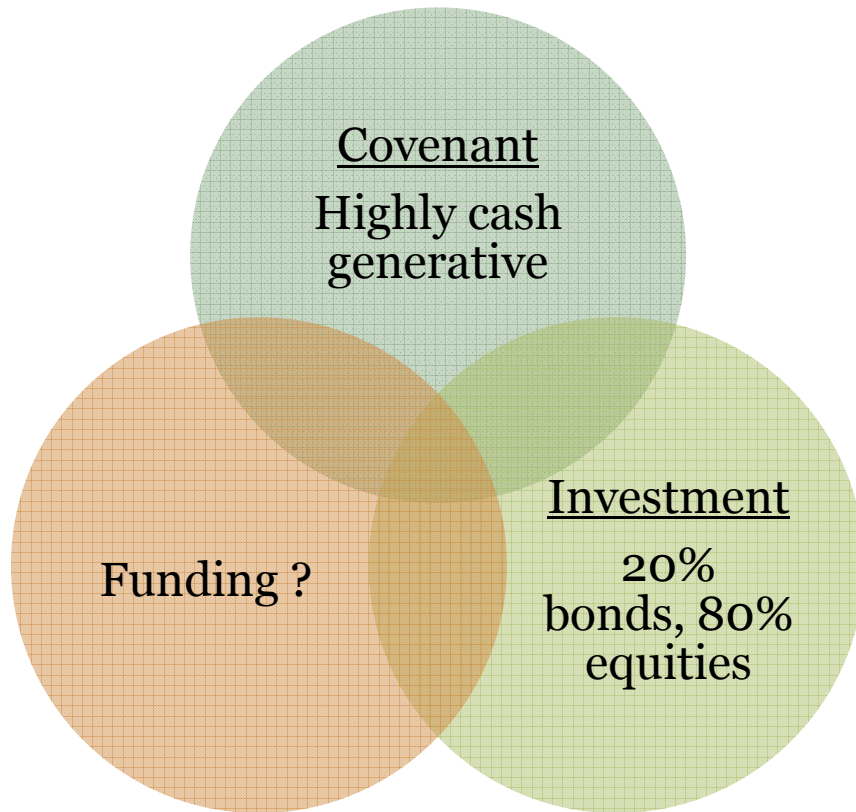
2. Testing the current framework



Observations

- Housing sector – circumstances imply strong employer
- Technical Provisions allow for equity outperformance pre retirement
- Are TPs prudent enough?
- Recovery Period?
- Deficit will be volatile

3. Testing the current framework



Observations

- Independent assessment confirms strong employer
- Technical Provisions allow for equity outperformance pre and post retirement
- What if the Employer wants a long Recovery Period?
- Deficit will be very volatile

The deficit is too high !



Things will get better!

Let's choose a different calculation method that gives a better answer!

- Inflation driven expected returns?
- Different term for the gilt yield?
- Reflect higher expected out-performance on growth assets?
- A different valuation date?

Asset backed funding?

Conclusion

