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To: Clare de St Croix
From: Charles Young

**The draft Pension Protection Fund (Miscellaneous Amendments) Regulations 2007**

I am writing on behalf of the Association of Consulting Actuaries in response to the draft Regulations.

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 are subject to the code of professional conduct of the Faculty and the Institute of Actuaries. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of defined benefit pension schemes.

The ACA is the representative body for consulting actuaries, whilst the Faculty and Institute of Actuaries are the professional bodies.

We have the following comments in relation to draft Regulation 4.

The amendment to paragraph (1)(b) of Regulation 2 of SI 2005/672 would require a newly-registered scheme to produce its first PPF valuation within 15 months of first registration. This is a much shorter timescale than is required for the first Part 3 (scheme funding) valuation, where the effective date can be up to 12 months after establishment and the valuation completed up to 15 months after that. Given the comment regarding consistency with the scheme funding legislation, made in relation to paragraph (3)(c) in the commentary with the draft regulations, we presume that this shorter timescale was not intended.

Matching insurance contracts can pose practical problems for some schemes, and so we support the aim of paragraphs (4) and (5) to lessen this problem. However, we have some concerns as to whether or not the legislation, strictly read, provides the desired simplification. The draft amendment seems to require the trustees to know that a particular contract of insurance exists (and then for the actuary to make a decision that there is insufficient information about it to include it in the valuation), whereas often the problem is that the trustees are unaware how many such contracts there may be. And the definition of “relevant contract of insurance” in section 161(8) includes the requirement that the surrender value does not exceed the liability secured; although it is extremely rare to find annuities where this condition is not met, the trustees or actuary would in theory seem to need to satisfy themselves as to this point, and it appears inconceivable that they would be able to do this in circumstances where there is ‘insufficient information’ to conduct a PPF valuation.

I hope this is helpful.

Kind regards

**Charles Young**
Chairman of ACA Pension Schemes Committee