LCP INSIGHT CLARITY ADVICE

The Pensions Regulator's statement on funding
Bob Scott 24 May 2012

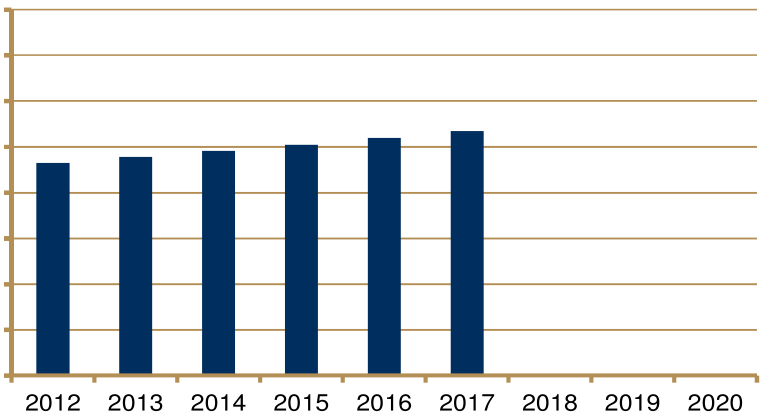
ACA welcomes the Regulator's first annual funding statement

Lane Clark & Peacock LLP Trustee Consulting Investment Consulting
Corporate Consulting Insurance Consulting Business Analytics www.lcp.uk.com

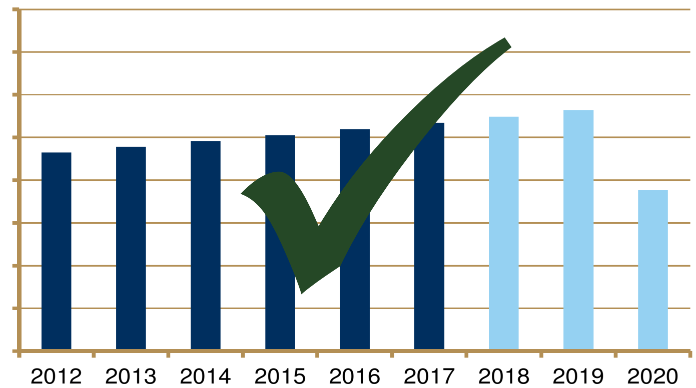
Recovery Plans

…current level maintained in real terms (paragraph 22)

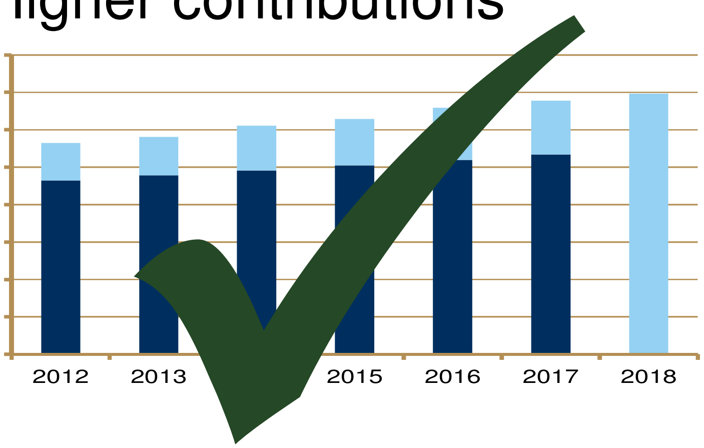
- Existing plan



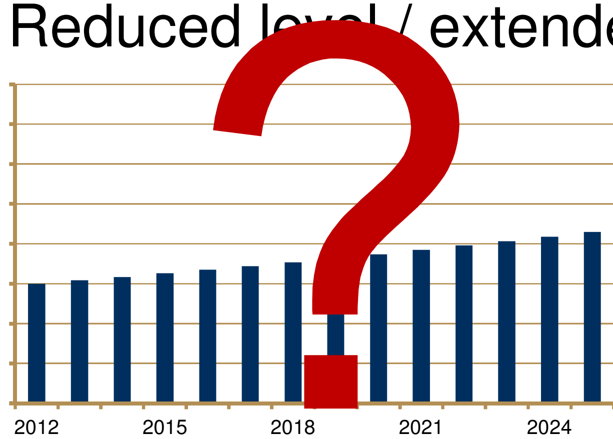
- Longer period



- 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)

- "Properly set"
  - …this assumes that the current contributions were "properly set" (paragraph 22)

- "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)

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

- This generic presentation should not be relied upon for detailed advice or taken as an authoritative statement of the law.
- While this document does not represent our advice, nevertheless it should not be passed to any third party without our formal written agreement.