The Pensions Regulator

Scheme Funding

Association of Consulting Actuaries
Thursday 20 September 2007

SSF Processes

- Valuation summary on our web site submitted
- Other documents received e.g. SoC, RP.
- All recovery plans pass through TPR filter process
- Triggered plans reviewed by multi-disciplinary SSF team
- Team comprises actuaries, lawyers, business advisers and case managers
- Triggered plans escalated according to risk evaluation
- SSF team engages with Trustees and advisers

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Key Messages

- Primacy of technical provisions
- Recovery plans based on affordability
- Covenant strength affects technical provisions
- Prudence doesn’t equate with best estimate even for strongest employers
- SSF process scheme specific

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SSF statistics to 31 July 2007

- 1292 Recovery Plans received
- 766 Processed by SSF team
- 74 Failures to agree
- 100+ Requests for ‘extensions’
- 87 Proactive cases
- 70% Triggered on one or more of our triggers
- 69% Closure letters sent or being
- 10% Escalated for more in depth enquiry

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Our “Triggers”

- Necessarily somewhat broad brush
- To focus our attention consistent with a risk based approach
- One technical provisions trigger
- Three recovery plan triggers
- Not targets!

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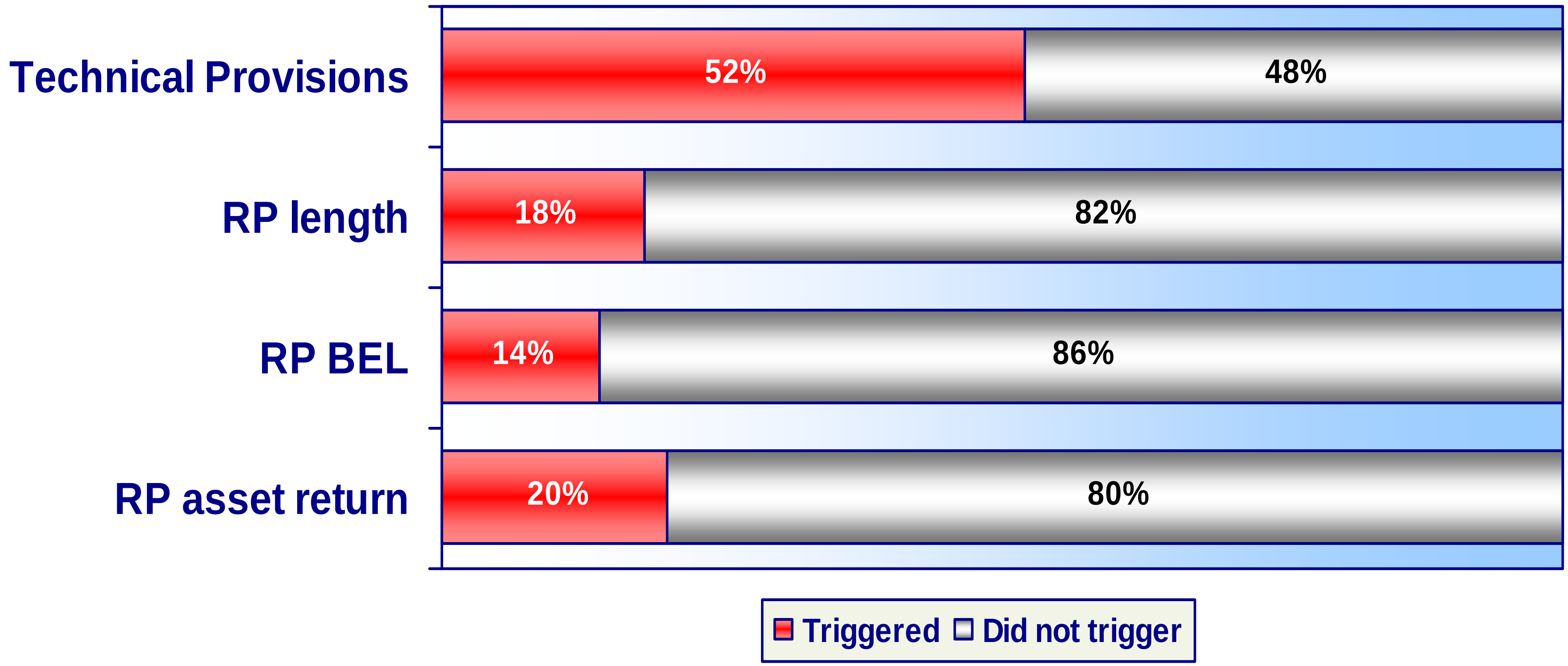
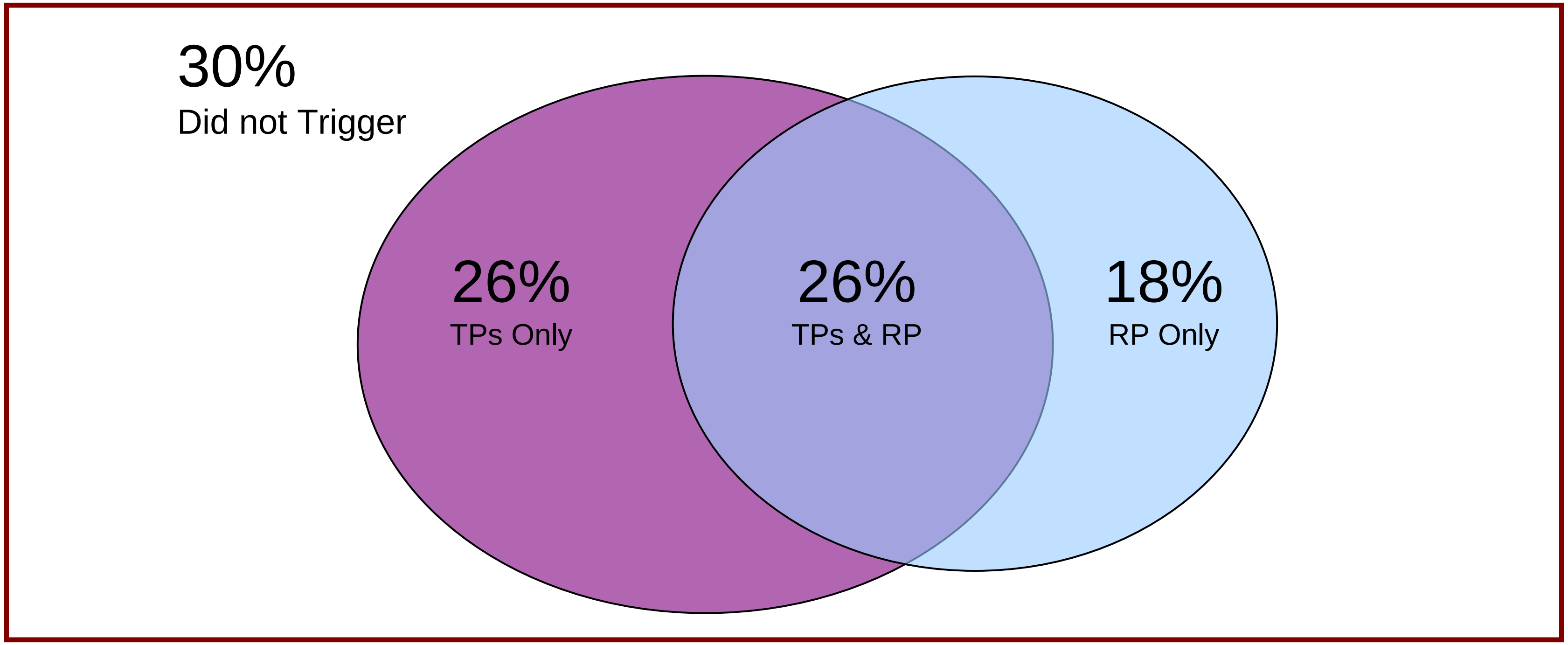
Over ½ of schemes submitting a recovery plan have triggered on technical provisions



1 in 4 schemes triggered on tech provisions and also at least one recovery plan trigger



Technical provisions triggered

Recovery plan triggered

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Failures to agree

- Inability to pay
- Lack of security
- Disagreement over covenant strength
- Disagreement over Technical provisions

Mortality analysis: Base tables used

PXA92	1,099	96.6%
PXL92	3	0.3%
PXA80	7	0.6%
PXA00	18	1.6%
PA90	6	0.5%
a55	2	0.2%
Scheme experience	2	0.2%
Population tables	1	0.1%
	1,138	100.0%

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Mortality analysis: Calendar year or year of birth approach?

Year of birth	689	60.5%
Calendar year (or ‘period’ table) approach	414	36.4%
Not known	35	3.1%
	1,138	

Mortality analysis: Future improvements

Allowance for the cohort effect

No cohort	374	32.9%
Short cohort	129	11.3%
Medium cohort	629	55.3%
Long cohort	3	0.3%
Not specified	3	0.3%
	1,138	100.0%

Mortality analysis: Summary

- Weak mortality may have been compensated for elsewhere in the Technical Provisions (‘TPs’) basis
- We will not challenge a particular assumption if the overall level of TPs looks appropriately prudent
- However, where the TPs do look low for the strength of employer, the main assumptions we are challenging are the discount rates and/or the mortality assumptions
- Lack of evidence to support some adjustments to tables
- First tranche of recovery plans so we expect to see a strengthening of mortality assumptions for more recent valuation dates and future valuations

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