

PENSION LAWYERS
ASSOCIATION

The logo features the word "revolution" in a lowercase, sans-serif font, with the letter "O" replaced by a white circle with a small gap. To the right of this graphic, the word "OLUTION" is written in a bold, uppercase, sans-serif font. Below the word "revolution" is the phrase "for RETIREMENT FUNDS" in a smaller, uppercase, sans-serif font. The entire logo is centered within a large, light-orange circular graphic that overlaps the background.

revolution
for RETIREMENT FUNDS

- Thank you
- Always enjoy PLA meetings
- See invitation

Hi Guys,

Every year at the start of August, the Actuarial department celebrates and organises the most crazy party in the country.

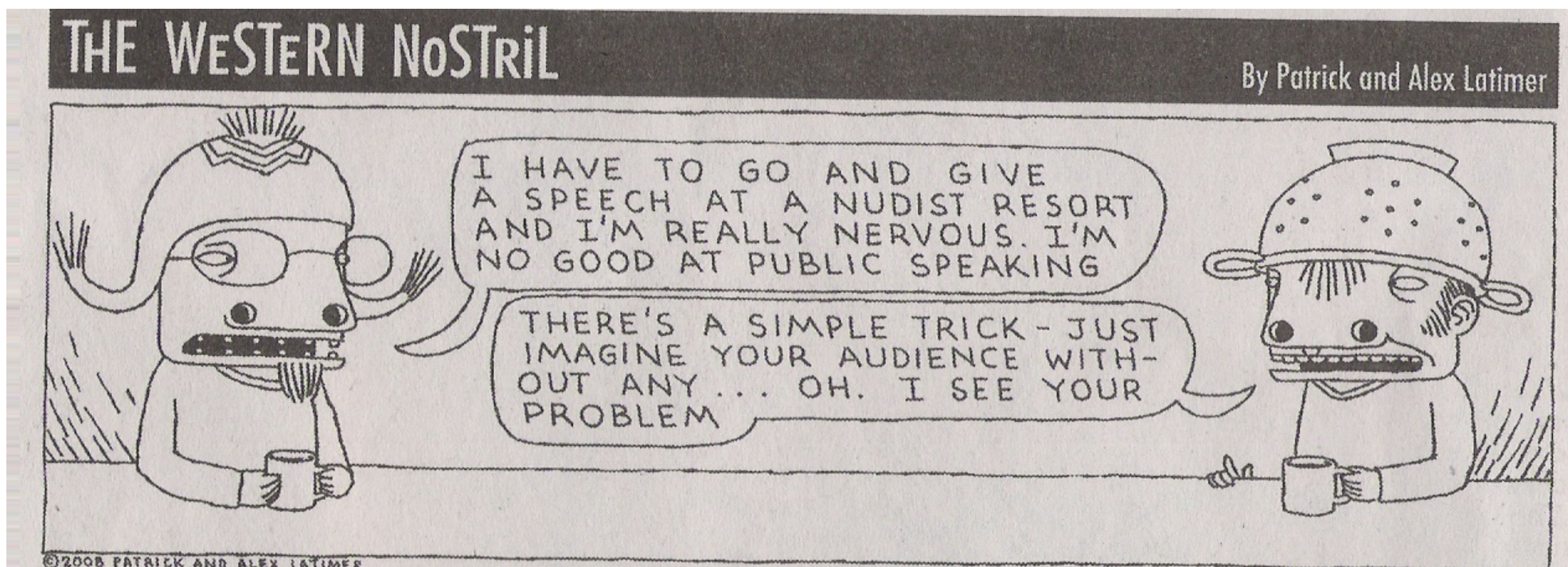
Leave all your taboos at home and come join in the craziest, funkiest, out-of-limits party of the year. Take your time to prepare yourself for a wild, bombastic night. We do it Actuarial-style, so get in the mood!

We are attaching a picture of last year's party, so you get an idea of what you can expect...

Remember: You only live once! And bring your friends!



- Fairly daunting
- Much less knowledgeable
- Questions
- Next picture gave good advice and guidance



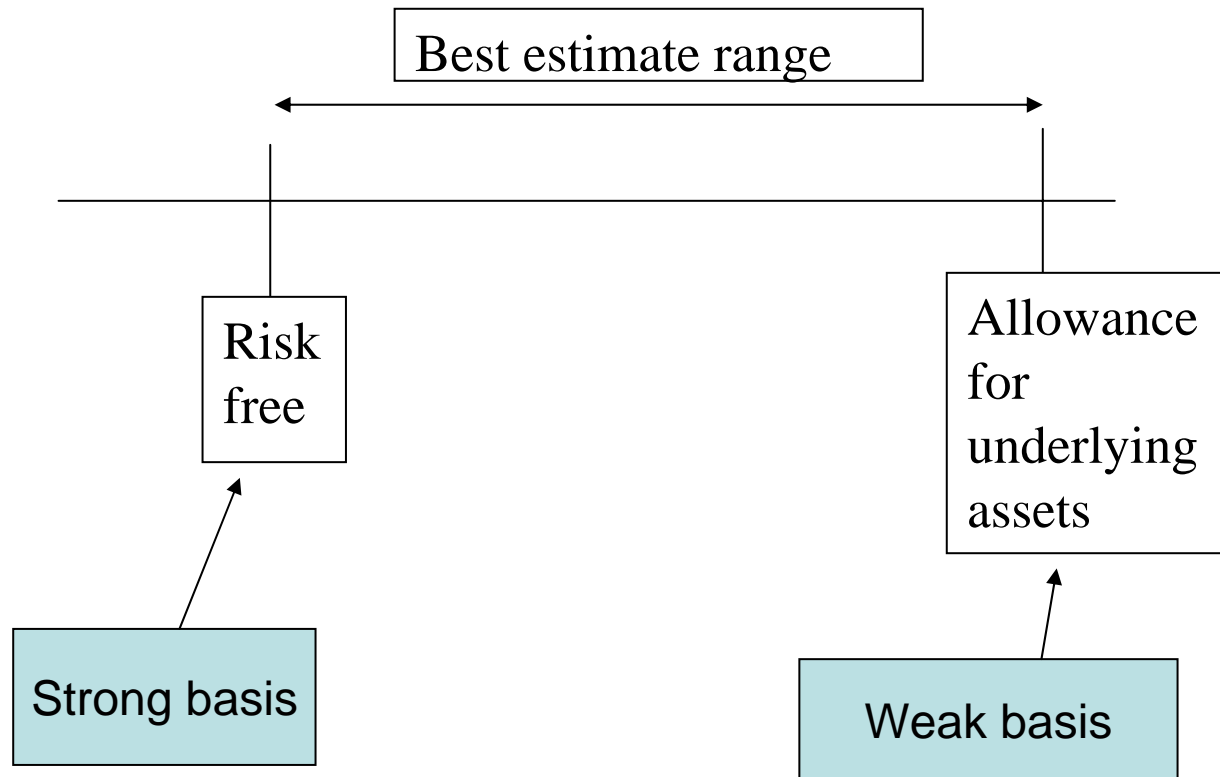
- My views and not that of Registrar

- Financial soundness
- Reserve accounts
- Surplus feedback
- Tribunal issues

- What does it mean?
- Regulation 15 - Assets and liabilities
 - 15(2)(b)(iv): “ a description of the basis employed in calculating the actuarial value of each of the various classes of assets.... to enable an independent valuator to judge the financial soundness of such basis”
 - 15(2)(c)(ii): a description of the basis employed in calculating the actuarial value of each of the accrued liabilities.....to judge the financial soundness of such basis”
 - Basis not prescribed – some guidelines now given in PF117
 - Not in isolation.
 - Financially sound when compared - need consistency. See PGN201.
 - 15(2)(d) requires comparison of assets and liabilities

- PF117 requires best estimates
- 50% chance of being under or over
- What is best estimate? Can debate for many days.

- Significant chance (50%) of financial problems
- Margins of conservatism removed
- Advisable to set up solvency reserve
- No such requirement.
- Acceptable if $A > L$ on best estimate basis
- Is this good enough? I do not believe so:
 - Must maintain solvency margin, or
 - Employer needs to provide certificate of willingness and ability



- Regulation 15 – Comparison of contribution rates
 - 15(2)(f): Requires comparison of recommended contribution rates with prevailing ones
- BUT, must go even further
- PGN201 is informative. Requires certification of:
 - Accuracy and completeness of data
 - Appropriateness of assets given nature of liabilities
 - Inflation linked liabilities versus cash
 - Adequacy and appropriateness of reinsurance
 - Small DC fund with uninsured death benefits

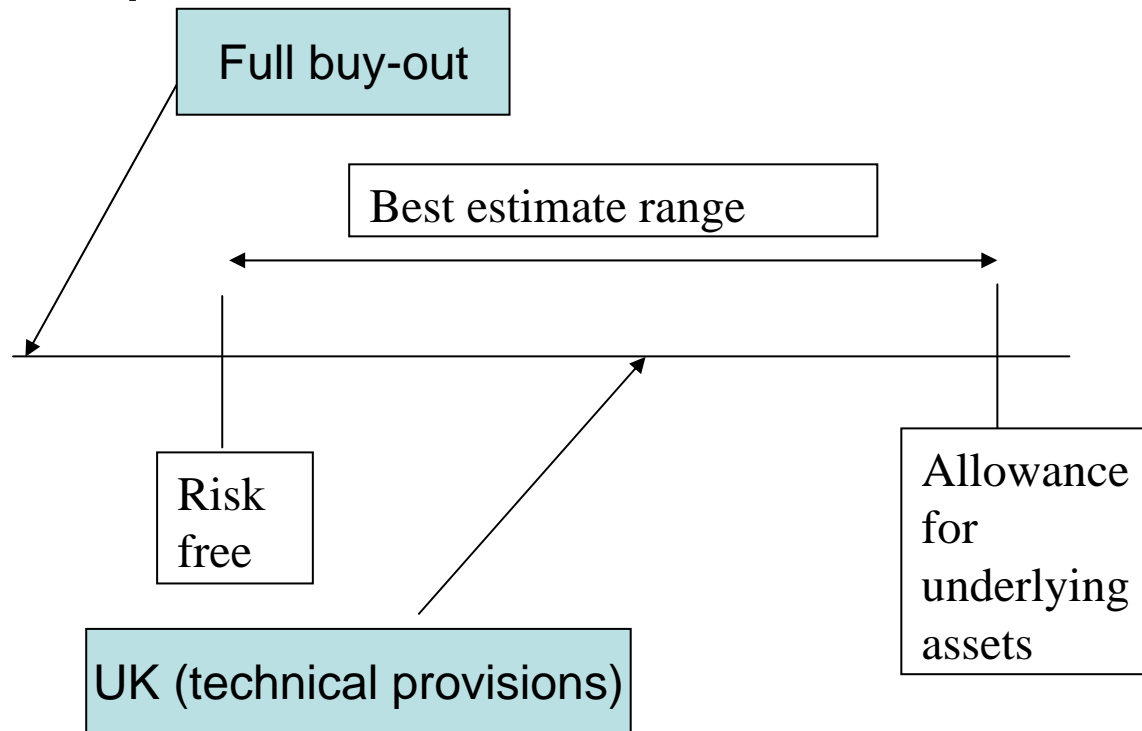
- Summary
 - Assets exceed liabilities on BE basis, AND
 - Sufficient reserves for contingencies or employer covenant, AND
 - Adequate and appropriate reinsurance, AND
 - Liabilities matched by suitable assets, AND
 - Data accurate
- No OR's

- Who is responsible?
- Recent letter: “Our understanding, as agreed in the ASSA Retirement Matters Sub-Committee of ASSA (RMC), is that the FSB, not the valuator, is responsible for determining whether a fund is financially sound or not.”
- Needs further debate → referred back to RMC
- Registrar not solely responsible, rely on statements
- Primarily the Board and valuator
- With final decision by Registrar

- The Pensions Regulator (UK)
- Guiding principles:
 - Protecting members
 - Scheme specific
 - Risk-based
 - Proportionate
 - Preventative
 - Practicable
 - Referee (not player)
- Responsibility for ensuring financial soundness with trustees, employers, with help from advisors
- Agrees with my view

- Trustees responsible for decisions on scheme funding
- Scheme actuary certifies calculation of technical provisions
- Not required to fund to solvency (full buy-out)
- Fully funded against technical provisions
- Best estimate plus margins.
- Account taken of underlying assets
- Prudence consistent with confidence

- Comparison with SA



- Not expected to eliminate all risks
- Trustees must draw up a Statement of funding principles
- Trustees must choose
 - Methods and assumptions for technical provisions
 - Content of statement of funding principles

- Trustees manage valuation process
- Draw up action plan etc
- Audited financials necessary before actuary signs
 - Not in SA (but will insist in some cases)
- Written advice on funding matters reviewed by another actuary
- Trustees must certify financial soundness
- Lot of responsibilities on Trustees

- Future developments
- Issue of solvency debated at international level
- Will follow developments closely

- Quantum often queried
- Solvency too strong compared to best estimate
- Results in low surplus and low contributions
- Not consistent
- Amend rules to reflect reserve accounts
- Rumours of post-SAD releases

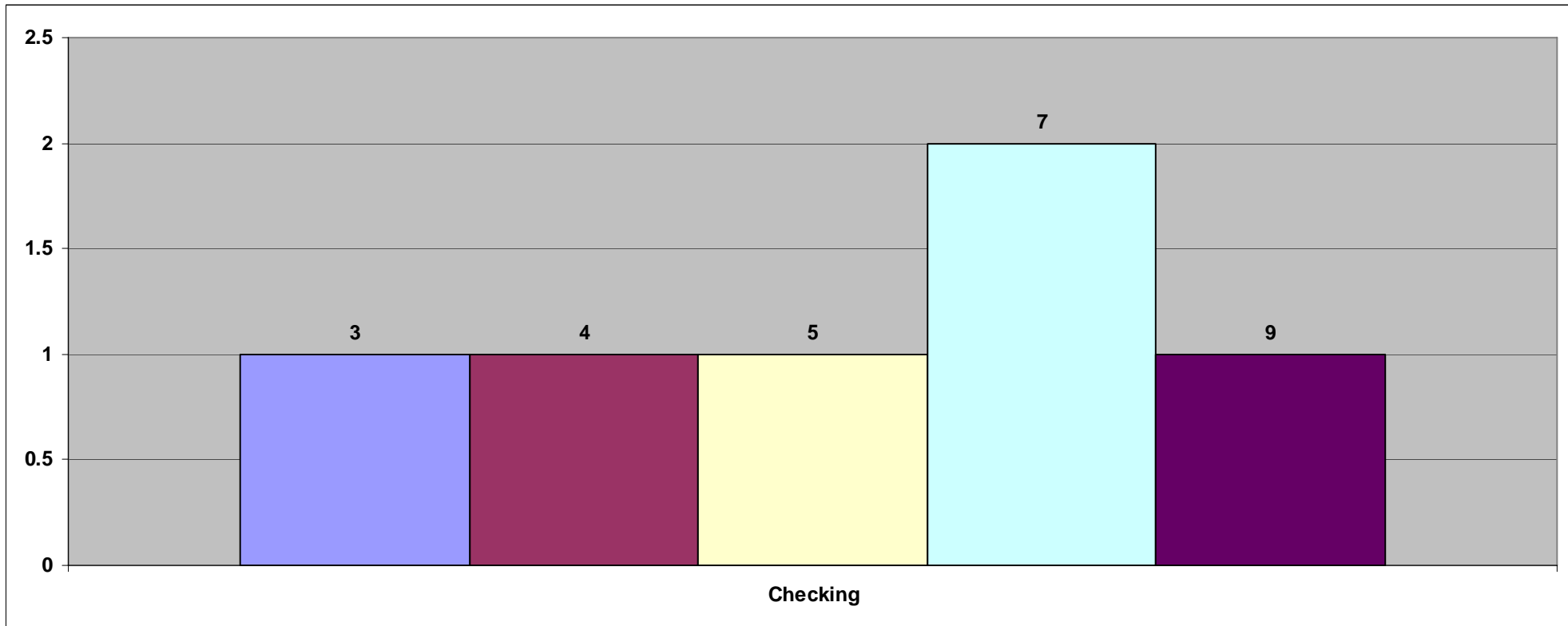
- Rate of submission remains disappointing
- Possibly 1150 left
- 6858 submitted, expect 8000

Status	15B surplus apportionments	15B nil returns	Total	15F applications
Approved	439	5 685	6 124	37
Pended	175	421	596	0
Not completed	67	48	115	0
Rejected	0	18	18	40
Tribunal	5	0	5	0
Total	686	6 172	6 858	77

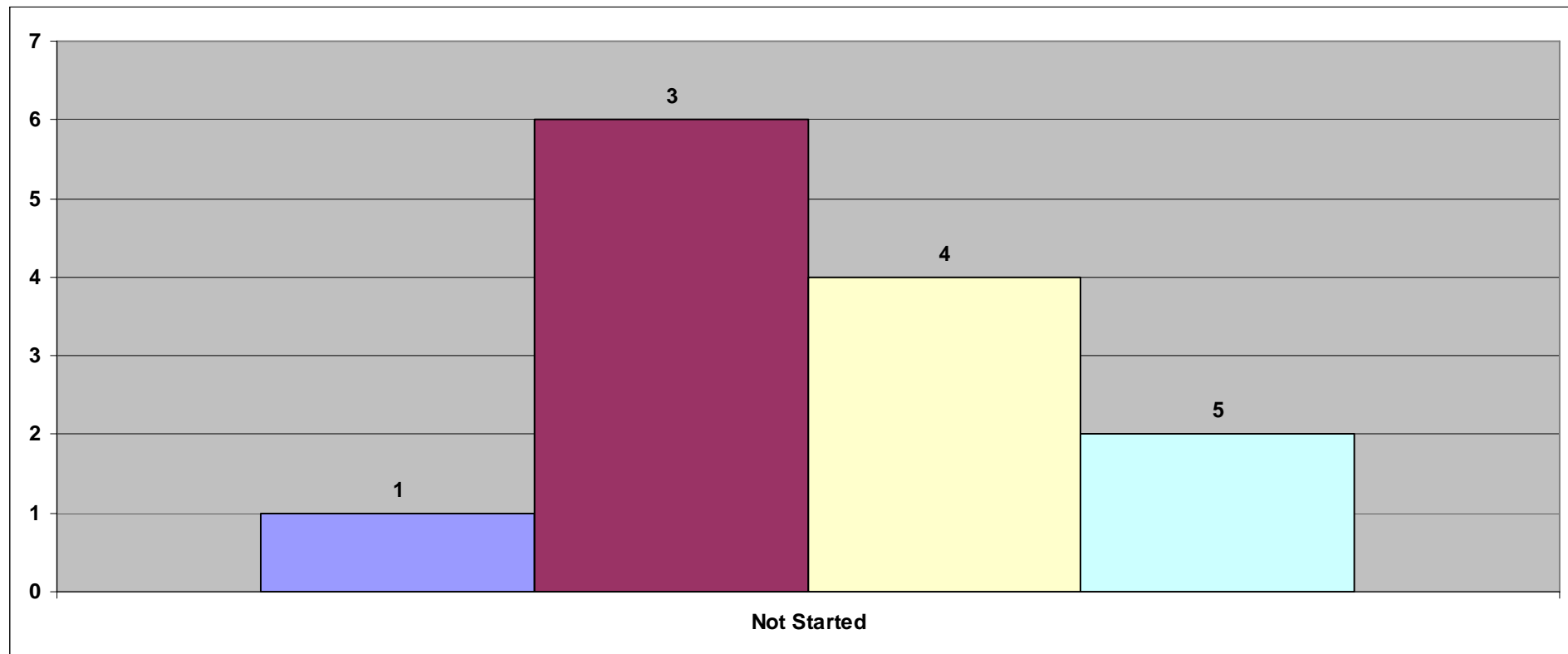
- Remedies
 - Ad-hoc tribunal
 - Penalties
- Extension to 30 April 2008 for PF128 cases
- Unlikely to grant further extension, except Bargaining Council
- Considering further ad-hoc tribunals

- Deal with cases within 60 days
- Statistics show position end February
- Only in relation to apportionment schemes (i.e. not nil schemes)

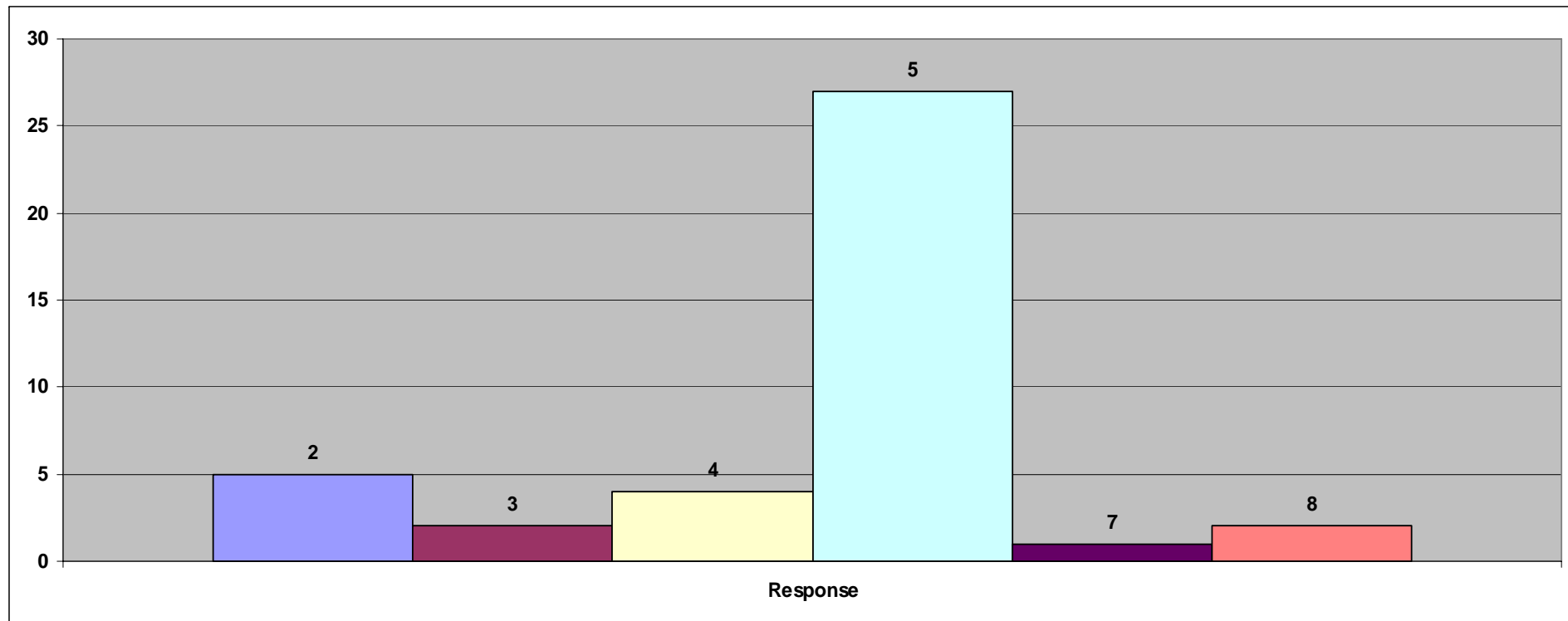
- Schemes in the process of being checked
- Shows number of weeks since we received it



- Schemes not yet started
- Shows number of weeks since we received it

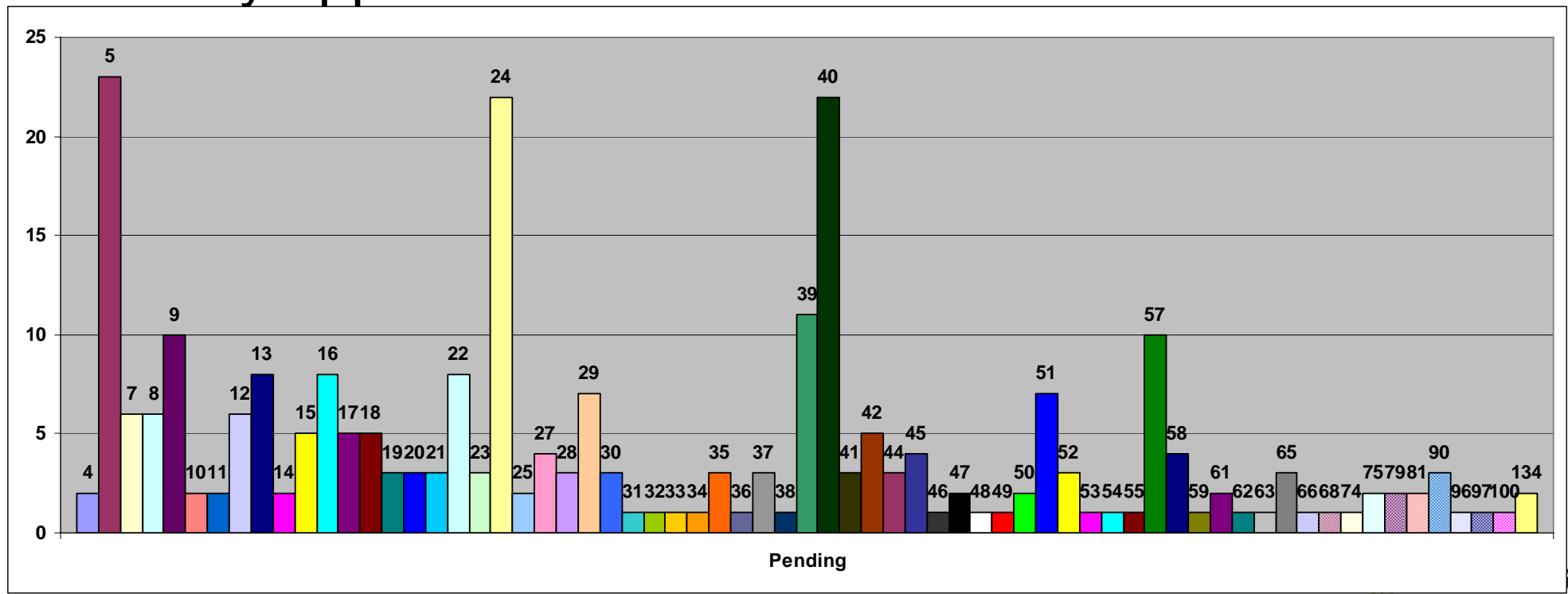


- Schemes having received responses
- Shows number of weeks since we received it



- Just some examples, but shows reasonable adherence
- If problems, please contact us

- Time it takes for funds to respond a concern
- Not acceptable
- May appoint tribunals for these as well



- Registrar must issue certificate
- Tribunal in place of Board
- At least broad adherence with section 15B(9)
- Registrar must be satisfied with valuation – busy considering all valuations
- Funds must pay fees, even if no surplus
- Disappointed with progress made

- Thank you