

The Actuarial Profession
making financial sense of the future

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What Lawyers and Trustees Want From Actuaries

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Outline of this session

The actuary's profile as a key advisor to the trustee has never been higher. Required to explain complex technical issues to trustees to help them make a decision, the actuary can often be the only person who understands what is going on!

This session will look at how actuaries can help lawyers and trustees better understand actuarial advice.

Scope

- Actuary's Role
- Who is invited?
- Scheme funding
- Sale and Acquisitions / Clearance
- Reducing liabilities
- Section 67
- Section 75
- Buy ins / outs

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Role of the Actuary

- Required by legislation
- Advisor – Trustees and lawyers lack knowledge required
- Understand how DB plans work
- Tell you how much it is going to cost
- Setting assumptions
- Benefit calculations / Valuing liabilities
- (Investment)
- (Finance and risk management)
- Many scheme changes specifically need actuarial advice, amendment powers require it.

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What do Trustees need from advisors?

- Simplifying technical issues – no jargon
- Understand commercial drivers
- Understand effects of changes on Fund and Members
- Deal well with other 3rd party advisors
- Meet deadlines
- Practical and relevant advice
- Examples / analogies
- Keep trustees informed on topical changes

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Who is coming to the table?

- Trustees
- Pension / Corporate / Insolvency / Insurance Lawyer
- Pensions Regulator (lawyer / actuary/ business analyst / case manager)
- Pension Protection Fund
- Employer covenant specialist
- Investment Consultant
- Employer (finance / HR director)
- Know your audience!

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Funding

- Current Scheme Specific Funding regime
- Assumptions to be used - negotiation
- Valuations
- Future funding
- Schedule of Contributions / Recovery Plans / Statement of Funding Principles
- Secondary funding objectives
- Commutation and retirement factors
- Extra power under contribution rule? (*Allied Domecq*)
- Regulator's role

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Sale and Acquisitions

- Pensions Schedule / actuary's letter
- Bulk transfer calculations
- Public sector and protected industries
- TUPE and Beckmann (more than redundancy)
- Valuing rights / scope of indemnities
- Mergers: covenant / benefit schedules / funding
- Notifiable Event
- Clearance

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Modifying / ceasing accrual

- Employer or Trustee client?
- Legal
 - Can it be done?
 - Final salary link underpin?
- Actuarial
 - Savings to be made
 - Benefits going forward
 - Comparison of past and future accrual
 - Certification required for amendment
- Combination
 - Impact on benefits
 - Section 67
 - Member communications
 - Consultation

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Section 67 certificates

- Required by legislation
- Required by many pension scheme rules
- Often complex
- **Walker Morris**

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Old section 67 v New section 67

- Differing role
- Benefit improvements no longer an issue
- Protected modification – requires consent
- Detrimental modification – ‘actuarial value’ must be maintained
- ‘Nature or extent’
- ‘Would or might affect’
- Member communications requirements
- Amendment voidable

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Alternative considerations

- Enhanced Transfer Values
- Legal
 - Scope of rule greater than legislation / discretionary increases
 - Flexibility of personal scheme
 - Regulator guidance
 - Full discharge
 - Fully informed consent
- Actuarial
 - Value of liability
 - Critical yield / setting level of enhancement
 - Effect on Funding
 - Setting up recipient scheme
- Combination
 - Member communication

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Section 75

- Trigger events
- Apportionment of liabilities
- Apportionment of assets
- Insolvency
- PPF – legislation v scheme rules
- Statutory deadlines

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Equalisation

- The gift that keeps on giving
- Case law still defining limits and implications
- Cost those changes and enhance benefits
- Methods of equalisation
- What is NRA / NPA?
- Then GMPs...

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Buy ins / outs

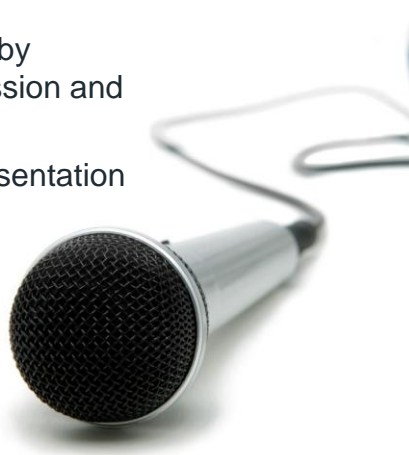
- Benefit schedules
- Equalisation (GMPs)
- Sourcing quotes
- Increases / revaluation
- Ancillary benefits
- Controls and discretions

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Questions or comments?

Expressions of individual views by members of the Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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