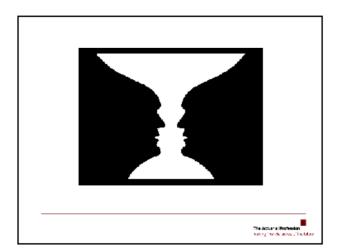
	The Actuarial Profession making francial sense of the future
Advising Scheme Spo	onsors
Lesley-Anne Cameron	

Introduction

- Trustee empowerment
- The need for separate advice
- Areas of involvement

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Gestalt Shift A gestalt shift is a refocusing from one configuration to another that takes place suddenly and in toto. The Pensions Gestalt Shift "The pension scheme, if in deficit, is an unsecured creditor of the employer. The trustees should therefore learn from the way a bank with a large unsecured loan would look to negotiate with a company." The Pensions Gestalt Shift Schemes were originally seen as a company tool A tax efficient way of delivering remuneration Seen as part of the Company So why would there be conflicts? Why any need for separate advice?

The Pensions Gestalt Shift

- The pensions environment has changed
- Contributing factors include:
 - · Emerging deficits
 - More onerous legislation
 - FRS17 and greater audit review
 - · Greater investor interest
 - · Greater media coverage

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- Pensions Act 2004
 - Scheme specific funding
 - The Pensions Regulator
 - Moral hazard clauses
 - Perceived pressure to meet trigger points
- Change in balance of powers for some schemes
- "Unsecured creditor"

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Trustee Empowerment

- Many still to go through the Gestalt shift
- But likely to do so in the near future.
- Case study:

Reducing cost of accrual versus

Short term cash concerns

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What the Change Means

- Management time taken up by pensions
- Viewed as a financial problem that needs to be managed
- Less time to run the company
- No longer seen as an effective remuneration tool
- Just a problem!

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The Need for Separate Advice

- New legislation to understand
- A "new" creditor with unknown demands
- An unsecured creditor would be unlikely to use the same advisors as the company
- Relationship will differ to that with the banks

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What the Client Needs

- Help understanding of:
 - the shift in power
 - the new statutory process
 - the range of solutions and approaches
- Driven by accounting standards
- Hence need to manage FRS17 position
- Within cash constraints
- Different strategies for different companies

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Further Areas of Advice PPF levies Improving D&B rating Contingent assets Asset allocation? Future pension provision Deficit reduction and management Investment strategy

1	 Deficit reduction
	 Commutation terms
	 Enhanced transfer offers
	 Exchange of non-statutory benefits
	 Freezing pensionable salaries
-	
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Summary

- Changing pension environment
- Trustees acting as unsecured creditors
- Companies looking for separate advisors
- More debates still to come

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