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Annual Pensions Convention 2005

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Pre-PPF Wind-Ups: Practicalities and Process

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Wind-ups Today: Tricky Situations

- Allocating a share of fund
- Partial securing of GMPs
- Deemed buyback
- Pensions Compensation Board
- GMP equalisation

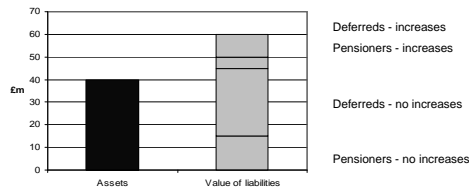


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Allocating a Share of Fund

- Allocate assets to expenses, then s73 of PA95

E.g.



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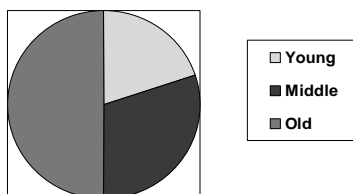
Allocating a Share of Fund

- Assets remaining after Section 73 of PA95
- Scheme rules – buyout or share of fund
- Share of fund – MFR gives more to older members compared to buyout

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Allocation Within a Priority Class

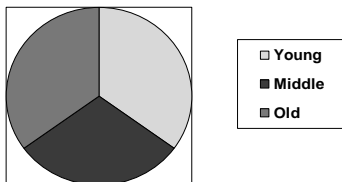
Assets allocated as % of MFR tv



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Allocation Within a Priority Class

Assets allocated as % of buyout cost



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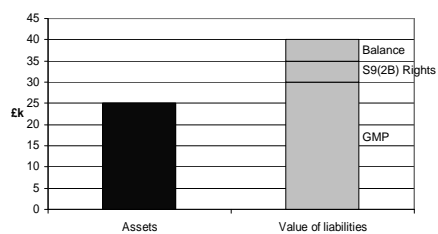
Partial Securing of GMPs

- Consider how to spend share of fund where insufficient
- Section 73 or scheme rules?
- Secure contracted-out benefits first?

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Partial Securing of GMPs

- Can now secure partial GMPs



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Deemed Buyback

- Reinstating SERPS/S2P rights
- Conditions for scheme to qualify
- Conditions for member to qualify

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Deemed Buyback

- Member option
- $ATV < TA < \text{full MFR TV} \rightarrow \text{full SERPS/S2P}$
- $ATV < \text{full MFR TV} < TA \rightarrow \text{partial SERPS/S2P}$
- New regulations in force 21 April 2005
- Few cases completed so far

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Pensions Compensation Board

- Employer insolvent and assets lost dishonestly after 6 April 1997
- Compensation of value of assets before loss less value of assets at application date (plus interest)
- Few successful claims so far

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Pensions Compensation Board

- Successful claim by Cheney Pension Scheme
- SA reported to OPRA as no accounts
- OPRA appointed Independent Trustee Services
- ITS found funds misappropriated
- £2.9m paid

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GMP Equalisation

- To equalise or not to equalise....
- Reasons to equalise
- Reasons not to equalise

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Buy-Out – General Processes

- Bulk Buy-Out Market
- Financial Instruments – young deferred members
- Expense/Risk premiums
- Effect on Buy-Out Cost

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Current Issues

- Under-funded Schemes
- Practicalities of these situations
- Timing the Buy-Out

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Current Issues (cont'd)

- Simplification of benefit structure
- Discretionary Scheme Rules – Insurance policy
- AVC disinvestment – With Profits (MVR)

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Options for settling benefits

- Traditional Bulk Immediate and Non Profit Deferred Annuities
- Bulk Trustee proposed Section 32 policies – reality
- Transfer advice projects
- Section 32's with member consent

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Options for settling benefits (cont'd)

- Personal/Stakeholder Transfer Plans (member elected)
- Trustees transfer out to Stakeholder Pension (without member consent)

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New Products

- Prudential Parking Lot
- Partnership with Scheme Administrators, Investment Advisers
- Tailored benchmark service
- Specific asset allocation to align funds objectives to track annuity purchase cost changes

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New Products (cont'd)

- Demographic Risk Management
- Guaranteed quotation terms available for deferred and pensioner members
- Structured Buy-Out plan
- Refundable Buy-Out plan

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Buy-Out Market – the future

- No new insurance companies entering market
- Pension Protection Fund – impact on insurers
- Smaller number of Schemes in wind-up will Buy-Out

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Buy-Out Market – the future (cont'd)

- Still a healthy market
- Lifetime linked gilts
- Trust-based Defined Contribution Pension Schemes

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Any Questions?
