



Scheme Specific Funding

Employer covenant

Trustees Duties

- Code of Practice - Paragraph 101

‘Trustees should aim for any shortfall to be eliminated as quickly as the employer can reasonably afford. What is possible and reasonable, however, will depend on the trustees’ assessment of the employer’s covenant

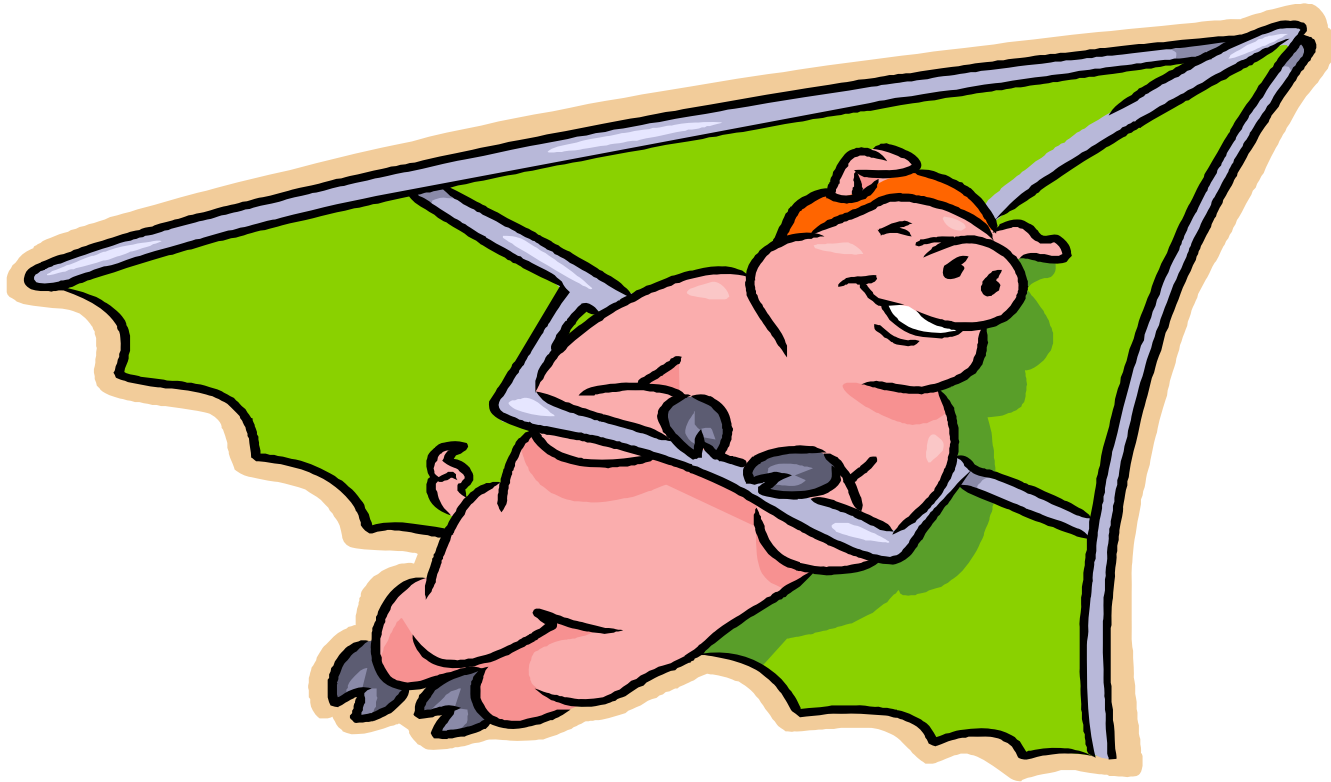
Issues to consider

- Trustees prime duty to protect members' benefits
- TPR duty is to members and the PPF

Is there a conflict ?

The Ideal Position

- Mature and stable industry with good long term future
- Plentiful supply of raw material/labour
- Profitable
- Good cash generation to cover liabilities including pension debt
- Benign economic conditions



Art not a Science

- There is no right answer
- Corus is worth £6bn !!
- Trustees need to make reasoned judgements taking into account all available information regarding the employers and its future prospects
- Trustee liability

Professional Advice

- No automatic requirement to use external advisors
- Is there expertise within trustee board
- Do the board as a whole have the knowledge and experience to come to a reasonable decision
- Focus external advice on specific areas

Experience to date

- Employer support
- Quoted companies
- Contingent assets
- Funding from future profits
- Summary funding statement

The future

- **Innovative solutions**
- **Opra legacy**
- **Misinterpretation**

TPs have primacy

Fund on offer from employer x 10 years

= Deficit

+ Assets

= TP's

Not acceptable

TPs have primacy

TP's – Assets

= Deficit

divided by 10 years

= Annual payment

Not acceptable

TPs have primacy

TP's – Assets

= Deficit

divided by available annual funds

= Recovery Period

10/10



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Thank you