



Trustee Perspective 2 FAS and PPF

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Pre-FAS/PPF



- 'Cliff-edge' priority order
- MFR 'surplus'
- Pensions Action Group
- Political pressure to restore pensions provision led to creation of FAS and PPF

New underclass



- Benefits in excess of compensation cap
 - £29,748.68
- Benefits in payment before NPA
 - Reduce to 90% of scale entitlement
 - Recover 'over-paid' benefits
 - Take into account TFCS taken

Pensions Act 2004



- DB schemes (or schemes with DB element):
 - Sponsoring employer insolvent after 5th April 2005
 - Eligible for PPF
 - Schemes where wind up triggered between 1st Jan 1997 and 5th April 2005 *
 - Eligible for FAS
- * Or in wind up after 5th Apr 2005, but insolvency event prior to that date

Financial Assistance Scheme ("FAS")



- Poor relation to PPF
 - Originally restricted coverage and level of benefits
- Now 'broadly comparable' with PPF compensation

Actuary's role in FAS schemes

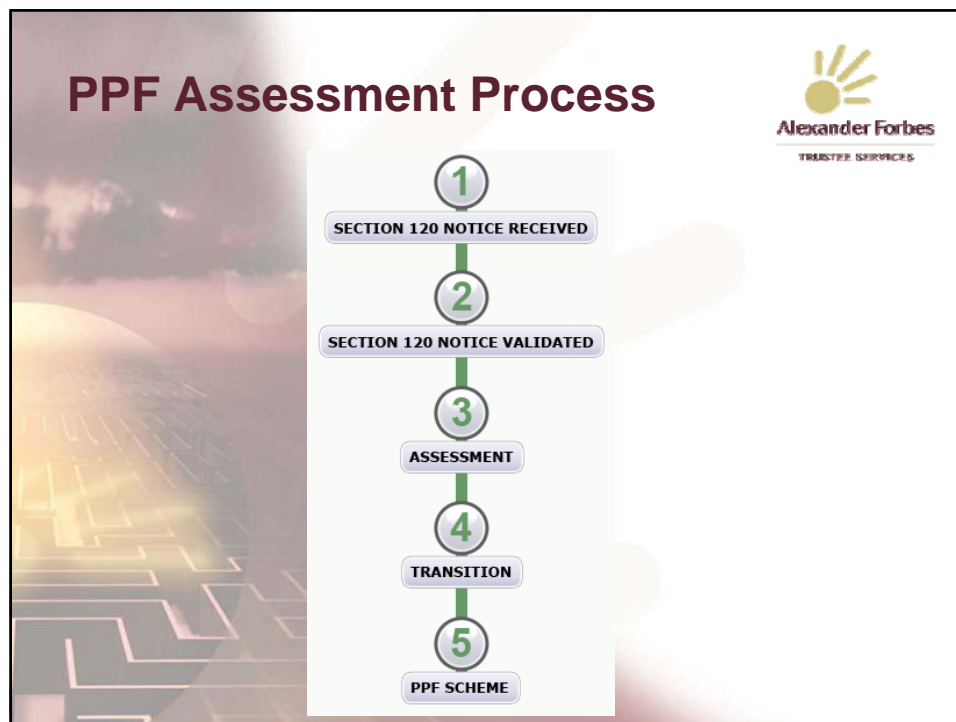


- R13 – certify the method by which GMPs have been equalised
- R14 – certify that they are happy with the data
- FAS commissions valuation
- Post-valuation task list

Current issues with FAS



- GMP equalisation
 - no comparators
- Bridge v Yates
 - Treatment of money purchase benefits
 - Revaluation of deferred benefits



“Assess and Pay”

The slide titled “Assess and Pay” lists five key points about the process. The background is the same stylized image of a hand reaching out over a cityscape at sunset. The Alexander Forbes logo is in the top right corner.

- Schemes with very poor cover
- Objective is to complete Assessment Process more rapidly
- Punter Southall takes over as PPF Case Handler
- “Quick and Dirty” process for valuation
- Sort out fine details once in PPF

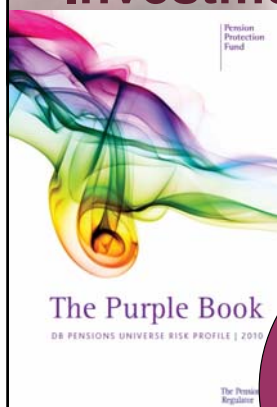
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Impact on Trustees

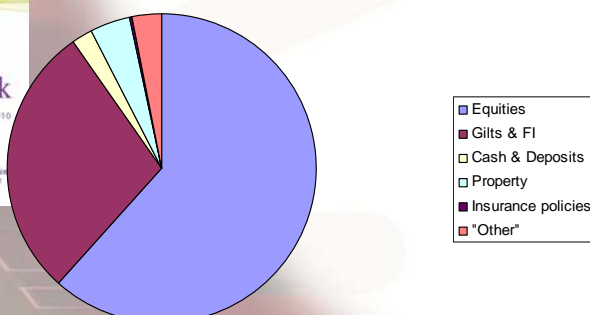


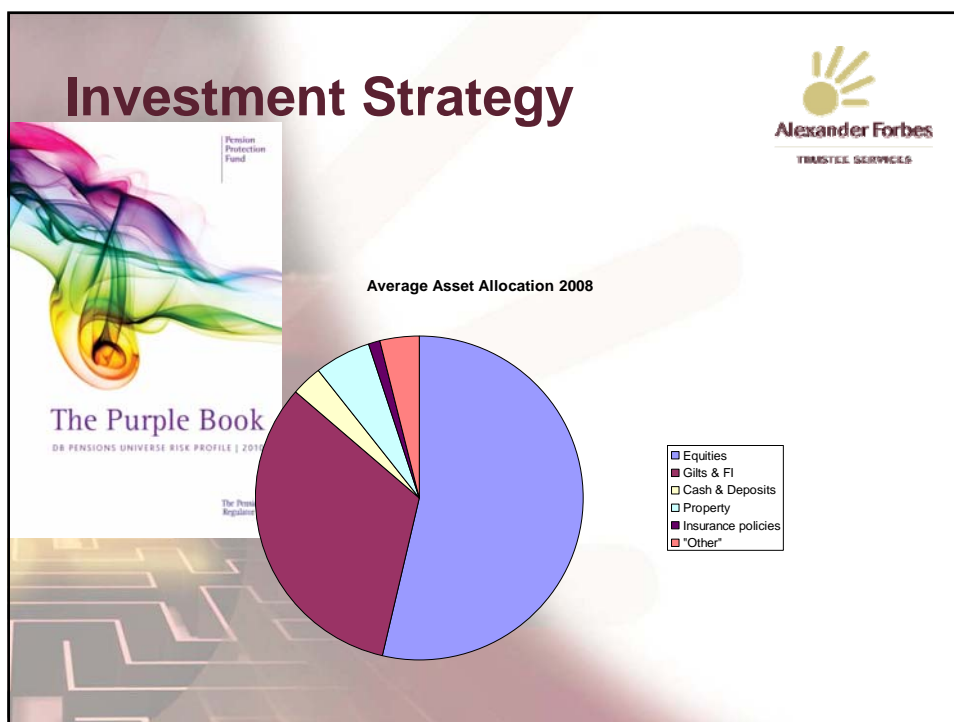
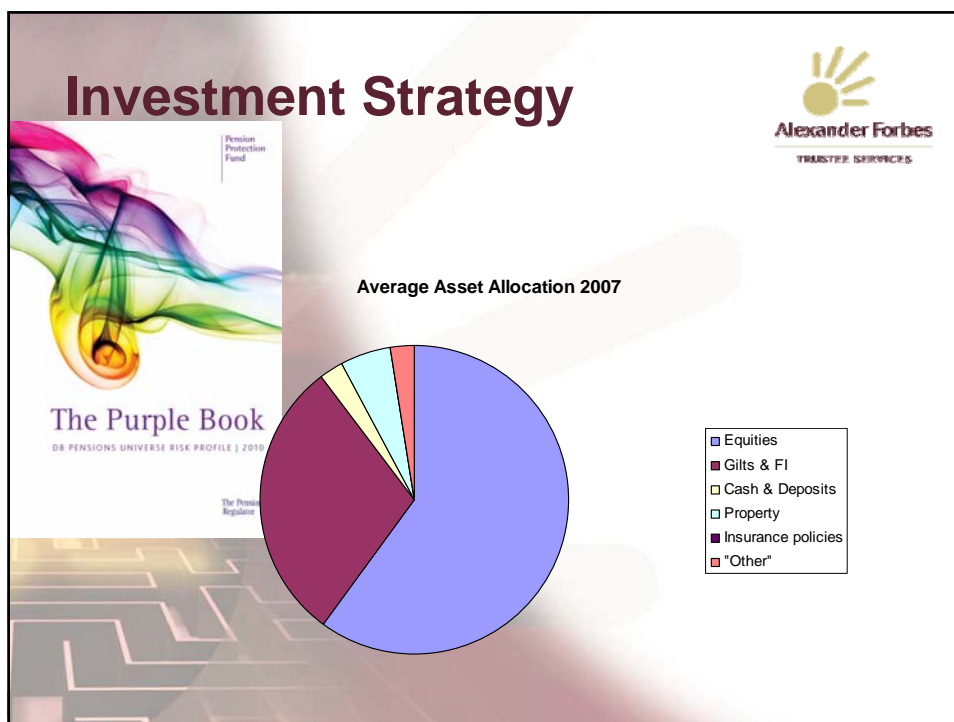
- More proactive project management
- Two months to produce fully budgeted project plan
- TPR-appointed: Independent Trustees will be judged on progress

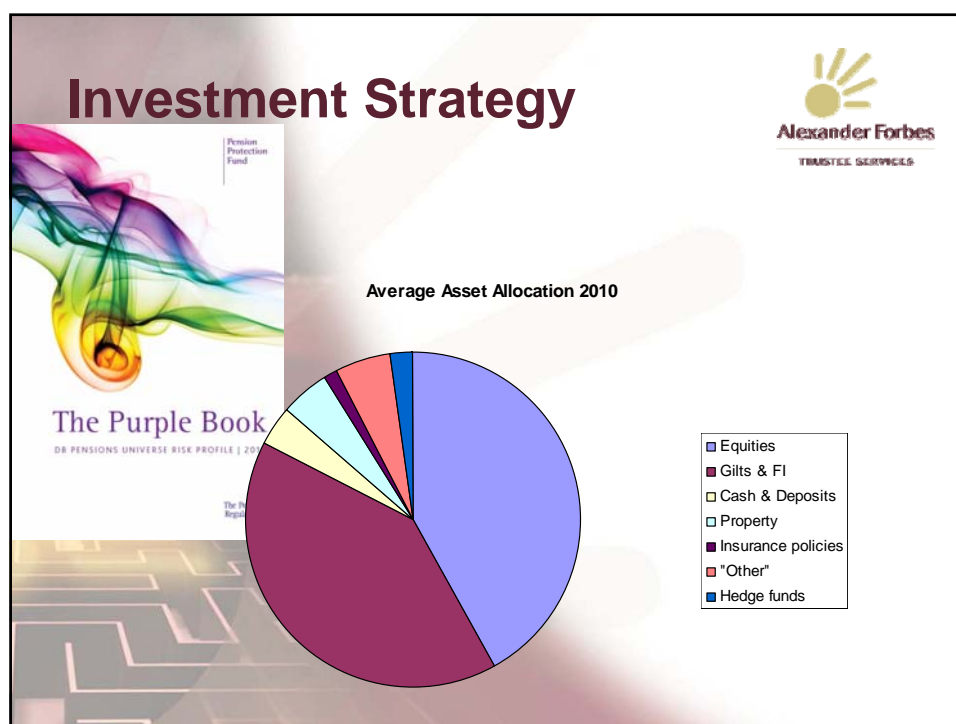
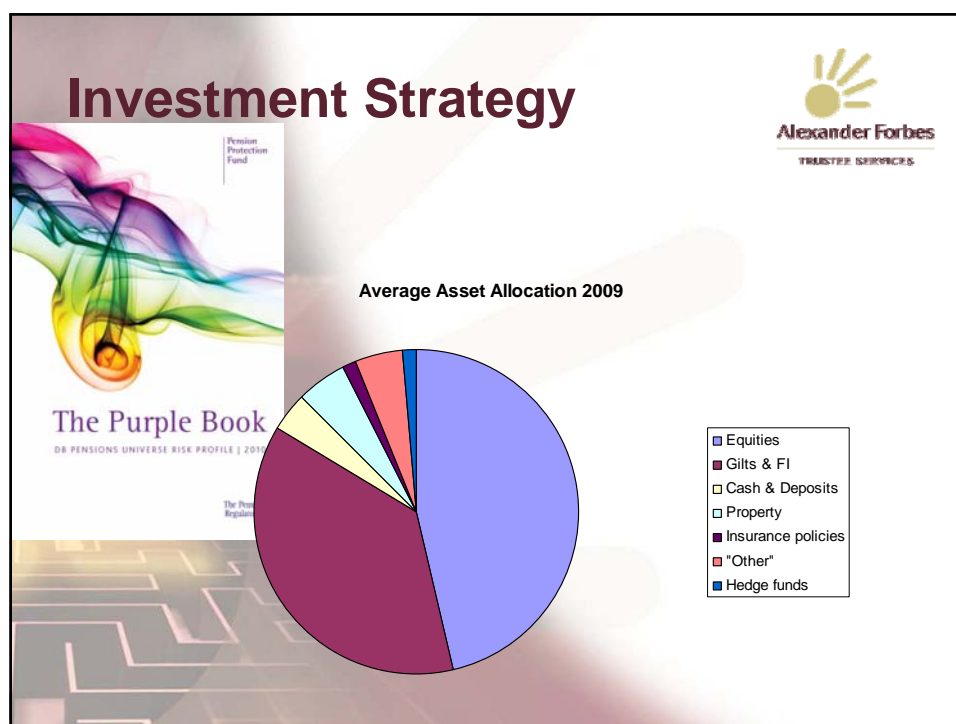
Investment Strategy



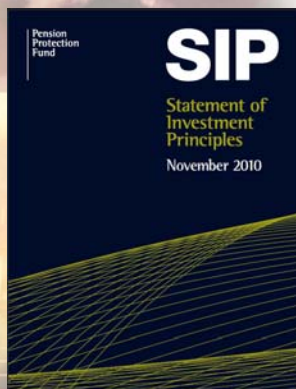
Average Asset Allocation 2006



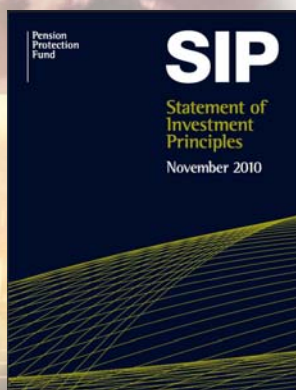




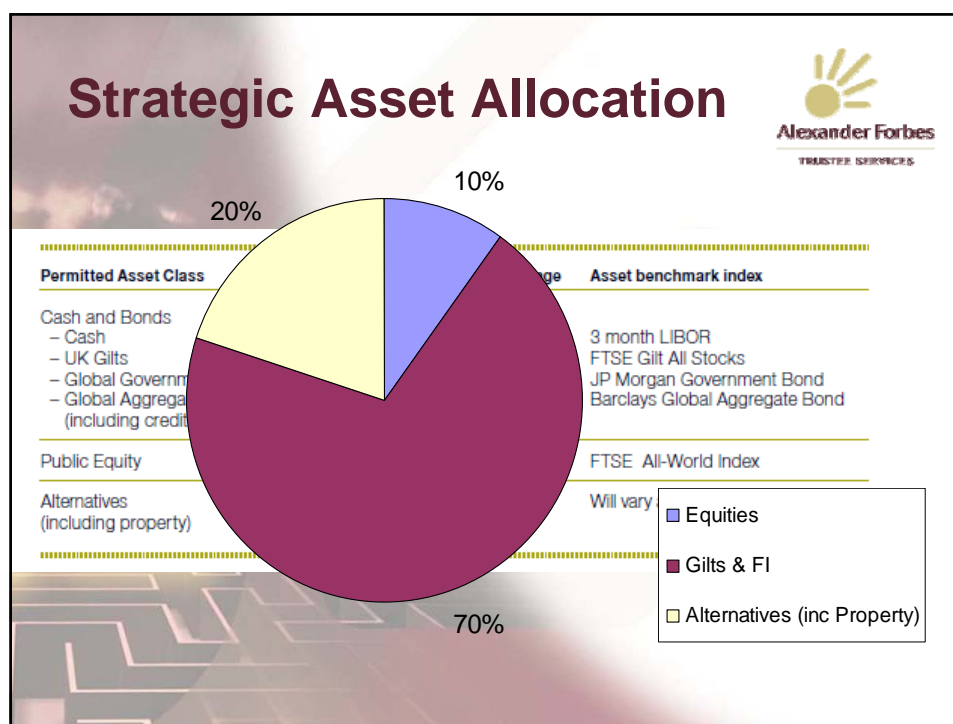
PPF Statement of Investment Principles



PPF SIP – Funding Objectives



- To have sufficient funds to pay compensation to members
- Age profile will mature – consequences for cash flows
- Strike a balance between protection of compensation payments and setting a fair and proportionate levy
- Long-term target:
 - 1.8% pa in excess of liabilities
 - 4% tracking error against liabilities



Schemes in Assessment

- Engage with trustees
 - Encourage co-ordination of strategies
 - Minimise costs of transition
- Monitor schemes asset allocation
 - Adjust allocation within PPF fund to compensate for imbalances
- Mitigate risks via its own risk-reduction measures

The Death Knell for Actuaries?



- PPF invite 'Expressions of Interest'
- Tender documents in week commencing 20th December
- Deadline – 17th January
- Happy Christmas!



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