



The Actuarial Profession

making financial sense of the future

Consultation response **Pension Protection Fund**

Assumptions to be used for valuations under sections 143 and 179
of the Pensions Act 2004

March 2011

About the Actuarial Profession

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.

Pension Protection Fund
1st Floor Knollys House
17 Addiscombe Road
Croydon
CR0 6SR

17 March 2011

assumptions@ppf.gsi.gov.uk

Dear Sir

2011 Consultation on assumptions to be used for valuations under sections 143 and 179 of the Pensions Act 2004

Thank you for the opportunity to comment on your consultation on the assumptions to be used for valuations under sections 143 and 179 of the Pensions Act 2004.

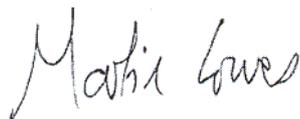
The Actuarial Profession does not wish to comment in detail on the proposed assumption changes. However, we note that the PPF proposes to continue the use of the Medium Cohort projections for mortality improvement rates, albeit subject to an underpin.

As noted in Working Paper 41 (introducing a new mortality projection model) issued by the Continuous Mortality Investigation of the Actuarial Profession, "In recent years the Continuous Mortality Investigation (CMI) has become concerned about the continuing widespread use of the Interim Cohort Projections of mortality. These projections do not take account of experience data published for calendar years after 1999 and, as a result, have become increasingly out-of-date."

As the PPF is proposing a change to the assumptions, we think that this would be a good opportunity to consider updating the mortality projection assumption methodology, rather than increasing the long term underpin.

We would be very happy to discuss this issue further if that would assist. Please contact us via Margaret Watchorn, the Pensions Practice Manager, on 020 7632 2185 or Margaret.watchorn@actuaries.org.uk

Yours sincerely



Martin Lowes
Chairman, Consultations Group, Pensions Practice Executive Committee

The Actuarial Profession is the brand name of the Institute and Faculty of Actuaries

Maclaurin House
18 Dublin Street
Edinburgh · EH1 3PP
T +44 (0)131 240 1300
F +44 (0)131 240 1313

Staple Inn Hall
High Holborn
London · WC1V 7QJ
T +44 (0)20 7632 2100
F +44 (0)20 7632 2111

Napier House
4 Worcester Street
Oxford · OX1 2AW
T +44 (0)1865 268 200
F +44 (0)1865 268 211