



The UK Perspective

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Meeting the Challenges of Change

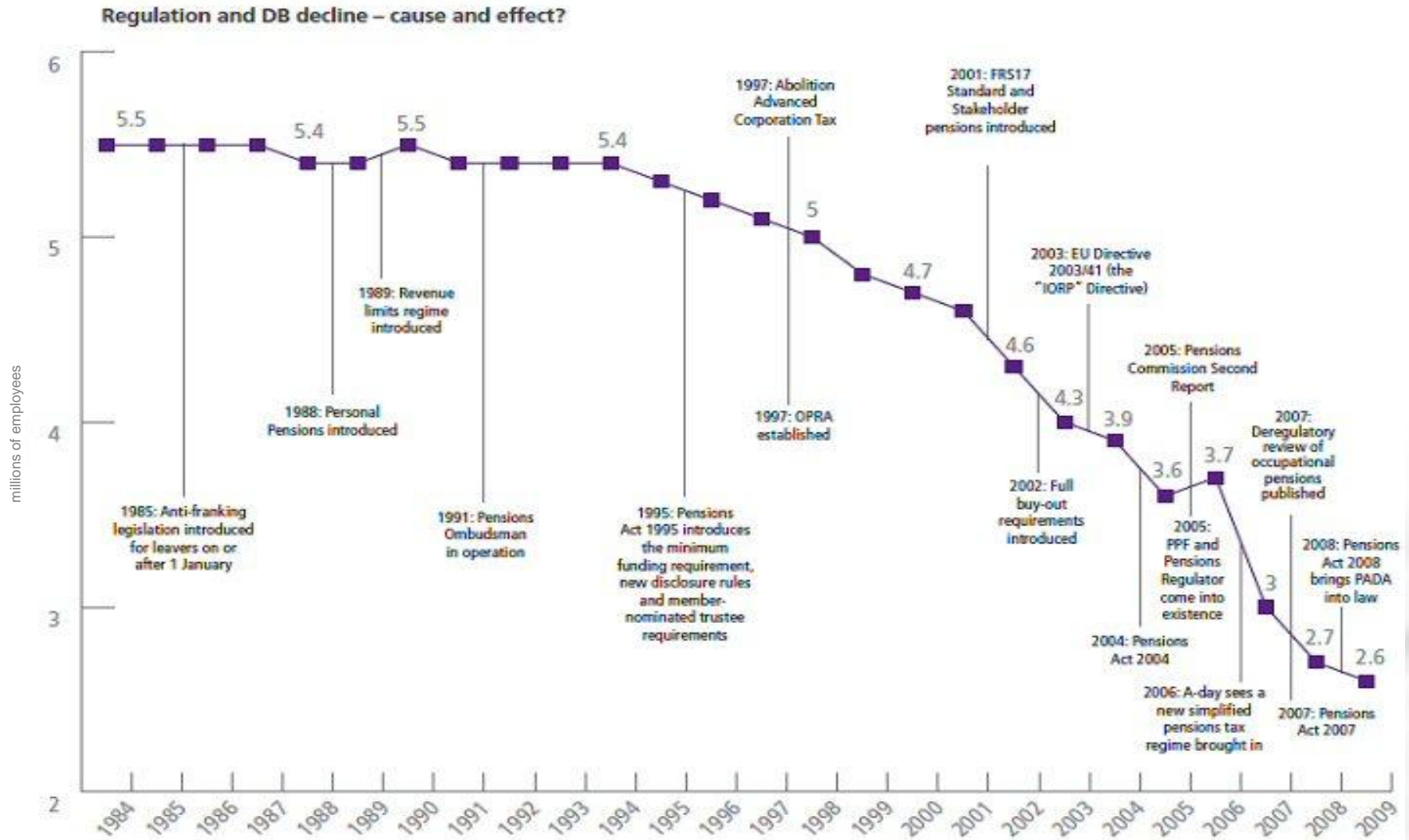
14th Global Conference of Actuaries

19th – 21st Feb, 2012 | Mumbai, India

Trend of DB schemes last 25 years

- Schemes have become larger in relation to companies
 - Large increases in guarantees in 80s and 90s
 - Requirement of companies to stand behind pension schemes
 - Large increase in liabilities
 - market concerns
 - Longevity
 - Asset underperformance
- Result: large solvency deficits, volatility, business impacted**

Regulation and DB decline – number of active members in private sector DB schemes

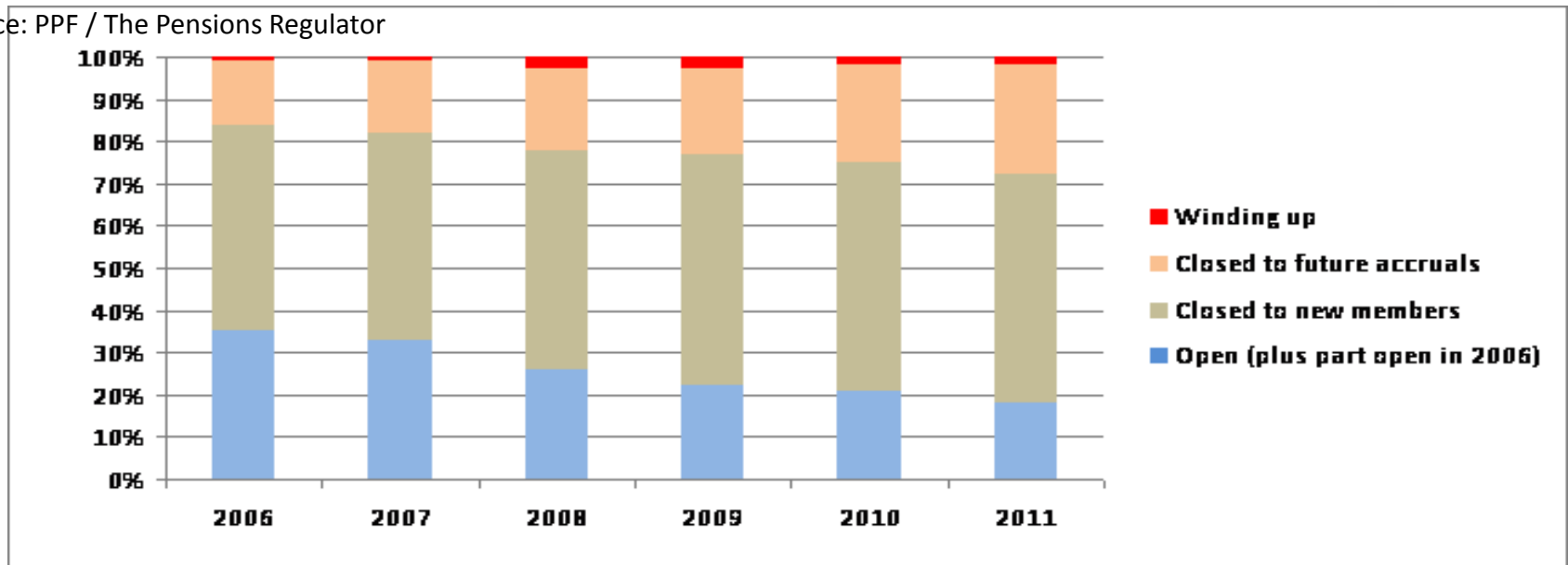


The Purple Book 2011

Table 3.2: Distribution of schemes by status (excluding hybrid schemes)

Percentage of schemes	2006	2007	2008	2009	2010	2011
Open (plus part open in 2006)	35%	33%	26%	22%	21%	18%
Closed to new members	49%	49%	52%	55%	54%	54%
Closed to future accruals	15%	17%	19%	20%	23%	26%
Winding up	1%	1%	3%	3%	2%	2%
Total	100%	100%	100%	100%	100%	100%

Source: PPF / The Pensions Regulator



De-risking: a shared objective

Employer

Aim:

- Reduce volatility of funding and cost
- No restrictions on corporate activity
- Affordable and sustainable cost
- A plan to exit

Main issues:

- Volatility and long term risk
- The nature of the pension risk
- Rising cost of benefits and operation
- Contributing to a black-hole?
- Need for risk reduction / management
- Efficient de-risking elusive
- Changes to accounting

Trustees

Aim:

- Scheme benefits paid on time and in full – now and in the future
- Security of benefits

Main issues:

- Solvency shortfall
- Financial strength of employer
- Volatility
- Data and legislation

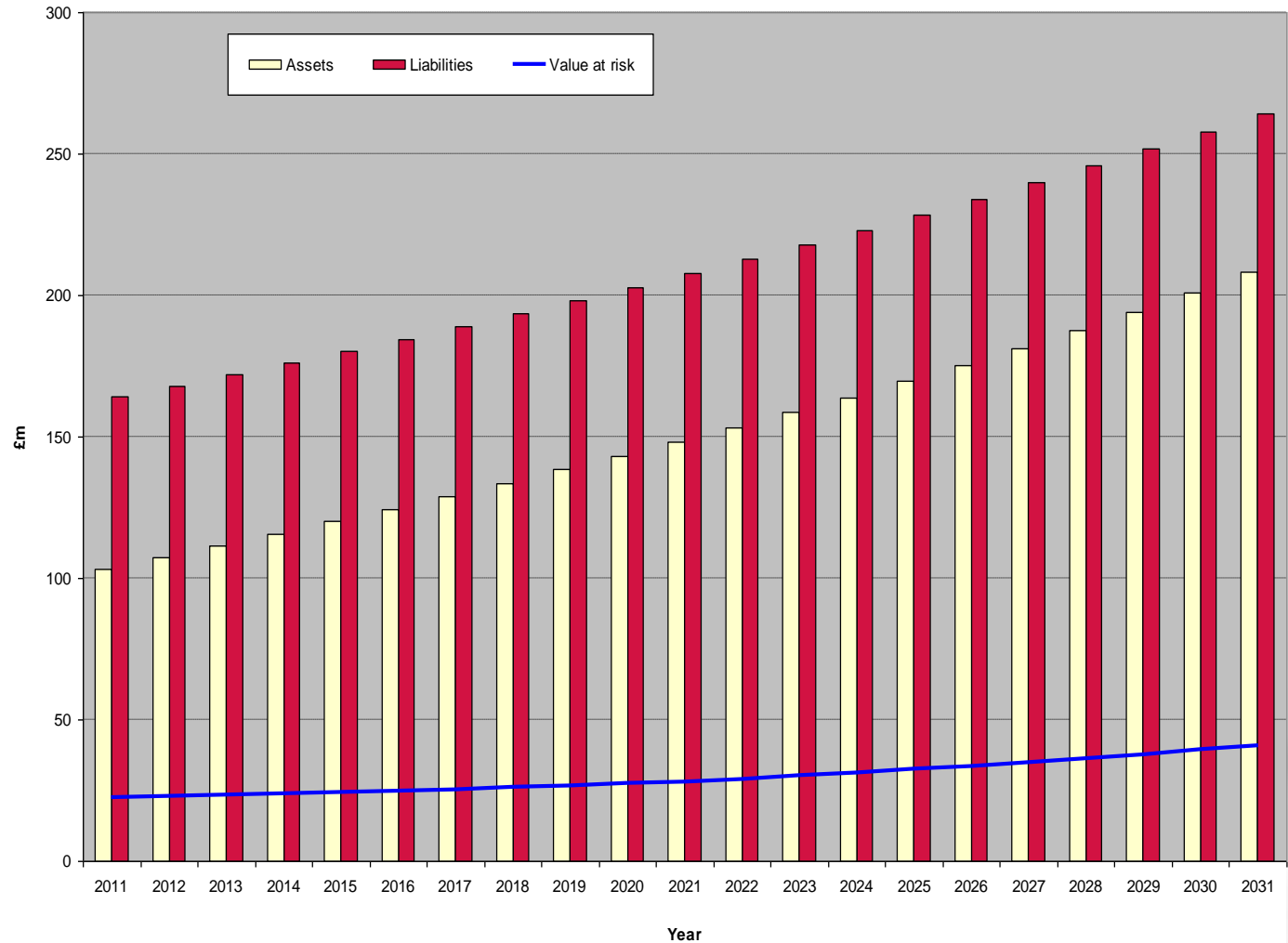
This starting position (solvency basis)

Closed scheme:

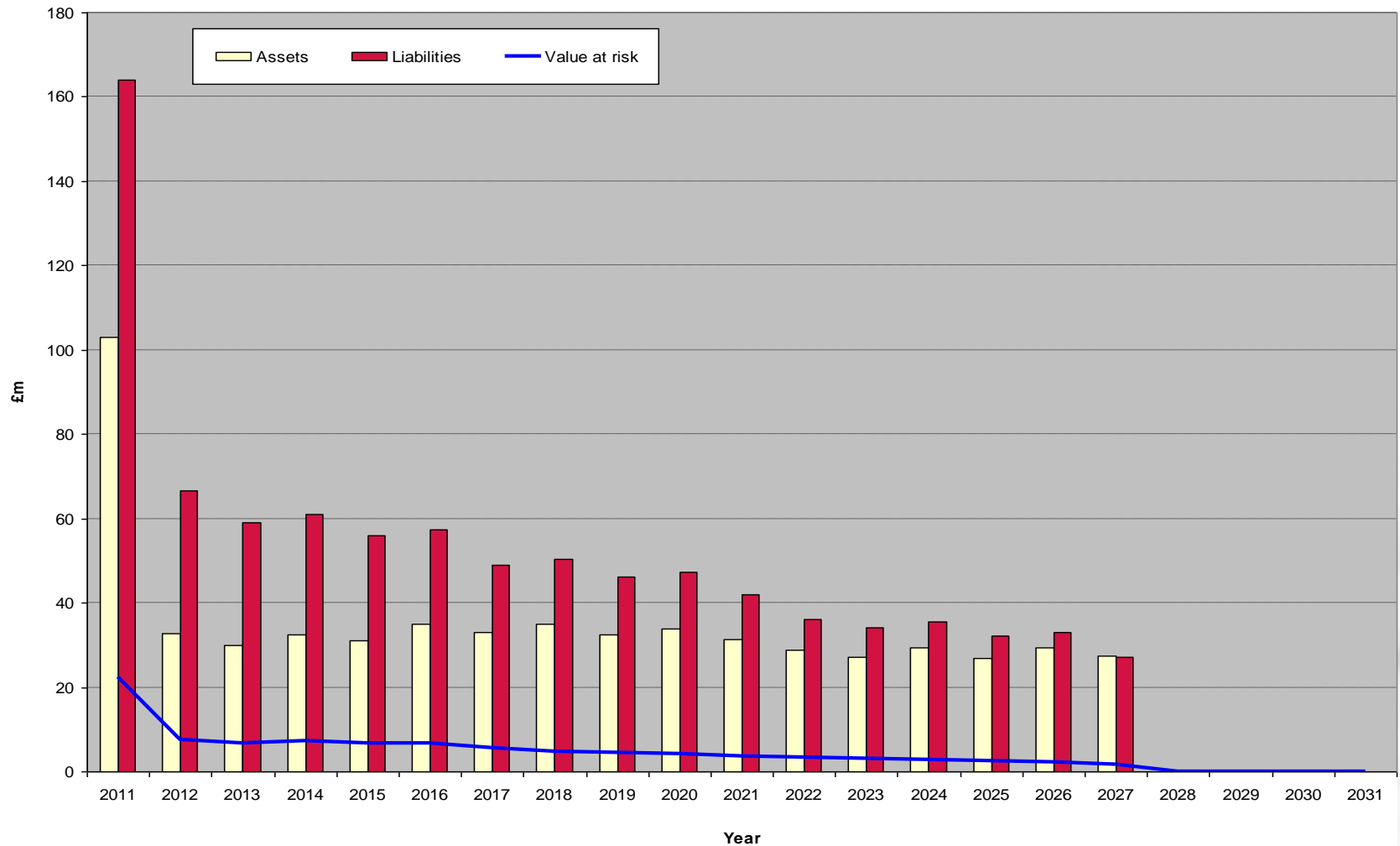
Ongoing liabilities:

Deferreds £67m
Pensioner £55m
Total £112m

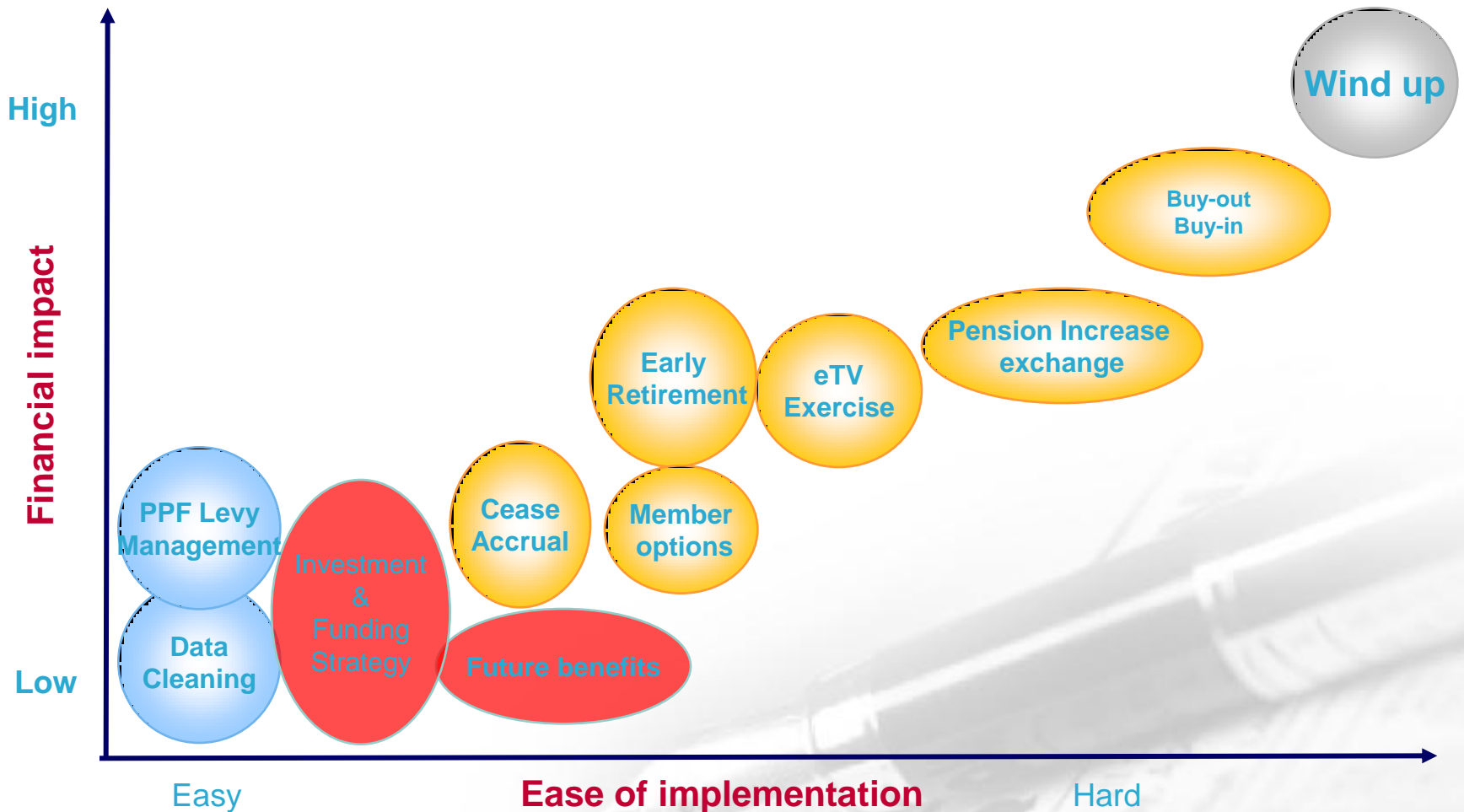
Equity assets: £47m
Bond assets: £56m
Total: £103m

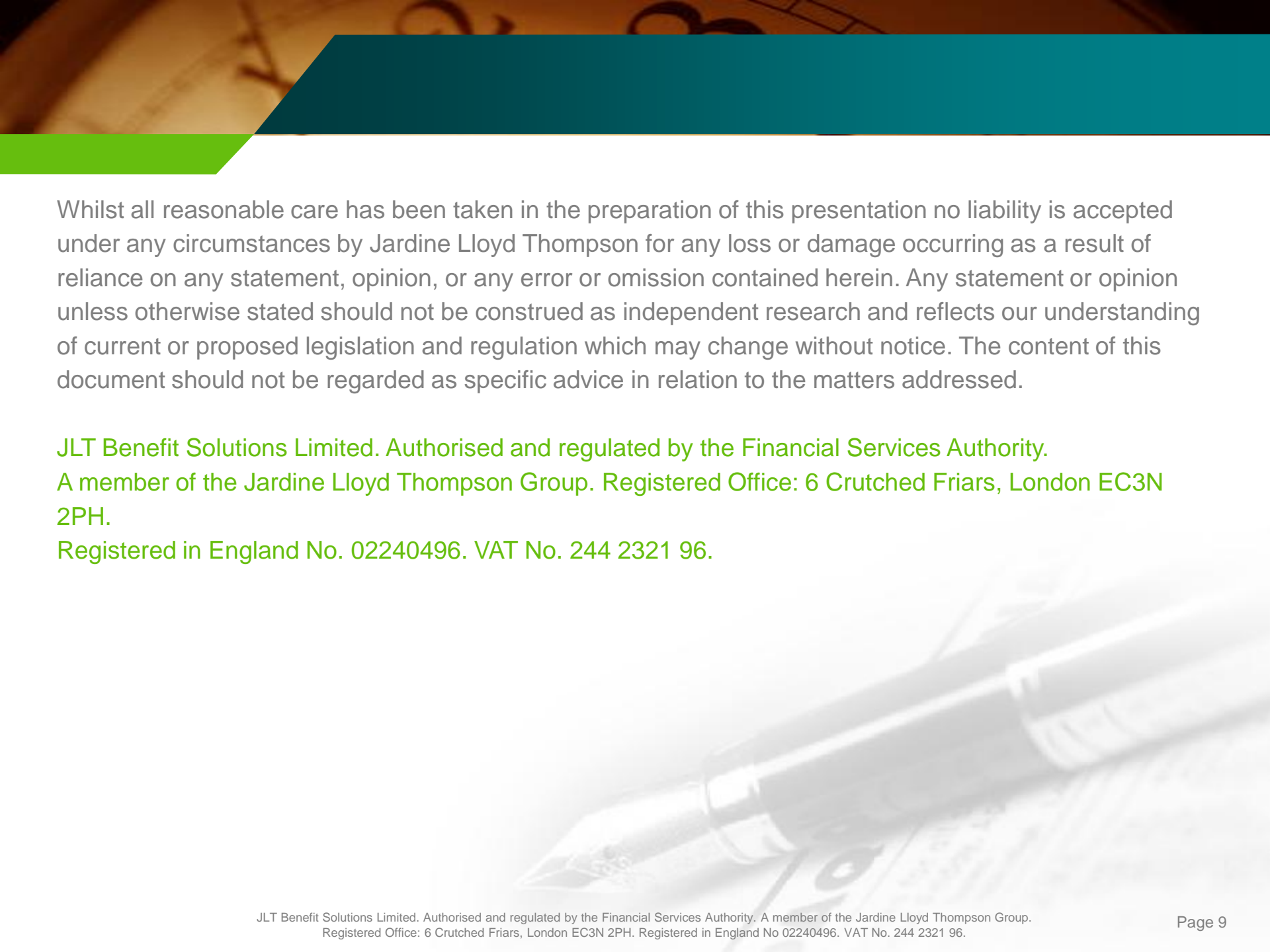


... Can become this projection (same basis)



The range of actions





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