

Actuarial Report

I am pleased to provide my report for the Annual Report 2009.

Defined Benefit Schemes

The Fund includes numerous individual defined benefit schemes, each of which has its own individual benefit and contribution structure. The financial statements show that the total assets for the defined benefit schemes amounted to some £3,816 million on 30 September 2009. A breakdown of the Fund's assets is included in this Annual Report.

All of The Pensions Trust's component schemes have now had a valuation under the Government's new valuation regime. The key components of this regime are:

- Schemes are subject to a 'Statutory Funding Objective' which is that they must have sufficient and appropriate assets to cover their 'technical provisions.'
- 'Technical provisions' is defined as 'the amount required, on an actuarial calculation, to make provision for the scheme's liabilities.' (It is what we would previously have called the scheme's 'past service liabilities').
- In effect, schemes must have a funding target of 100% of their technical provisions.
- It is for Trustees to determine the method and assumptions to be used in calculating the technical provisions, in consultation with employers.
- Where the scheme's assets are less than the technical provisions, a 'recovery plan' must be prepared. This must show how contributions from the employers and members are projected to meet the Statutory Funding Objective over a stated period and will be set taking account of the strength of the employer's covenant.

- A Schedule of Contributions must be prepared setting out the contributions to be paid over the following five years, or over the period of any recovery plan if longer.
- Trustees must set out their approach to the funding of the scheme in a 'Statement of Funding Principles.'
- The Fund Actuary must certify that the technical provisions have been calculated in accordance with the method and assumptions determined by Trustees and that the Schedule of Contributions is adequate.

In the new regime the valuation, actuarial certification, and other required documents must be completed within 15 months of the effective date of the valuation.

All valuations made as at 30 September 2008 have either been completed or are close to completion. To include in this Report separate actuarial statements for each scheme would not be practical. Each scheme is issued with its own individual statement and copies are available on request.

I have also carried out valuations on the Pension Protection Fund basis and provided an annual actuarial funding update for all schemes, available to members.

A valuation of the CARE Scheme of the Trust was made as at 30 September 2007. The audited financial statements of the Trust for the year to 30 September 2007 show that the assets for the CARE Scheme amounted to some £10.9 million. Following the valuation and its subsequent annual update, the Trustee, after taking actuarial advice, decided that it was not appropriate to make a distribution of surplus at this time.

Discontinuance of an Individual Defined Benefit Scheme

In the event of the discontinuance of an individual defined benefit scheme, the Trustee would consider the accrued liabilities. If it had been decided to secure members' accrued liabilities by the purchase of annuities then, in the light of terms currently available from life assurance companies in the UK, the realisable value of the assets of each of the schemes would not have been sufficient at the time of the most recent valuation to guarantee the accrued benefits in full. A statement to this effect is made in the valuation reports.

The Growth Plan

A valuation of the Growth Plan was made as at 30 September 2008.

The Growth Plan is subject to the same statutory requirements as the defined benefit schemes. The financial statements of the Trust for the year to 30 September 2008 show that the assets for the Growth Plan amounted to some £742 million. At that date, the assessed value of technical provisions amounted to £771 million, resulting in a shortfall of £29 million. The shortfall on an insurance company buy-out basis was £189 million.

As a result of this valuation the Trustee has decided that no additional contributions would be sought from employers in the short-term as investment performance was anticipated to remove the technical provisions shortfall over a period of nine years and ten months, if investments performed in line with expectations. The recovery plan setting out this approach has been submitted to The Pensions Regulator and the Trustee is awaiting a response.

A copy of the full valuation report is available from the Trustee.

I have confirmed that the investment credit allocated as at 30 September 2009 for members of the Growth Plan Series 3 was within the financial capacity of the Plan.



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