

**FOR IMMEDIATE RELEASE**

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**LEAKED PENSIONS REGULATOR CONSULTATION PROPOSALS ON  
MORTALITY – DON'T PANIC YET!**

**LONDON:** 15 February 2008 – Buck Consultants (Buck), an ACS company and one of the world's leading human resource and benefit consulting firms, today said that widespread reporting of leaked proposals from the Pensions Regulator is causing major concern amongst sponsors of defined benefit occupational schemes. The Regulator is reportedly set to publish proposals to take a closer interest in the assumptions over how long members will live made by trustees when valuing the liabilities of their schemes.

The intention is to establish a new “trigger” (the third) which provokes an investigation by the Regulator when a valuation is submitted for approval. Speculation suggests that the measure to be adopted by the Regulator will be tougher than that currently adopted by most schemes – leading to an increase in the liabilities and therefore the published deficit.

If true, this would put further pressure on sponsoring employers already struggling to cope with deficits that are growing again as a result of reduced asset values and expected returns as the world economy slows. Although the issue is of longer-term impact on schemes, it could have a direct impact on sponsors straight away as it will add weight to trustees' demands for higher contributions now from employers.

However, Buck Consultants cautions against panic reactions. Fraser Smart, Director, Northern Region said:

“We fully support the principle that pension schemes' valuations and the figures that appear in their sponsors' accounts, are as accurate as they can reasonably be. The issue of how long members are likely to live is one of the most important currently faced by schemes, and yet is probably the most difficult to get right.

It is important to remember that this speculation concerns proposals by the Regulator, on which it will consult; if there are flaws in the proposals, we will have an opportunity to draw attention to those in due course.

The practical impact of the expected proposals may not be as great as some of the more pessimistic commentators are suggesting:

- The intention is to establish a new “trigger”; this does not necessarily mean that following a subsequent Regulator investigation any change will need to be made to the valuation results
- If the average lifespans expected by the Regulator are as suggested, it will result in an increase in the value put on liabilities in most schemes; however, in our experience many trustee boards have become more cautious of late and much of this will already have been factored in to the figures of many schemes.

We are concerned though, about the introduction of a trigger based upon just one of the assumptions to be set by trustees. This implies a degree of accuracy that in fact is spurious. Given the experience with the other triggers - that they are adopted by nervous trustees as “targets” - this may be the beginning of the Regulator effectively imposing prescribed funding bases – precisely the reverse of their expressed intention.

If all this results in a “one-size fits all” valuation basis being imposed, it would turn this initiative into just one further step in the process of regulating defined benefit schemes out of existence”.

**- ENDS -**

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**Notes to editors:**

**Buck Consultants**, an ACS company, is a leader in human resource and benefits consulting with more than 1,500 professionals worldwide. Founded in 1916, Buck is an innovator in the areas of retirement benefits, investment advice, health and welfare programmes, human resource management, compensation and employee communication. News and other information about Buck Consultants is available at [www.buckconsultants.co.uk](http://www.buckconsultants.co.uk). Buck is an independent subsidiary of Affiliated Computer Services, Inc (ACS).

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