

The Association of Corporate Treasurers

Comments in response to
***The Pensions Regulator consultation
Guidance for trustees when choosing assumptions with
a special focus on mortality***
Consultation
February 2008

May 2008

The Association of Corporate Treasurers (ACT)

The ACT is a professional body for those working in corporate treasury, risk and corporate finance. Further information is provided at the end of these comments and on our website www.treasurers.org.

Contact details are also at the end of these comments.

We have canvassed the opinion of our members through our Policy and Technical Committee and Pensions Working Group.

General

We appreciate the opportunity to contribute to this consultation.

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Response

The ACT appreciates the need for the Pensions Regulator (PR) to ensure scheme valuations are undertaken with appropriate parameters. With regard to mortality, the ACT is supportive of guidance which is clear and of sufficient robustness in respect of individual schemes. In broad terms therefore, the ACT feels the consultation will allow pension trustees to address these issues with their professional advisors in their schemes.

However we are concerned that there is regulatory inconsistency between the Pensions Regulator and The Board of the Pension Protection Fund (PPF) in terms of the actual mortality assumptions recommended by each body.

The PR suggests that when it reviews recovery plans, 'mortality assumptions that appear to be weaker than the long cohort assumption will attract further scrutiny and dialogue with the trustees where appropriate. Furthermore, assumptions which assume that the rate of improvement tends towards zero, and do not have some form of underpin, will also attract further scrutiny.' In its recent consultation, the PPF proposed 'PCMA00 (for males) and PCFA00 (for females), in each case with the medium cohort mortality improvement rates, and with a one per cent floor to the annual improvements'

The focus of our concern is not only that there is inconsistency in the cohort choice but also that there is an implicit assumption that mortality improvements will continue in perpetuity and that trustees that take a different view will be challenged. No direct evidence is presented as the basis for this position. We feel that the intention of offering clear guidance to trustees is somewhat hampered where they have to respond to the PPF regime – there is therefore the unintended possibility of a conflict of interest between these differing regulatory approaches.

The Association of Corporate Treasurers

The ACT is the international body for finance professionals working in treasury, risk and corporate finance. Through the ACT we come together as practitioners, technical experts and educators in a range of disciplines that underpin the financial security and prosperity of an organisation.

The ACT defines and promotes best practice in treasury and makes representations to government, regulators and standard setters.

We are also the world's leading examining body for treasury, providing benchmark qualifications and continuing development through training, conferences, publications, including *The Treasurer* magazine and the annual *Treasurer's Handbook*, and online.

Our 3,600 members work widely in companies of all sizes throughout industry, commerce and professional service firms.

Further information is available on our website (below).

Our policy with regards to policy and technical matters is available at <http://www.treasurers.org/technical/resources/manifestoMay2007.pdf>

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