



Punter Southall
CONSULTING ACTUARIES

Impact Model

Actuarial in depth, commercial in nature

Both trustees and sponsoring employers have a responsibility to adopt appropriate assumptions for the valuation of their schemes' liabilities: trustees as part of the Scheme Funding valuation process and employers when producing accounting disclosures under FRS17 and IAS19.

Key issues

Under Scheme Funding legislation, trustees have the responsibility for setting the funding assumptions used in calculating the Technical Provisions for their scheme. Before doing so they must reach agreement with the sponsoring employer. Determining the assumptions to be adopted for a valuation under the Scheme Funding legislation is particularly important because any change in the assumptions in future must be justified by a change of legal, demographic or economic circumstances.

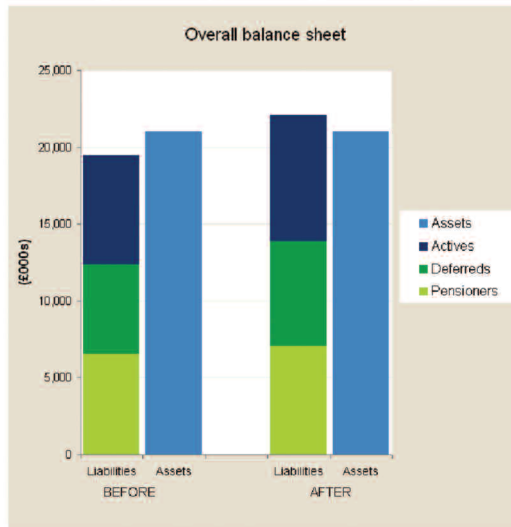
If the valuation shows there is a shortfall of assets below Technical Provisions at the valuation date, the Trustees must draw up a corrective Recovery Plan. Trustees should not normally agree to the re-spreading of a shortfall at subsequent valuations where a Recovery Plan is already in place and for this reason the first Recovery Plan agreed under the Scheme Funding legislation is particularly important.

Similarly, whilst the responsibility for setting assumptions for company accounts disclosures lies with a scheme's sponsoring employer, it must be understood that the appropriateness of the assumptions adopted is subject to potential scrutiny from the auditors.

Impact Model

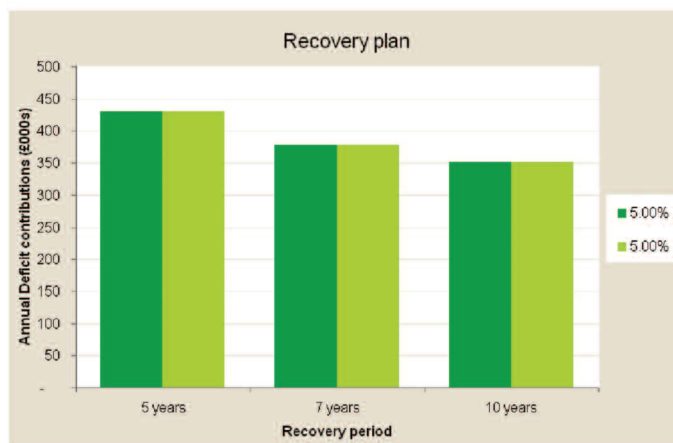
Impact Model is a real-time modeller which illustrates to trustees/employers the effect on the calculation of a scheme's liabilities of adopting different assumptions for funding purposes or for company accounts disclosures. The model clearly shows the sensitivity of results to changes in the major financial and demographic actuarial assumptions and the implications these have for any Recovery Plan required under Scheme Funding legislation.

ASSUMPTIONS	BEFORE	AFTER CHANGE?	
Pre retirement discount rate	6.80%	6.50%	-0.30%
Post retirement discount rate	4.80%	4.10%	-0.70%
RPI Inflation	3.10%	3.20%	0.10%
Salary Increases	5.10%	5.20%	0.10%
Deferred Increases	3.10%	3.20%	0.10%
Average pension increase	3.10%	3.20%	0.10%
Post retirement mortality - current pensioners:			
Table	Pa92	Pa92	
Age Rating	0	0	
Projection Type	Calendar	Calendar	
Projection Year	2005	2005	
Cohort	none	none	
Qx rating	100%	100%	
Projection floor	0.0%	0.0%	
Projection cap	100%	100%	
Post retirement mortality - actives/deferreds:			
Table	Pa92	Pa92	
Age Rating	0	0	
Projection Type	Calendar	Calendar	
Projection Year	2010	2010	
Cohort	none	none	
Qx rating	100%	100%	
Projection floor	0.0%	0.0%	
Projection cap	100%	100%	
Commutation	n	n	



Deficit (€000s):	-1.095
Increase in expected return on assets	0.00%
Recovery period input	5
First	5
Second	7
Third	10

Change of basis sheet



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Punter Southall
CONSULTING ACTUARIES

CELEBRATING
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