

Update

April 2024

Annual Funding Statement

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The Pensions Regulator has published its annual funding statement (AFS) which is particularly relevant to schemes with valuation dates between 22 September 2023 and 21 September 2024 (Tranche 19 or T19 schemes). The statement notes, however, that funding and investment allocations for other schemes may have been impacted by changes in market conditions over the last couple of years. Where significant, trustees should review their funding and investment strategies even if they don't have a T19 valuation.

TPR's analysis indicates that the aggregate funding level for T19 schemes is ahead of that expected three years previously, with less than 25% of schemes with an expected deficit on the technical provisions basis and around 50% with a surplus on a buy-out basis. Where funding levels have improved significantly, TPR says that trustees should consider whether continuing with the existing strategy and level of risk is in the best financial interests of members. If not, trustees should aim to redirect some of the funding level improvements towards a funding and investment strategy that is aligned with their future plans for the scheme (e.g. run-on, consolidator or insurance options).

New funding and investment regulations and the revised DB funding code are expected to apply to valuations with effective dates from 22 September 2024.

Work and Pensions Committee report



*Sir Stephen Timms MP,
Chair of the Work and
Pensions Committee*

The Work and Pensions Committee has published a report on its inquiry into 'Defined benefit pension schemes'.

It concludes that two decades of regulatory and policy caution have led to a low-risk approach to investment that threatens to inadvertently finish off the few remaining DB schemes still open to new members. Changes to the proposed funding regime and improvements in governance standards are urgently required to ensure private sector DB schemes remain an active and thriving part of the pensions landscape, the MPs say.

Further recommendations include replacing TPR's objective to protect the Pension Protection Fund with a new duty to protect future, as well as past, service benefits. The deadline for the Government's response to the report is 28 May 2024.

CMI Mortality Projections Model

The Continuous Mortality Investigation (CMI) has released the latest annual update to the CMI Mortality Projections Model, CMI_2023.

CMI_2023 produces cohort life expectancies at age 65 that are about 5 weeks lower for males and about 2 weeks lower for females than in the previous version of the CMI model, CMI_2022. Mortality in 2023 was the third lowest on record and similar to the 2015-2019 average, but still above projections from versions of the CMI model before the pandemic.

The core version of the model places a 15% weight on data for 2022 and 2023 while still placing no weight on data for 2020 and 2021. The CMI originally proposed using a 10% weight for 2022 and 2023 – the revised weight lies broadly in the middle of the range of views expressed by respondents to the consultation on the model, although the CMI notes that those views were quite polarised.

Company news

Pensions insurance specialist, Rothesay, has agreed to acquire the £6 billion in-force bulk annuity portfolio of Scottish Widows, part of Lloyds Banking Group. The business to be transferred covers the benefits of c.42,000 people.

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*"While recent mortality has
been similar to the period
immediately before the
pandemic, the outlook for
mortality remains uncertain"*

*Cobus Daneel, Chair, CMI
Mortality Projections
Committee*

Rothesay