



Punter Southall  
CONSULTING ACTUARIES



# The Money Purchase Scheme of The Cheviot Trust



Actuarial Report as at 31 December 2010

September 2011

## Executive summary

- The purpose of this report is to provide the Trustee of The Money Purchase Scheme of The Cheviot Trust (the “Scheme”) with information on the development of the Scheme’s **funding level** over the year to 31 December 2010 and my recommendations in respect of bonuses.
- The Scheme comprises a Unit Linked Section and a With Profits Section. Liabilities in the Unit Linked Section are equal to the value of the assets held. The figures in this report relate to the With Profits Section only.

The main findings of this report are as follows:

### **Annual With Profits Section valuation and recommendations**

- Over the year since the last valuation of the Scheme, the funding level on the cash equivalent transfer value basis had improved from 103% to 111%. This basis uses a best estimate assumption for asset performance in line with swaps + 2.7% per annum<sup>1</sup>.
- The Trustee also monitors the funding level on the Bonus Allocation basis. Benefits are valued as per the cash equivalent transfer value basis but with a lower discount rate of swaps + 2.2% per annum, to reflect de-risking of the Scheme’s investments. The funding level on this basis was 107% as at 31 December 2010.
- The Scheme’s assets would have covered approximately 87% (77% as at 31 December 2009) of the estimated corresponding liabilities on the buy-out valuation basis had the Scheme wound up on the valuation date.
- Investment experience during 2011 has not been positive and we expect all funding positions to have deteriorated as a result.
- No bonuses are recommended in respect of 2010 other than the final bonus on contributions paid before 1 January 1988 which should remain at 30%.

### **Scheme funding update for pre-88 pensioners**

- The formal valuation as at 31 December 2009 revealed a funding level of 99.7%. I have estimated the funding level as at 31 December 2010 to be 100.2%. This basis uses a prudent assumption for asset performance in line with gilts + 0.6% per annum.
- The main reason for this improvement was better than expected asset performance.
- As the Scheme is currently over 100% funded, I expect the current **recovery plan** will be sufficient to restore the funding level of the Scheme to 100% by the end of the recovery period.

<sup>1</sup> Please see section 3.3 – the asset performance assumption has subsequently been reduced to swaps + 2.6% per annum which increases the liabilities as at 31 December 2010 by £850,000.

## Contents

1. Introduction	1
2. With Profit Section valuation results and recommendations for bonus declaration purposes	2
3. Experience since the last valuation	3
4. Scheme funding update for pre-88 pensioners	5
5. Conclusion	8
Appendix A – Scheme benefits and data	9
Appendix B – Method and assumptions	11
Appendix C – Legal and compliance notices	13
Appendix D – Glossary	15

## 1. Introduction

This report provides information on the development of the funding level of The Money Purchase Scheme of The Cheviot Trust (“the Scheme”) over the period since the last formal actuarial valuation as at 31 December 2009 (“the last formal valuation”) for the Board of Cheviot Trustees Limited (“the Trustee”).

It meets the requirements under clause 23.2 of the Scheme’s trust deed and it is an “actuarial report” for the purposes of the Pensions Act 2004. I am providing the report in both my capacity as Actuary to the Scheme and Scheme Actuary. This report is commissioned by and addressed to the Trustee.

The main purposes of this valuation are to:

- assess the financial position of the Scheme as at 31 December 2010 by looking at the corresponding values of the with profits assets and liabilities, calculated in line with several different measures;
- provide information on the level of any bonuses to be awarded to with profits members in respect of 2010; and
- report on the progress of the Scheme towards meeting its statutory funding objective in respect of the pre-88 pensioners.

The Scheme is made up of two sections:

- a With Profits Section; and
- a Unit Linked Section in which members’ accounts are equal to the value of the assets held.

Only the Unit Linked Section is open to new entrants and future contributions. On the basis that unit linked liabilities are equal to the underlying assets, funds in respect of the Unit Linked Section have been excluded from all asset and liability figures illustrated in this report.

Details of the regulations and guidance that apply to this report are given in Appendix C. Throughout the report there are a number of pensions terms used, which are set out in **green**. Definitions for these terms, which may be useful when reading this report, can be found in the glossary (Appendix D).

## 2. With Profit Section valuation results and recommendations for bonus declaration purposes

### 2.1 Result

	Buy-out	Cash equivalent	Bonus allocation	Account balance
<b>Funding level at 31/12/09</b>	77%	103%	-	89%
<b>Pre-88 pensioners (£m)</b>	4.7	4.2	4.2	4.2
<b>Post-88 pensioners (£m)</b>	52.1	40.8	42.3	40.8
<b>Non-pensioners (£m)</b>	84.0	64.1	67.0	79.5
<b>Pre-1988 Reserve (£m)</b>	4.7	4.7	4.7	4.7
<b>Expenses (£m)</b>	5.2	5.2	5.2	5.2
<b>Total Liability (£m)</b>	<b>150.7</b>	<b>119.0</b>	<b>123.4</b>	<b>134.4</b>
<b>Assets (£m)</b>	<b>131.7</b>	<b>131.7</b>	<b>131.7</b>	<b>131.7</b>
<b>Surplus (Deficit) (£m)</b>	<b>(19.0)</b>	<b>12.7</b>	<b>8.3</b>	<b>(2.7)</b>
<b>Funding level at 31/12/10</b>	<b>87%</b>	<b>111%</b>	<b>107%</b>	<b>98%</b>

### 2.2 Recommendations

Pensioner members:

1. No bonus should be awarded in respect of 2010.

Non-pensioner members:

2. No annual bonus should be awarded in respect of 2010.
3. No interim annual bonus should be awarded in respect of 2011.
4. No base bonus on any annual bonuses awarded since 1 January 2000 should be awarded in respect of 2010.
5. The final bonus on contributions paid before 1 January 1988 should remain at 30% (as valued in liabilities above).
6. No other final bonus should be awarded.
- 7 Interest for certain members over normal retirement age should continue to be 0.5% per annum.

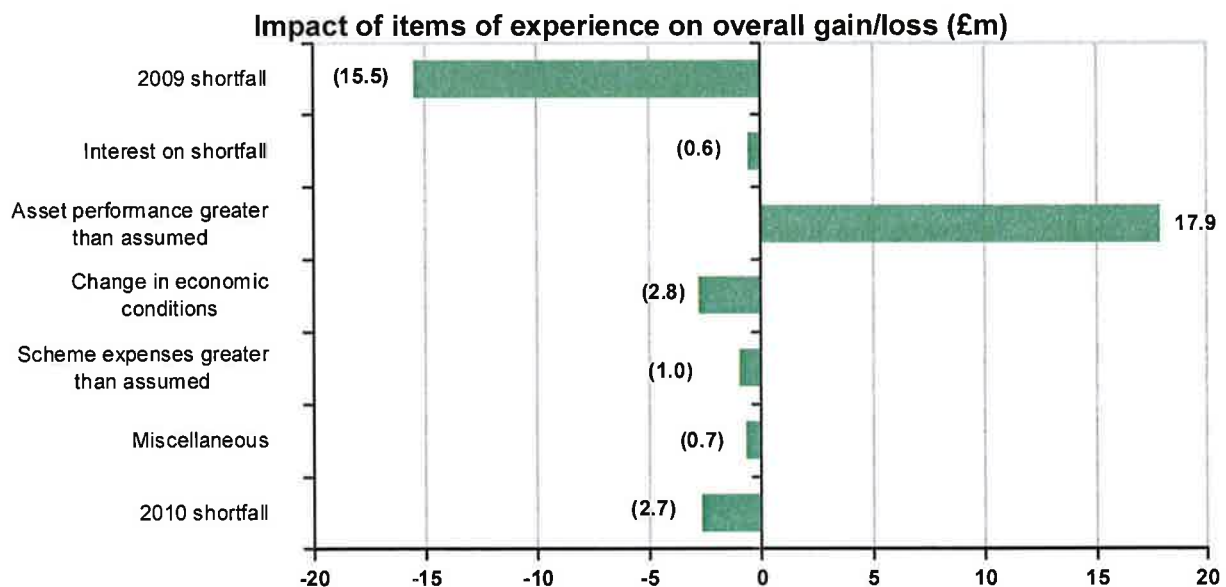
The bonuses set out in 1 to 4 and 6 above should continue to be reviewed on an annual basis and should next be reviewed following the 31 December 2011 interim valuation. The final bonus under 5 should be reviewed every six months and should next be reviewed following the results of the mid-year solvency update at 30 June 2010. The interest rate under 7 should be reviewed at each quarterly Trustee's meeting.

Please note the results above include assets and liabilities in respect of the pre-88 pensioners as these are also with profits benefits.

### 3. Experience since the last valuation

#### 3.1 Analysis of experience

The With Profits Section valuation at 31 December 2009 showed shortfall of £15.5m on the Account Balance basis. As shown in section 2.1, the current valuation shows a shortfall of £2.7m on this basis. There has therefore been an overall gain over the period of £12.8m. The main factors that have affected the funding level and the overall loss are shown below.



#### 3.2 Other developments since 31 December 2009

On 8 July 2010 the Government announced plans to link various statutory pension revaluations and increases to the Consumer Prices Index (“CPI”) instead of the Retail Prices Index (“RPI”). This may have an impact on the pension increases which should or could be paid through the Scheme and the Trustee has sought legal advice regarding the implications for the Scheme. The Trustee is still considering the position in light of that legal advice and therefore all liability figures illustrated in this report remain on the basis that RPI increases will continue to apply. I estimate that the liabilities on the bonus allocation basis would be reduced by around £632,000 if all inflationary pension increases were referenced to the CPI instead of the RPI.

In Autumn 2010 the Trustee commissioned an investigation into the mortality experience of the Scheme’s pensioners. The results were presented to the Board at their meeting in December 2011, following which the Trustee resolved to update the mortality assumption in line with the findings of the investigation. The new mortality assumptions were adopted for

the all bases illustrated in this report except buy-out (where the assumptions are intended to reflect market pricing) and scheme funding (where the assumptions were agreed as part of the formal valuation process and are set out in the statement of funding principles).

### 3.3 Developments since 31 December 2010

In March 2011 the Trustee agreed a new Statement of Investment Principles which set out their current investment strategy. This provides for a best estimate return on assets in line with swaps plus 2.6%<sup>2</sup> per annum, as agreed with the Scheme's investment advisors, P-Solve. As a result of this, the Trustee resolved at their Board meeting in March 2011 to change the discount rate assumption in the cash equivalent basis from swaps + 2.7% per annum to swaps + 2.6% per annum. This would increase the liabilities on that basis as at 31 December 2010 by £850,000.

In July 2011 the Supreme Court dismissed the DWP's appeal in the Bridge Trustee case, supporting previous analysis that With Profits Section benefits (other than for pre-88 pensioners) are money purchase in nature. Whilst this provides welcome clarity on the current position, following the judgement, the DWP announced their intention to introduce legislation with retrospective effect to widen the scope of the definition of defined benefits. Until this legislation is published, the future classification of With Profit Section benefits remains uncertain.

Investment markets have experienced a particularly turbulent Summer with gilt and swap yields falling, and equity markets losing value. The Scheme's assets have largely weathered these storms due to the adoption of a defensive investment strategy but the funding level has fallen. We estimate the funding level on the bonus allocation basis at 31 August 2011 to be around 103% compared to 107% at 31 December 2010.

<sup>2</sup> This change following a reduction in return seeking assets held in the With Profits Section at the end of 2010.

## 4. Scheme funding update for pre-88 pensioners

Following the case of AON Trust Corporation v KPMG there has been some uncertainty as to the status of the With Profits Section of the Scheme. The first instance outcome in Bridge Trustee v Yates, has been upheld both by the appeal handed down March 2010 and the Supreme Court appeal judgment handed down in July 2011. All the judgments support the view that benefits under the Scheme are largely money purchase in nature. Benefits in respect of pensioners who retired before 1 July 1988 (“pre-88 pensioners”) are more defined benefit in nature.

As discussed in section 3.3 the position continues to be uncertain despite the Supreme Court judgment as the Department for Work and Pensions has stated that it intends to introduce retrospective legislation. Until the nature of the legislation and its effect are clear, the uncertainty will continue. As an interim measure, the Trustee commissioned a scheme funding valuation of the With Profits Section which was carried out as at 31 December 2009. As part of this valuation the Trustee agreed a statutory funding objective, statement of funding principles, recovery plan and schedule of contributions following consultation with the relevant employers.

This section of the report provides an update of the Scheme’s progress towards meeting the agreed statutory funding objective.

### 4.1 Apportionment of assets

The value of the Scheme’s assets used in this valuation is equal to the audited market value as at 31 December 2010. A summary of the assets as at 31 December 2010 is included in Appendix A.

In order to set the value of the money purchase liabilities, the Scheme’s assets in the With Profits Section must be apportioned between the pre-88 pensioners and money purchase members. The allocation illustrated in this report has been calculated using a share of funds approach at 31 December 2010 based on the liabilities on the cash equivalent basis at that date, as set out below. This is consistent with the approach used in the last formal valuation.

	Pre-88 pensioners	Money Purchase	Total
<b>Pensioners (£K)</b>	4,179	40,859	45,038
<b>Non-pensioners (£K)</b>	-	64,115	64,115
<b>Pre-1988 Reserve (£K)</b>	-	4,655	4,655
<b>Expenses (£K)</b>	220	4,994	5,214
<b>Total Liability (£m)</b>	<b>4,399</b>	<b>114,623</b>	<b>119,022</b>
<b>Assets (£K)</b>	<b>4,867</b>	<b>126,811</b>	<b>131,678</b>
<b>Surplus (Deficit) (£K)</b>	<b>468</b>	<b>12,188</b>	<b>12,656</b>
<b>Funding level</b>	<b>111%</b>	<b>111%</b>	<b>111%</b>

## 4.2 Valuation of pre-88 pensioner liabilities

The value of the pre-88 pensioner liabilities on the scheme funding basis compared to the corresponding assets is shown in the table below:

	31 December 2009	31 December 2010
	£000's	£000's
<b>Estimated cost of providing:</b>		
- Benefits for pre-88 pensioners	5,817	4,438
- Expenses in respect of pre-88 pensioners	288	220
<b>Total scheme funding liabilities for pre-88 pensioners</b>	<b>6,105</b>	<b>4,658</b>
<b>Total assets for pre-88 pensioners</b>	<b>5,757</b>	<b>4,867</b>
<b>Surplus (Deficit) (£K)</b>	<b>(348)</b>	<b>209</b>

## 4.3 Funding level

The funding level is a measure of how the value of the Scheme's assets compares to its liabilities. An estimate of the Scheme's funding level as at 31 December 2010 is given below with the results of the last formal valuation shown for comparison.

Details of the data I have used to calculate this estimate are given in Appendix A. Details of the actuarial assumptions I have used are given in Appendix B.

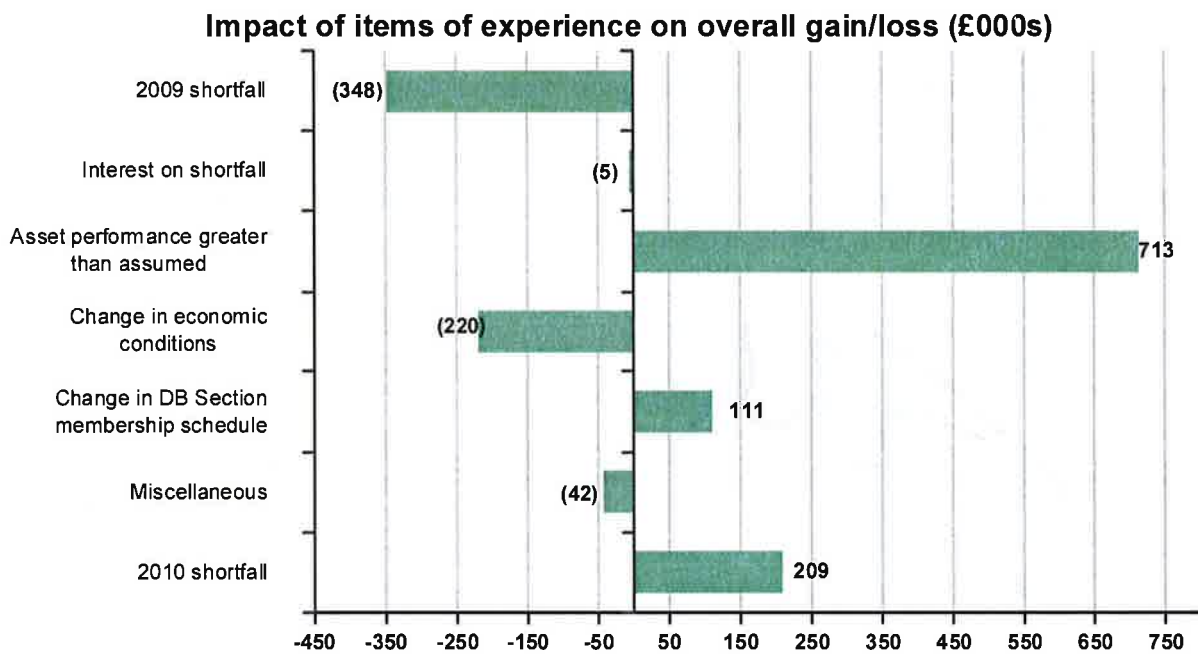
	31 December 2009	31 December 2010
	£000s	£000s
<b>Estimated cost of providing:</b>		
- benefits for pre-88 pensioners	5,817	4,438
- expenses in respect of pre-88 pensioners	288	220
- money purchase benefits	116,257	126,811
<b>Total scheme funding liabilities (A)</b>	<b>122,362</b>	<b>131,469</b>
<b>Value of assets for:</b>		
- pre-88 pensioners	5,757	4,867
- money purchase benefits	116,257	126,811
<b>Total assets (B)</b>	<b>122,014</b>	<b>131,678</b>
<b>Surplus/(deficit) (B-A)</b>	<b>(348)</b>	<b>209</b>
<b>Funding level (B/A)</b>	<b>99.7%</b>	<b>100.2%</b>

Please note that the liabilities mentioned above are not the same as the cost of securing the Scheme's benefits if the Scheme were to wind up.

#### 4.4 Experience since the last formal valuation

The last formal valuation showed a shortfall of £348,000 using the assumptions made for funding the Scheme. As shown in section 3.3, the results of my approximate calculations of the updated funding level as at 31 December 2010 show a surplus of £209,000. There has therefore been an overall gain over the period of £557,000.

The main factors that have affected the funding level and the overall gain are shown below.




## 5. Conclusion

The Scheme's funding level has improved on all bases over the year to 31 December 2010. This is mainly due to favourable investment performance over the year. However, the Scheme is still not sufficiently well funded to improve benefits and I would not recommend that any bonuses are granted in respect of 2010 (other than the final bonus for pre-88 funds).

As a result of the shortfall at the last formal valuation, a recovery plan was put into place under which I estimated the funding level of the Scheme would be restored to 100% on the scheme funding basis within five years, without the need for additional contributions. The results of this approximate funding update show that the funding level has improved to over 100% as experience has been better than expected.

Investment experience since the year end has been disappointing and I expect the funding position and progress against the recovery plan will have worsened as a result.

My next actuarial report is due as at 31 December 2011 when I will provide further details of how the Scheme's funding level has developed over the year.

Signature 

September 2011

**Jonathan Punter**

Fellow of the Institute and Faculty of Actuaries

Scheme Actuary

Punter Southall Limited

## Appendix A – Scheme benefits and data

Below are some extracts of the data used for my calculations.

### 1. Membership data

I have been provided with full membership data by The Cheviot Trust. I have carried out a number of data checks and believe the data to be adequate for the purpose of this report. A summary of the data used is set out below, together with the data from the last formal valuation for comparison.

#### Actives (still paying contributions under the Unit Linked Section)

	31 December 2010		31 December 2009	
	Number	Account Balances* (£000s)	Number	Account Balances* (£000s)
<b>Males</b>	137	11,633	157	13,342
<b>Females</b>	462	11,632	503	12,132
<b>Total</b>	<b>599</b>	<b>23,265</b>	<b>660</b>	<b>25,474</b>

\*Account balances include accrued bonuses and interest. Unit linked funds are excluded.

#### Deferred (no longer paying any contributions)

	31 December 2010		31 December 2009	
	Number	Account Balances* (£000s)	Number	Account Balances* (£000s)
<b>Males</b>	874	26,928	918	27,326
<b>Females</b>	2,128	29,311	2,178	29,190
<b>Total</b>	<b>3,002</b>	<b>56,239</b>	<b>3,096</b>	<b>56,516</b>

\*Account balances include accrued bonuses and interest. Unit linked funds are excluded.

#### Pensioner members

	31 December 2010						31 December 2009	
	Number			Pension (£000 per annum)			Number	Pension (£000 per annum)
	Pre-88 pensioners	Other with profits	Total	Pre-88 pensioners	Other with profits	Total		
<b>Males</b>	136	625	761	542	3,191	3,732	799	3,863
<b>Females</b>	129	512	641	245	1,025	1,270	668	1,326
<b>Spouses</b>	51	89	140	150	217	367	139	366
<b>Total</b>	<b>316</b>	<b>1,226</b>	<b>1,542</b>	<b>937</b>	<b>4,433</b>	<b>5,370</b>	<b>1,606</b>	<b>5,555</b>

## 2. Asset data

### With Profits Section assets

The audited Scheme accounts for the year ending 31 December 2010 showed the total **market value** of the With Profits Section assets to be £131,678,000. A breakdown of these assets at 31 December 2010, together with that at 31 December 2009, is set out below:

	31 December 2009	31 December 2010
Investment Fund	£88,000,000	£64,514,000
Matching Fund	£19,300,000	£46,591,000
Interest Rate Hedge	£7,400,000	£9,348,000
Gilt Portfolio	£4,800,000	£8,524,000
Property and Other	£2,500,000	£2,701,000
<b>Total Value</b>	<b>£122,000,000</b>	<b>£131,678,000</b>

## 3. Discretionary Practice

There has been no recent history of **discretionary increases** or **discretionary benefits** being awarded under the Scheme, and no allowance is made for discretionary benefits in the Statement of Funding Principles dated March 2011.

## Appendix B – Method and assumptions

### Bases

I have assessed the solvency position of the Scheme on five different measures as agreed with the Trustee:

**Buy-out** - The estimated cost as at the valuation date of securing members' benefits with an insurance company.

**Cash equivalent** - The value of the liabilities if all non-pensioner members were to transfer-out on the Scheme's cash equivalent transfer value basis. Pensioners have been valued in a consistent way.

**Bonus allocation** – In line with the cash equivalent basis, but with a lower discount rate to reflect the de-risking process currently being carried out on the Scheme's investments.

**Account balance** - For non-pensioners, the value is taken as the amount of members' account balances, including accrued guaranteed interest and bonuses, as shown in the table below. Pensioners are assessed on the cash equivalent basis.

**Scheme funding** – A prudent assessment of the liabilities for scheme funding purposes.

The table below sets out the benefits which have been valued on each basis:

	Accrued interest	Final bonus on pre-88 funds	Accrued bonus	Future guaranteed interest	Other future bonuses
<b>Buy-out</b>	✓	✓	✓	✓	-
<b>Cash equivalent</b>	✓	✓	✓	✓	-
<b>Bonus allocation</b>	✓	✓	✓	✓	-
<b>Account balance</b>	✓	✓	✓	-	-
<b>Scheme funding</b>	✓	✓	✓	✓	-

The material assumptions on which my calculations are based are shown in the table overleaf. For further details on the method and assumptions under the scheme funding basis please read the Scheme's statement of funding principles dated March 2011.

Financial assumptions	Buy-out	Cash equivalent	Bonus allocation	Scheme funding
Discount rate				
• Current pensioners	3.86% pa	Swaps + 2.6% pa	Swaps + 2.2% pa	Gilts + 0.6% pa
• Non-pensioners – pre-retirement	3.66% pa			
Retail Price Inflation	3.60% pa	Swaps inflation	Swaps inflation	-
Pension increases in payment				
• RPI capped at 5% per annum	3.56% pa	Consistent with swaps inflation curve	Consistent with swaps inflation curve	-
• RPI capped at 3% per annum	2.82% pa			-
<b>Demographic assumptions</b>				
Longevity (post-retirement)	S1PA table, with medium improvements and an underpin of 2.0% (1.25% for females)	S1PA table, CMI improvements with 1.5% long-term rate		PA92 table, rated up 2 years, with medium improvements
Early retirement from deferred		No allowance		
Family statistics	90% married with husbands 3 years older than their wives			
<b>Asset valuation method</b>		Bid value		
<b>Allowance for winding up expenses (as % of buy-out liabilities)</b>		3% of first £50m; plus 2% of next £50m; plus 1% of remaining liabilities above £100m		
Per member wind-up cost		£500 per non-pensioner member £450 per pensioner aged <60 £400 per pensioner aged 60-70 £300 per pensioner aged 70-80 £250 per pensioner age >80		
<b>Pre-1988 Reserve</b>				30% final bonus valued on buy-out basis, plus £0.5m margin for prudence.

## Appendix C – Legal and compliance notices

### 1. Addressee of this report

This report is addressed to the Board of Cheviot Trustees Limited (“the Trustee”) in their capacity as Trustee of The Money Purchase Scheme of The Cheviot Trust, and it is for their exclusive use. Its purpose is to provide the Trustee with information on the development of the Scheme’s **funding level** over the period since the last formal valuation as at 31 December 2009 (“the last formal valuation”). I am providing this report in my capacity as Scheme Actuary.

The Pensions Act 2004 requires the Trustee to make this report available to all relevant employers of pre-88 pensioners (“the Employers”) within seven days of receiving it.

This report has been prepared for the benefit of our client only. It may not be shared with any other party without our prior written consent, except to comply with statutory requirements. No other parties may rely on this document (whether they receive it with or without consent). Punter Southall Limited and its employees acknowledge no liability to other parties. Any advice has no wider applicability. It is not necessarily the advice that would be given to another client or third party whose objectives or requirements may be different.

### 2. Legislative/actuarial guidance compliance

This actuarial report is required under Section 224 of the Pensions Act 2004, which states that if an actuarial valuation is not requested by the Trustee with an effective date within one year of the effective date of the last formal valuation of the Scheme, they must request an actuarial report. The main purpose of the last formal valuation was to assess the financial position of the Scheme as at the valuation date, and to provide information on the future Employer contributions needed to provide for the benefits to be accrued in future (if any) and to meet the **statutory funding objective**. This report therefore provides an update on that information.

This report has been prepared in accordance with paragraph 128 of the Pensions Regulator’s Code of Practice 03 – Funding Defined Benefits (“the code of practice”). The code of practice can be found online at:

<http://www.thepensionsregulator.gov.uk/codesOfPractice/definedBenefit/index.aspx>

The statement of funding principles dated March 2011 has not been amended and this report is consistent with the earlier advice provided in [my/the] report on the last formal valuation.

### 3. Compliance with actuarial standards

This report falls within the scope of, and is compliant with, the Pensions Technical Actuarial Standard, and the Modelling, Data and Reporting Technical Actuarial Standards (“TAS M”, “TAS

D” and “TAS R”, respectively), set by the Board for Actuarial Standards and current at the date of signing this report. No other Technical Actuarial Standards apply.

As required under TAS R, I confirm that all the results set out in this report are as a result of a **valuation exercise**.

The funding method adopted is a model which forms a representation of the future benefit payments from the Scheme, which are then discounted to the valuation date. In our modelling we have to make some approximations as it is not feasible to precisely reflect every single benefit entitlement and the probability of that entitlement coming into payment under the Scheme’s rules. We consider the significance of these approximations against the results emerging and the purpose of our advice, and I am comfortable that our representation of the Scheme is appropriate for the purpose of this valuation.

### **3. Previous relevant advice**

The below report and documents are relevant to the advice given in this report:

Report on the formal actuarial valuation as at 31 December 2009

Statement of funding principles dated March 2011

Recovery plan dated March 2011

Schedule of contributions dated March 2011

## Appendix D – Glossary

### A

**Actuarial valuation:** An assessment carried out by an actuary, usually every three years, of the assets and liabilities of a pension scheme. The purpose is usually to work out how much money needs to be put into a scheme to make sure pensions can be paid in the future.

### D

**Defined benefit:** A section where members' benefits are worked out using a formula set out in the scheme's rules that is not based on investment performance.

### F

**Funding level:** The scheme's assets divided by its liabilities, expressed as a percentage. A funding level of over 100% means that there is a surplus, whilst a funding level of under 100% means that there is a deficit.

### M

**Market value:** The price at which an asset might reasonably be expected to be bought or sold in an open market.

**Money purchase:** A scheme where member's benefits depend on the contributions paid in, the investment earnings on those contributions and annuity rates on retirement.

### P

**Present value:** The value at the current time of future payments. This value is worked out by taking off an amount for interest and allowing for the chances of the payments actually being made.

**Prudent:** An assumption which takes a more conservative, or cautious, view of the future than a best estimate would, for example by assuming that future investment returns will be lower than we might actually expect them to be.

### R

**Recovery plan:** Where there is a shortfall in the scheme, the statutory funding objective requires that trustees must put together a formal plan to remove this deficit. This plan is known as the recovery plan.

**Retail Prices Index (RPI):** One measure of inflation, published each month. It measures the change in the cost of a specified list of goods and services (includes mortgage costs, which are currently excluded from CPI).

## S

**Schedule of contributions:** A schedule specifying contribution rates and payment dates, (normally) agreed between the employer and the trustees. The scheme actuary also needs to confirm that the scheme is not expected to have a deficit by the end of the period of the schedule.

**Shortfall:** The amount by which a scheme's liabilities exceed its assets at a particular date. Also referred to as a deficit.

**Statement of funding principles:** A written statement of the principles that cover decisions about how a pension scheme is funded, covering its actuarial valuation and how any deficit must be removed.

**Statutory funding objective:** A requirement that every defined benefit scheme must have sufficient and appropriate assets to cover its technical provisions. This requirement is set out in law (the Pensions Act 2004).

## V

**Valuation exercise:** An exercise which involves estimating an amount for use in a transaction, for example calculating a transfer value, or for recording in a formal document such as accounts.

## Y

**Yields:** The total interest earned on an investment over the period until it matures. It includes both income and any capital growth, and is usually expressed as an annual percentage.



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Independent pension  
scheme trustee services  
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We also have a sister business in Boston, USA.

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