

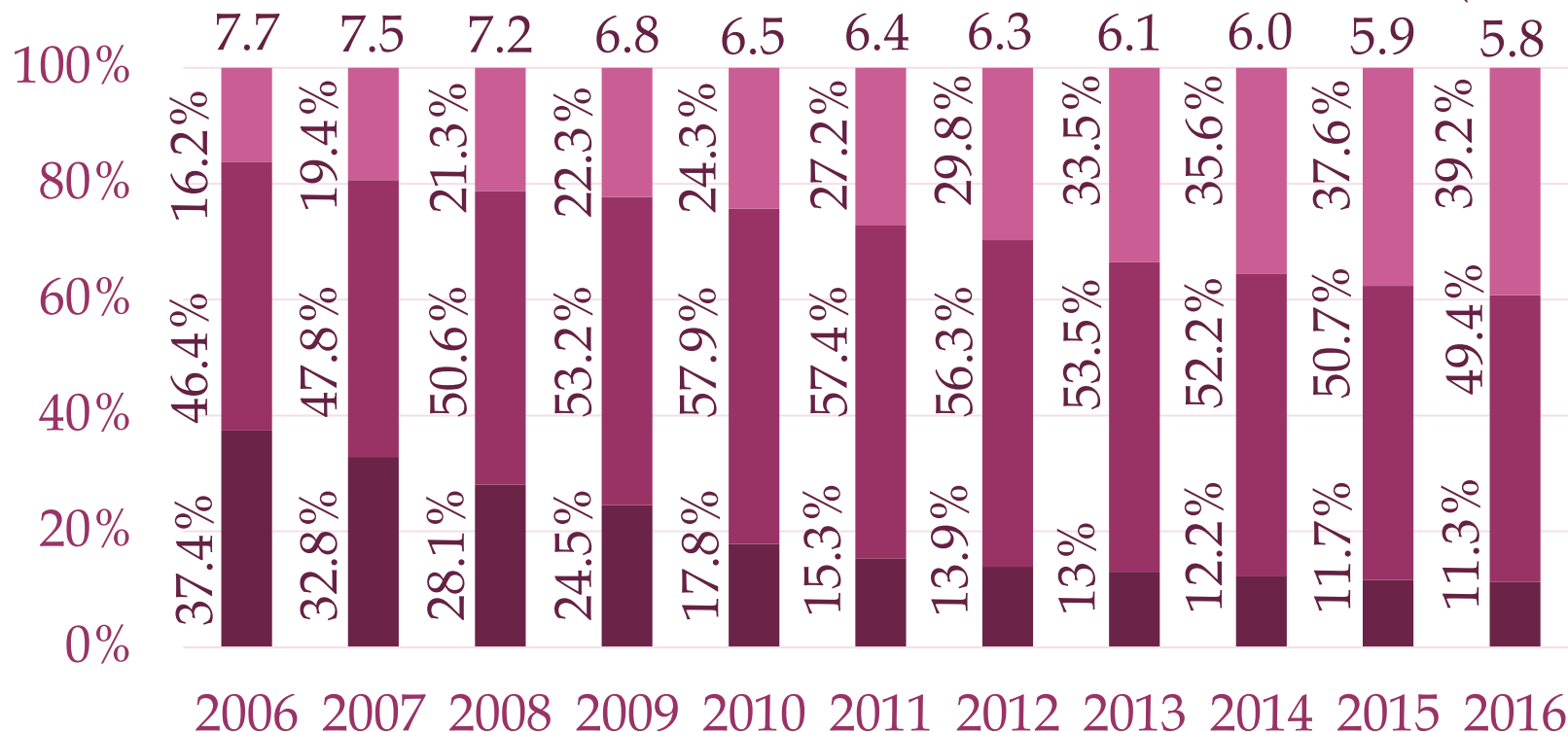
Defined Benefits: today and tomorrow

The story so far and possibilities for the future

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Thursday 8th December 2016

The number of DB schemes, particularly open schemes, has declined



■ Closed to new members and accruals

■ Closed to new members/open to future accruals

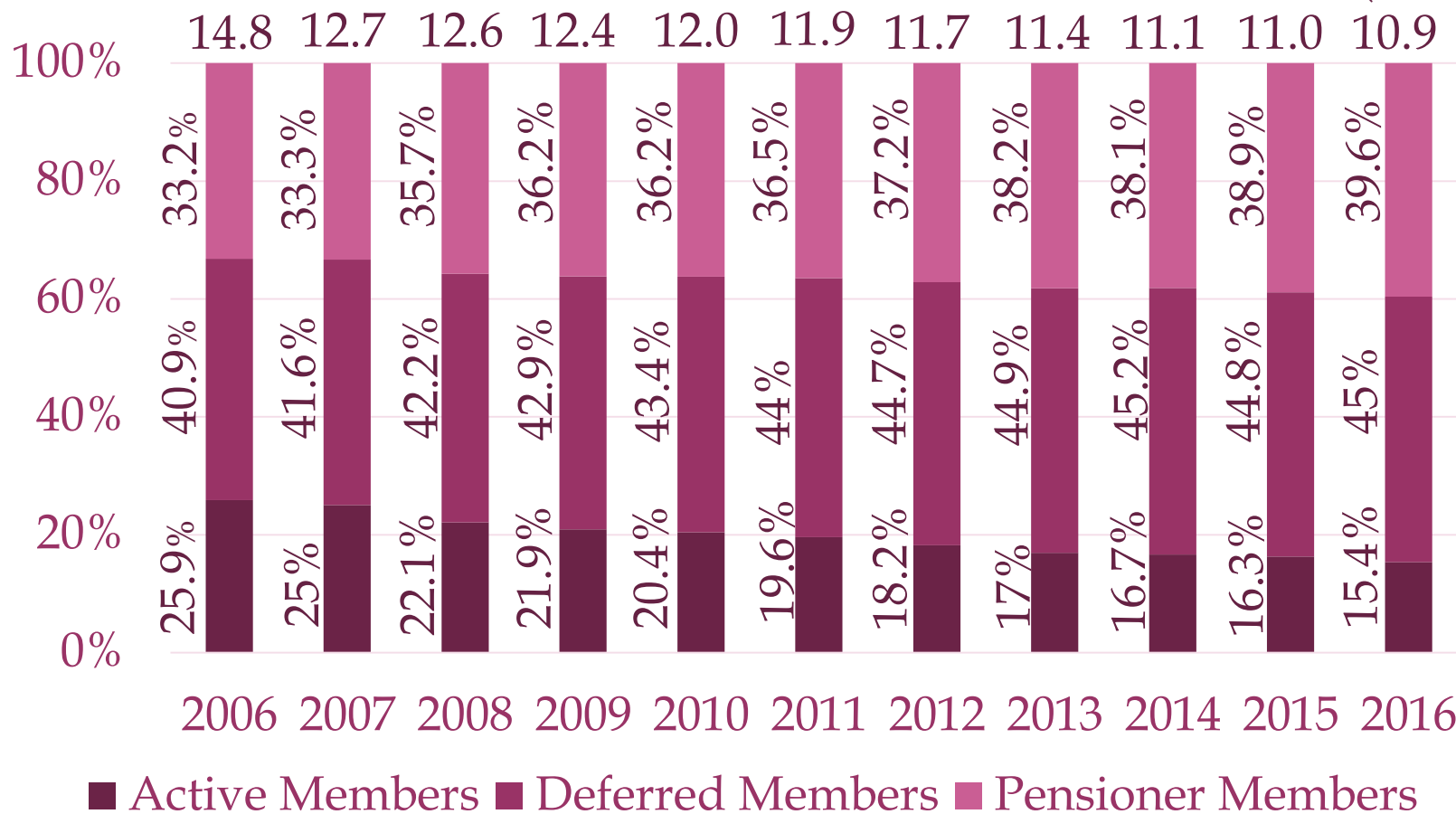
■ Open

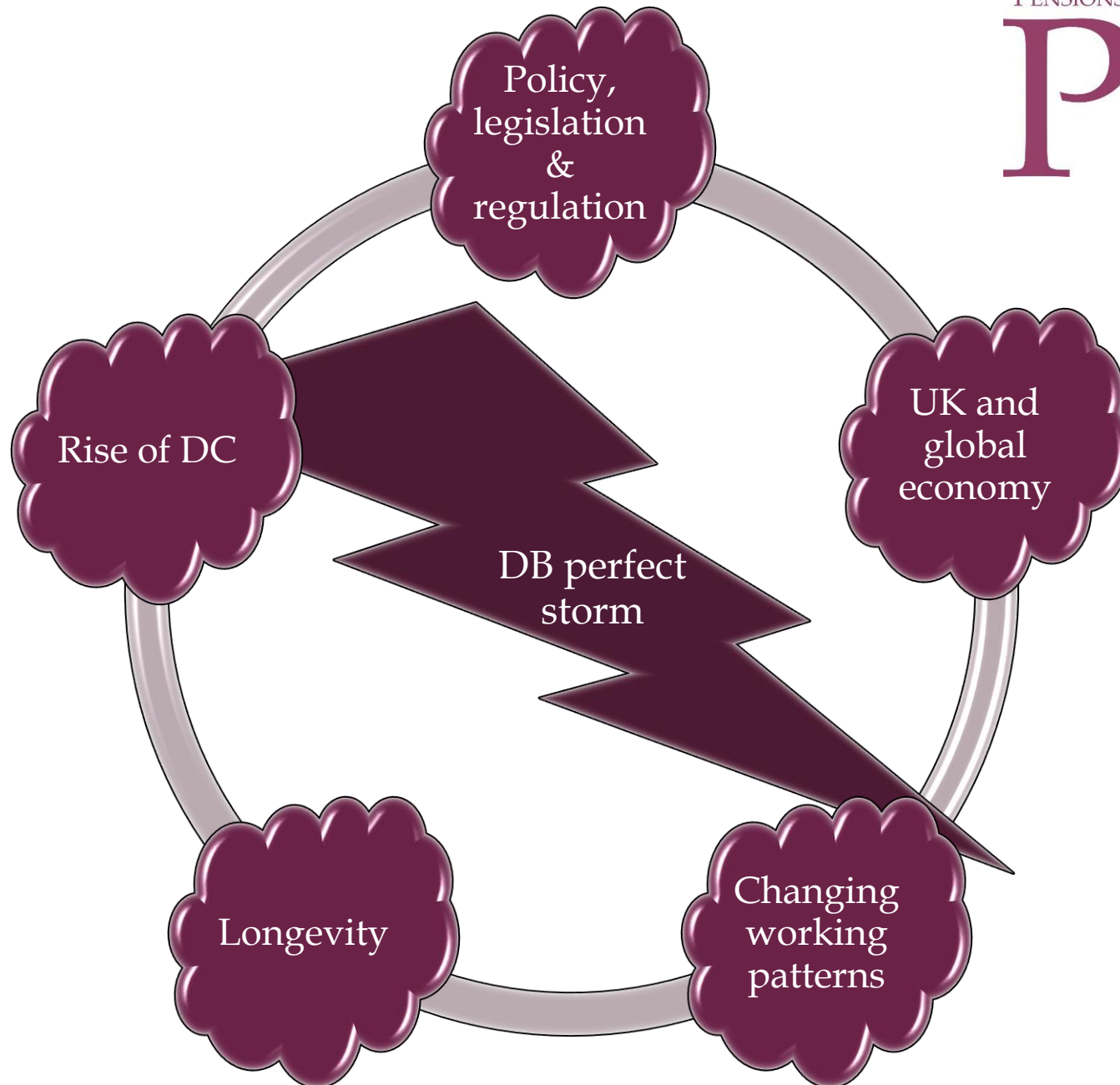
The number of active members in DB schemes has declined relative to the number of deferred and pensioner members

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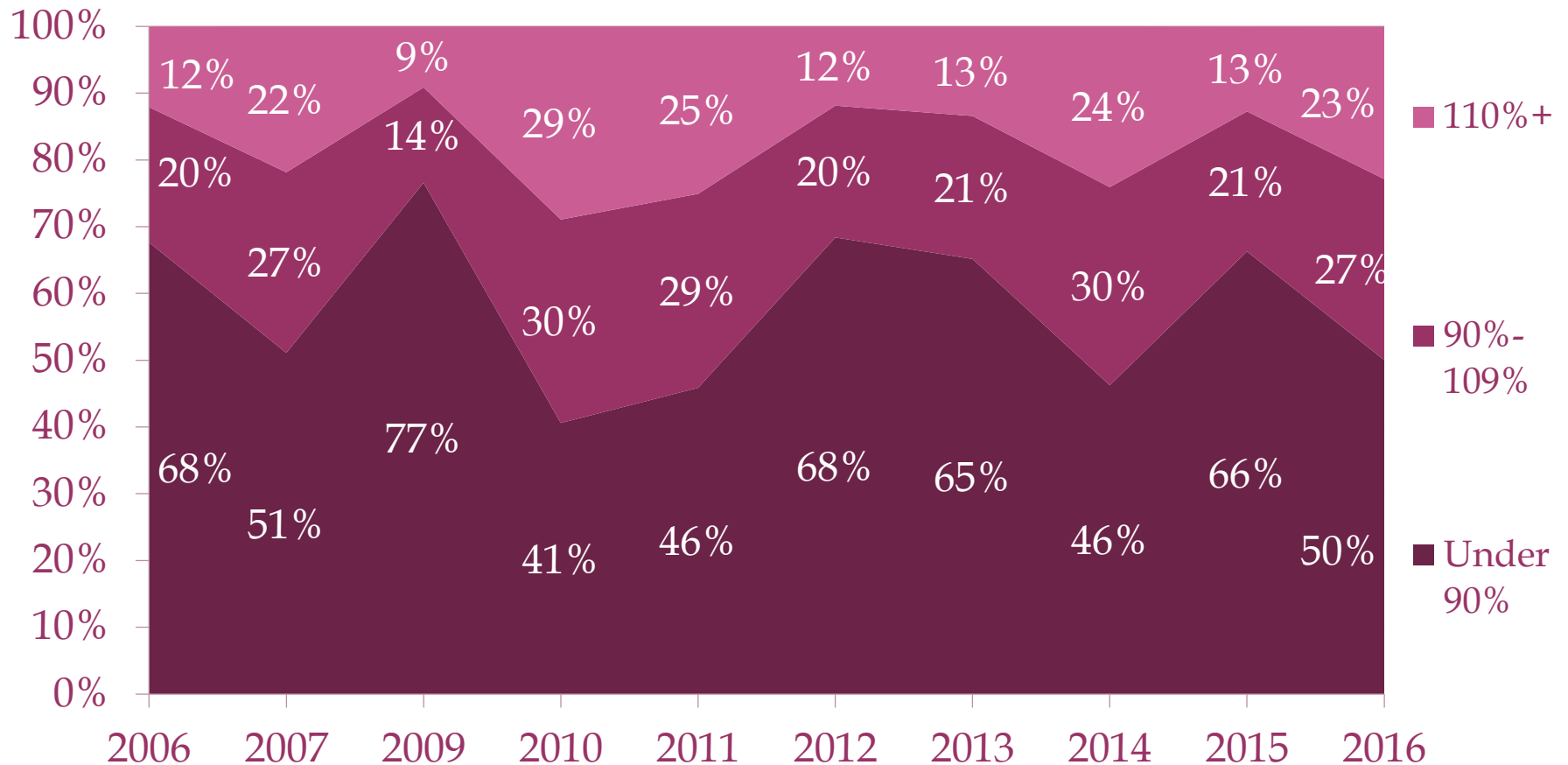
(millions)





Funding ratios (s179) improve in 2016, although half of schemes still below 90%

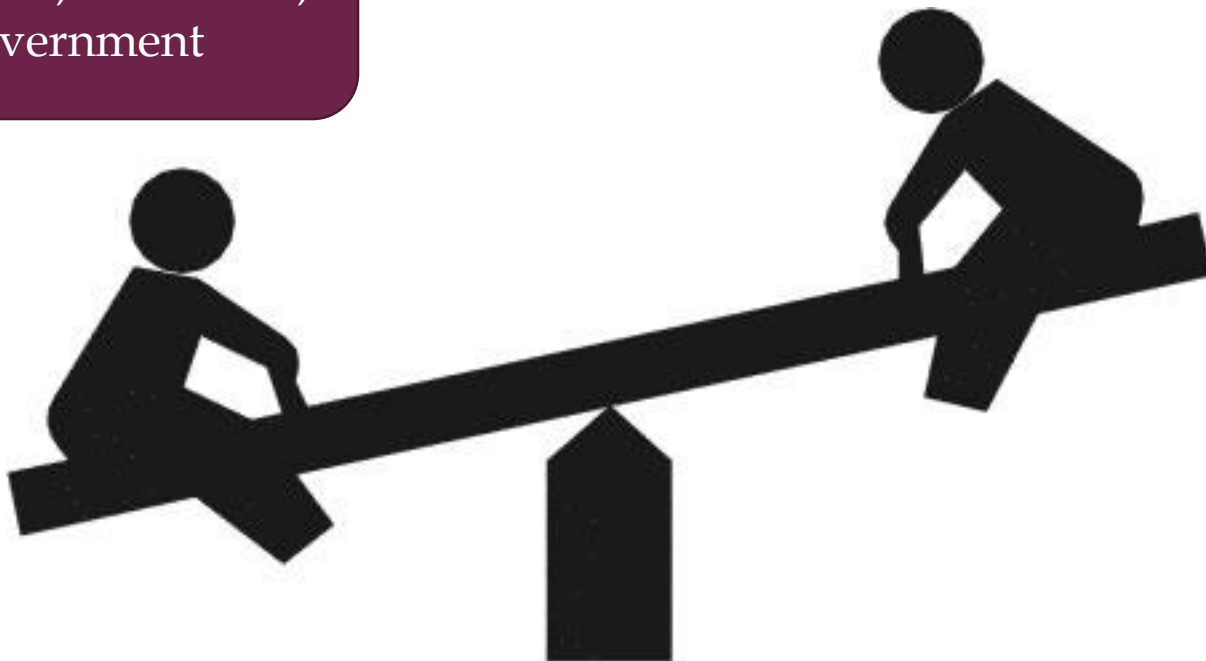
Data from TPR returns (no data for 2008)



Balancing the needs of different stakeholders

Shareholders, current
employees, customers,
Government

Active, deferred and
pensioner members



Is there a problem?



Strategies for trustees / sponsors

Increase / manage value of assets

- Increased funding
- Higher risk assets
- Liability driven investment

Reduce / manage value of liabilities / costs

- 'Merger' / pooling / consolidation
- Buy-outs
- Incentive exercises
- Longevity or interest rate hedges / swaps
- Change discount rate

Questions for discussion

- Can schemes invest their way out of difficulty?
- Will things turn round if interest rates start to rise?
- Do we need a stronger regulator?
- Is consolidation the answer?
- Do we need a new pre-PPF consolidator?
- What do schemes need from the Green Paper?
- What should PPI focus on next?