



# **SAI Pensions Accounting Survey results**

**14 November 2007**



## **A1. Differing assumptions between pension accounting valuations and ongoing funding valuations.**

Mortality assumptions	<b>15%</b>
Salary inflation assumptions	<b>50%</b>
Early retirement assumptions	<b>5%</b>
Pension increase assumptions	<b>25%</b>
Use of salary scale	<b>5%</b>

## **A2. Allowance for cash commutation in accounting valuations**

Percentage of cases	<b>25%</b>
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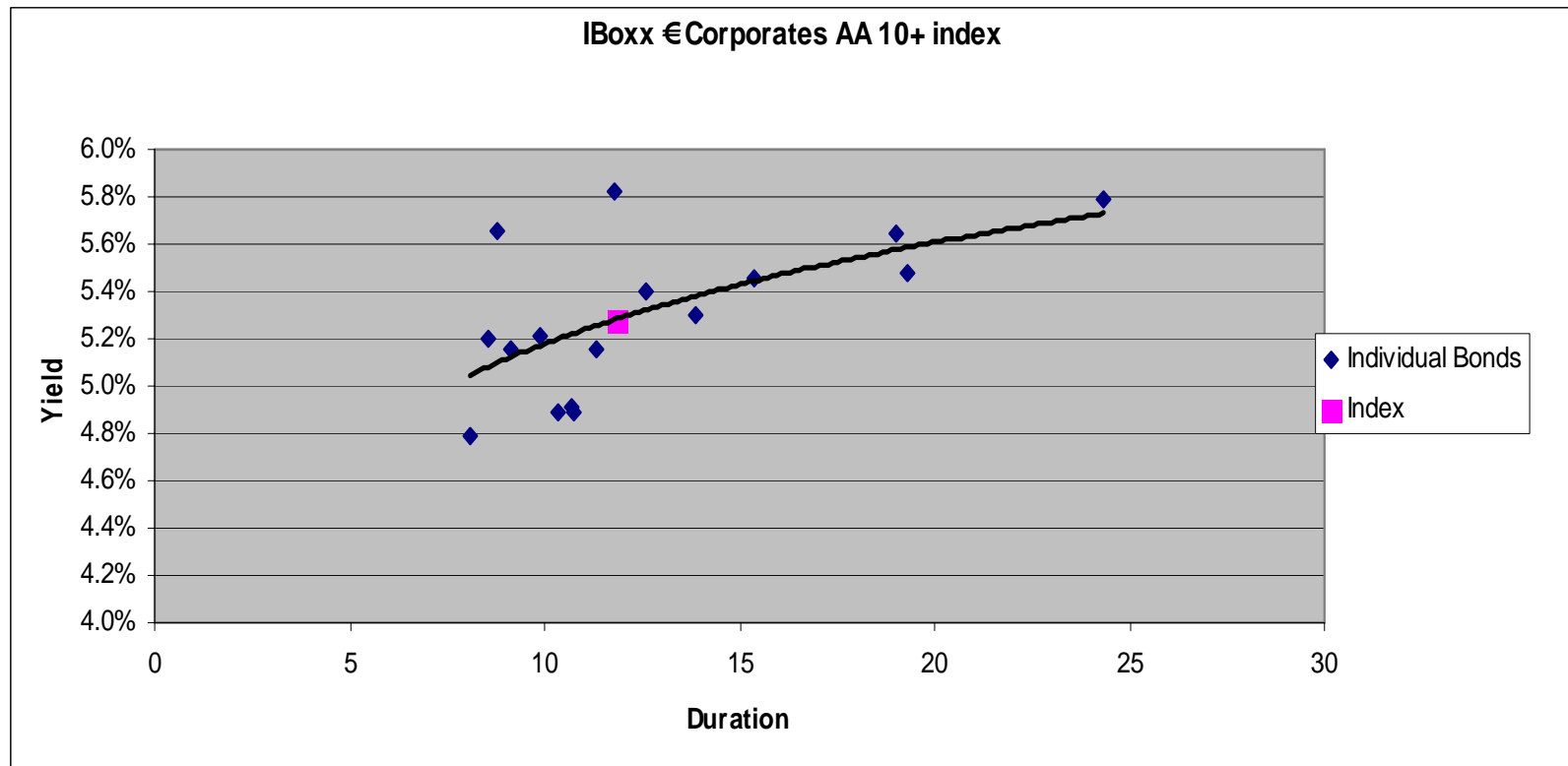


### **A3. Approach used in setting the discount rate**

Yield on index of long dated corporate bonds	<b>55%</b>
Use of yield available on individual corporate bond	<b>25%</b>
Suitable government bond yield plus risk margin	<b>15%</b>
Term matching	<b>5%</b>
Other	<b>0%</b>



### A3. Approach used in setting the discount rate





## A4. Recommended assumptions at 30 September 2007

<i>Assumption</i>	<i>Average Median</i>	<b>Minimum</b>		<b>Maximum</b>	
		<i>Min Min</i>	<i>Average Min</i>	<i>Max Max</i>	<i>Average Max</i>
Price inflation	<b>2.36%</b>	<b>1.75 %</b>	<b>2.00 %</b>	<b>3.00 %</b>	<b>2.79 %</b>
General salary increases (separate salary scale exists)	<b>3.93 %</b>	<b>2.25 %</b>	<b>2.98 %</b>	<b>5.25 %</b>	<b>4.54 %</b>
General salary increases (no salary scale)	<b>4.08 %</b>	<b>2.25 %</b>	<b>3.29 %</b>	<b>5.25 %</b>	<b>4.82 %</b>
Discount rate	<b>5.34 %</b>	<b>4.75 %</b>	<b>5.16 %</b>	<b>5.80 %</b>	<b>5.51 %</b>
Return on equities	<b>7.51 %</b>	<b>6.00 %</b>	<b>6.91 %</b>	<b>8.75 %</b>	<b>8.04 %</b>
State pension increases	<b>3.76 %</b>	<b>2.25 %</b>	<b>2.87 %</b>	<b>5.00 %</b>	<b>4.38 %</b>



## A5. Range of life expectancies implied by mortality assumptions

<i>Assumption</i>	<b>Minimum</b>		<b>Maximum</b>	
	<i>Min Min</i>	<i>Average Min</i>	<i>Max Max</i>	<i>Average Max</i>
Underlying life expectancy for male member retiring today at 65?	<b>18.00</b>	<b>19.30</b>	<b>24.10</b>	<b>20.96</b>
Underlying life expectancy (from age 65) for male member retiring in 20 years time?	<b>19.00</b>	<b>19.66</b>	<b>24.10</b>	<b>22.02</b>



## **B1. Approach typically taken in preparing FRS17 pension accounting valuations**

Full valuation of liabilities	<b>60%</b>
Roll-up / adjustment to previous valuation results	<b>40%</b>

## **B2. Approaches to the recognition of experience items for reporting under IAS19**

Statement of Recognised Income and Expense (SORIE)	<b>70%</b>
Corridor Approach	<b>30%</b>
Immediate recognition through main P&L account	<b>0%</b>
Other	<b>0%</b>



### **B3. Key areas coming under scrutiny with auditors**

Economic assumption setting	<b>50%</b>
Demographic assumptions (excl mortality)	<b>1%</b>
Mortality assumptions	<b>40%</b>
Disclosure requirements / presentation	<b>1%</b>
Attribution of death in service benefit expenses / liabilities	<b>1%</b>
Other*	<b>5%</b>

\* Settlements, curtailments, asset limit





## **B4. Method of dealing with expenses payable by the pension scheme trust in preparing accounting valuations**

Adjustment to the assumed investment return assumption	<b>35%</b>
Addition to the Service Cost for the year	<b>55%</b>
Advise the company to expense elsewhere in its accounts	<b>5%</b>
Other*	<b>1%</b>

\*In some cases - If using attribution approach there will be an expense loading to the Liabilities representing the inactive membership in addition to some addition to the Service cost for the expenses for active members.