



Contingent Assets

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Contingent Assets

- An asset the value of which depends on the occurrence of a specific future event. e.g.
 - Letter of credit
 - Employer debt payable in the event of Wind Up
- Can count as part of the ‘resources’ of the scheme
- Contingent Assets Working Group has been established
 - Examine practical issues involved
 - Prepare draft guidelines for practitioners
 - Decide degree of legislative change required
 - Decide type of assets that may be acceptable/how they are valued etc



Contingent Assets

- General consensus is that Contingent Assets have a role to play
 - Funding Standard
 - On-going funding
- However the ‘devil is in the detail’
 - Realisable value may have an ‘expiry date’
 - Self investment issues
 - Reversion to liquidator/ranking of debt
 - Covenant assessment
 - Actuaries are unlikely to have the expertise to advise on all the issues



Contingent Assets

- SAI view is that in order to set professional guidance we will require legislative backing/guidance from the Pensions Board.
- Legislating for Contingent Assets will prove complex
- May need to review on a case by case basis
- UK regulator has published guidance for Trustees on role of contingent assets in scheme funding