

## Ombudsman's Determination

Applicant	Mr S
Scheme	The Pension Protection Fund ( <b>PPF</b> )
Respondent	The Board of the Pension Protection Fund ( <b>the Board</b> )

## Outcome

1. I do not uphold Mr S' complaint of maladministration and no further action is required by the Board.

## Complaint summary

2. Mr S has complained of maladministration on the part of the PPF, in that he was not made aware of the implications of the Artenius Pension Scheme (**the Scheme**) entering the PPF when he decided to take his pension benefits early in 2009. Mr S says the PPF was at fault as it withheld information in order to financially benefit.

## Background information, including submissions from the parties

3. Mr S was employed by Artenius UK (**the Employer**) and became a member of the Scheme which was a defined benefit arrangement.
4. In 2009, the Scheme was operating with a large deficit and there were a series of consultation meetings with the Employer and Union Representatives to discuss the situation.
5. On 10 February 2009, the Human Resources (**HR**) Manager sent a letter to Mr S which said in summary:-
  - The Defined Benefit Plan (**DBP**) section of the Scheme was to be closed to future accrual and replaced with a Defined Contribution Plan (**DCP**).
  - The DCP would be offered to all employees and had a flat rate of employer and member contributions. The existing level of death in service cover would be maintained. The DCP would be in place by 1 May 2009.
  - The Employer would carry out a 60-day period of consultation with the established Union and Employee Representatives.

- The reason for the proposal was that the results of the actuarial valuation of the DBP showed a deficit of £23.7 million as at 30 June 2007. This was much greater than the £10 million deficit as at 30 June 2004, the date of the previous valuation.
  - The Employer had stated that due to the size of the deficit, the unpredictability of the stock markets and the predicted future mortality improvements it could no longer afford to fund future benefits under the DBP, and it would be closed to future accruals from 30 April 2009.
6. On 5 March 2009, the report reviewing the Scheme Actuarial Calculation Factors was completed (**the Actuarial report**). The relevant sections are provided in the Appendix.
7. On 26 March 2009, a consultation meeting took place between the Employer, the Union, and Employee Representatives. In the minutes of the meeting it said that Scheme members who were over age 50 on 1 May 2009 would be given the option of putting their pension into payment while continuing in employment. The Employer and the Trustee had agreed to this. Deferred early retirement factors would apply which had been reviewed and remained unchanged.
8. On 8 April 2009, the HR Manager sent a letter to Mr S which set out the options available to Scheme members. It said in summary:-
- As a result of the closure of DBP to future accrual on 30 April 2009 Mr S would become a deferred member.
  - As a deferred member he could:-
    - Keep the right to a deferred pension based on the benefits accrued.
    - Transfer the cash equivalent of his accrued DBP rights to another pension arrangement.
    - If he had reached the age of 50 or over by 1 May 2009, he could request to put his pension into payment while remaining in employment with the Employer.
  - If the Trustee agreed to begin payment of his benefits any such early retirement pension would be reduced to fully reflect the fact that it was being paid early. The reduction would be based on the deferred early retirement reduction factors as advised by the Scheme Actuary. Following the recent Actuarial report the existing factors would remain unchanged.
9. Mr S requested that his pension be put into payment while remaining in employment with the Employer.
10. On 5 May 2009, Mr S' pension was put into payment.

11. On 9 June 2009, Mr S attended a pension information presentation. He was provided with information about the PPF and was told that if the Scheme entered the PPF then his pension would be reduced by 10%. Mr S has said that he was also told that the levy paid by the Scheme to the PPF was £270,000 for the previous year but for the coming year it would be £700,000
12. On 5 August 2009, the Trustee sent a letter to Mr S that said in summary:-
  - The Employer went into administration on 27 July 2009.
  - The insolvency of the Employer meant that the Scheme was likely to enter the PPF assessment period.
  - The PPF was run by an independent board and was designed to pay compensation to members of pension schemes when their employer was insolvent.
  - The Scheme would only be taken on by the PPF if the Scheme did not have sufficient assets to cover the PPF levels of compensation. It was expected that the PPF would take over the Scheme at the end of the assessment period as the indications were that the Scheme was funded below PPF compensation levels.
13. On 21 January 2011, the Trustee sent a letter to Mr S on behalf of the PPF setting out the next steps regarding the withdrawal of the Scheme from the PPF assessment period that had started in August 2009. A valuation had been carried out in respect of the Scheme which showed that the Scheme did not have sufficient assets to pay benefits equivalent to or exceeding the PPF levels of compensation. As such the PPF would assume responsibility for the Scheme.
14. In May 2011, the Scheme transferred to the PPF.
15. On 29 November 2021, Mr S sent a letter to the PPF (which the PPF treated as a Stage One complaint) and said in summary:-
  - He had become aware that members of the Scheme who did not take early retirement before the Scheme entered the PPF assessment period had received more favourable early retirement factors from the PPF.
  - He was unhappy with the information he received from the Scheme prior to it transferring to the PPF. He believed that he and a number of his colleagues were misled into taking early retirement.
  - He also believed the PPF was partly responsible for the transfer of the Scheme into the PPF. This was done by increasing the levy from £270,000 to £700,000 and also by potentially encouraging the Scheme to put members pensions into payment to reduce the liabilities that the PPF took on.

16. On 6 December 2021, the PPF issued its Stage One decision to Mr S which said in summary:-

- The Scheme entered the PPF assessment period in July 2009 and transferred to the PPF in 2011. As the majority of his complaint was regarding communication from the Scheme prior to it entering the PPF assessment period it was unable to comment. It was only able to comment on the actions of the Scheme after it had entered the PPF assessment period.
- Due to the time that had passed, it was unable to provide specific detail on how the Scheme's levy charge was calculated in 2009, however it could confirm that the levy did not increase to £700,000. In 2009/10 the levy charge decreased to £218,000.
- The levy charge was made up of two parts, a scheme levy, and a risk-based levy. Broadly speaking the scheme-based levy was calculated using the scheme liabilities. The risk-based levy was calculated in line with the scheme's risk of insolvency and in the event of insolvency the size of the claim that would come to the PPF. More information regarding this was available on the PPF website.

17. On 17 December 2021, Mr S requested that his complaint be escalated to Stage Two. In summary, Mr S said:-

- He was encouraged to place his pension into payment and remain in employment with the Employer. He now knew that he was encouraged to take early retirement so that the Scheme benefitted. The HR Manager was conspiring with other high earners to try and keep the Scheme out of the PPF so that they would not become subject the PPF pension cap.
- He would have expected that there was a due diligence process prior to the Scheme entering into the assessment period including a disclosure of the events and processes relating to the members. Did the PPF not question why the over 50s in the Scheme suddenly all put their pensions into early payment when there was no need to do so? He appreciated that he was suggesting that the PPF was knowingly complicit during this period in the reduction of the Scheme liabilities so it would gain financially.
- Could the PPF tell him what information was exchanged between the Trustee and the PPF about the Actuarial report?
- He had reviewed the minutes of a consultation meeting that took place on 12 February 2009 and the deficit was known to be £23.7 million and yet this information was not provided to the Pension Regulator. The HR Manager admitted that in the circumstances the Pension Regulator could put the DBP into wind up. Mr S assumed that if that happened the Scheme would have then been presented to the PPF which was something the HR Manager could not afford to let happen. He and the high earners would have come under the PPF cap.

- He thanked it for explaining the levy charge, but this left him wondering why the HR Manager and Trustee lied about the levy increase to £700,000 at the Pension Presentation meeting on 9 June 2009. What was the motive for this?

18. On 19 January 2022, the PPF issued its Stage Two decision. It said the Grounds for the formal review were:-

- Mr S had raised concerns regarding the communication prior to the transfer of the Scheme to the PPF. He said this had led him and a number of other members to retire early on factors that were less generous than those used by the PPF at the time.
- He had requested the correspondence exchanged by the Trustee and the PPF regarding the Actuarial report prior to the Scheme entering the PPF assessment period. He also said that he was suggesting that the PPF were knowingly complicit during this period which meant that by doing so it would know that it was to gain financially.

19. The PPF said:-

- A maladministration complaint could be made by a person entitled to PPF compensation who has alleged that they have sustained injustice in consequence of maladministration in connection with any act or omission by the PPF or any person exercising functions on its behalf. Allegations of maladministration by third parties prior to the Scheme's entry into the assessment period were not matters that the PPF had jurisdiction to consider.
- The PPF was not involved in the administration of the Scheme before the Employer's insolvency. In particular, the PPF was not involved and did not participate in the early retirement exercise offered by the Scheme. The Trustee was not acting on the Board's behalf at any time, and certainly not before the start of the Scheme's PPF assessment period.
- A Trustee remained responsible for managing a scheme and paying benefits during a PPF assessment period subject to any restrictions set out in the legislation that governed the PPF. The decision to adjust the early retirement factors during the assessment period was made by the Trustee on advice from the Scheme Actuary. This was not an act by the PPF or a person acting on its behalf that the PPF could investigate as a maladministration complaint.
- It understood that Mr S felt that he was not given true and complete information before the Scheme's assessment period in respect of the early retirement option offered by the Scheme. However, the PPF did not have any remit to consider the actions of third parties who were not acting on the PPF's behalf such as the allegations against the Trustee and the Employer's HR Manager set out in the complaint.

*Role of the PPF during the Scheme's assessment*

- After a scheme enters a PPF assessment period, the PPF works with the Trustee to ensure that members' benefits have been calculated and paid in accordance with the scheme rules and any overriding requirements set out in legislation. Once a scheme transfers to the PPF, it pays compensation based upon the benefits that members had accrued in their scheme at the point of the employer's insolvency. It is not for the PPF to investigate the reasons why certain members decided to retire before the assessment period began.

*Correspondence prior to the PPF assessment period*

- It reviewed its electronic records, and it had not located any correspondence between the PPF and the Trustee prior to the assessment date. It would add it was not unusual for the PPF to have no correspondence with a scheme prior to an assessment period. It did hold a copy of the Actuarial report, but it had been unable to confirm the date this document was provided to the Board. However, it was highly likely that this document was provided once the Scheme entered the PPF assessment period.

20. On 13 March 2022, Mr S wrote to the PPF and said in summary:-

- He had contacted the Trustee, and its response was that the Scheme had transferred to the PPF and so it no longer had any responsibility for the Scheme.
- He understood that the PPF was not responsible for the actions of third parties prior to the Scheme entering the assessment period.
- Without any correspondence or electronic records, it was difficult to know what was discussed relating to his complaint issues. Such as did the PPF know that the HR Manager and Trustee withheld crucial information from the Scheme members in order to encourage them to place their pensions into payment early. If the PPF did discuss this then it knew that as a result the liabilities would be significantly reduced.
- He was not in a position to appeal the decision as he had been unable to find any further evidence for the Reconsideration Committee to consider.

21. On 30 July 2022, Mr S wrote to the Reconsideration Committee. Mr S reiterated his previous complaint points and in addition he said, in summary:-

- He had previously said that he could not find any further evidence for the Reconsideration Committee to consider. However, he would like his complaint to be considered by the PPF Ombudsman (**the PFFO**). He had been informed by

the PPF that in order for it to investigate his complaint he needed to complete the PPF complaint procedure.

- He fully accepted that the PPF was not involved in the Scheme before the Employer's insolvency and did not participate in the early retirement exercise. He also accepted that PPF would not have been aware of any maladministration that he believed was committed by the Trustee at the time.

*Grounds for reconsideration:*

- He expected that during the assessment period that the PPF would have been briefed on the events that led the Employer to become insolvent.
- During the assessment period the PPF could only deal with the facts stated in the Actuarial report as this was the only document available at the time.
- From the Actuarial report the PPF knew that its own compensation factors were significantly greater than the Scheme factors. At the time, around 40 members placed their pensions into early payment under the Scheme in preference to PPF compensation. This was clearly an abnormality, and he would offer that the PPF had an obligation, if only for its own clarification, to question this to ensure maladministration or error were not the reason.
- If the question had been raised at the time of the assessment and the underlying issue of his alleged maladministration resolved, he assumed the liabilities for the PPF would have increased. By not questioning the circumstances of the early retirements, in Mr S' opinion, the PPF became complicit and part of the maladministration process.

22. On 26 October 2022, the Reconsideration Committee responded to Mr S. The Reconsideration Committee said it had fully reviewed his Stage Three appeal, and it upheld the Stage Two decision. It set out how it had reached this decision as follows:-

*Ground one - The PPF's knowledge of the early retirement of members before the assessment period*

- The PPF had no involvement in the administration of the Scheme prior to the PPF assessment period. The PPF could not be held accountable for any decisions made on behalf of the Scheme or the Employer before this time.
- This was not an act of the PPF nor a person acting on its behalf that the PPF could investigate as a maladministration complaint.

*Ground two – Documents the PPF held relating to the decisions of the early retirees.*

- In the previous complaint response, the PPF had further explained its role during the Scheme's assessment period and confirmed that there was no record of any

correspondence between the PPF and the Trustee prior to the start of the assessment period.

23. On 29 October 2022, Mr S sent a letter to the PPF and said in summary:-

- He accepted that the PPF had no involvement in the administration of the Scheme prior to the assessment period.
- His grounds for reconsideration were based around the discussions and events that took place during the assessment period between the PPF and the Trustee. It was also about the knowledge that the PPF had at the time as a result of being in possession of the Actuarial report.
- The PPF had not mentioned any minutes from discussions or meetings during the assessment period. The clear abnormality that presented itself at the start of the assessment period whereby he and his colleagues opted for the Scheme's lower factors went unmentioned. He wanted to know whether this was discussed and if the Pension Regulator was contacted.

24. Following the complaint being referred to the PPFO the following submissions were made.

### ***The Board's submissions***

25. All of the issues raised by Mr S relate to actions taken by third parties prior to the start of the Scheme's assessment period.

26. A maladministration complaint is defined in section 208 of the Pensions Act 2004 (**the 2004 Act**) as a complaint by a person who is entitled to PPF compensation, alleging that he has sustained injustice in consequence of maladministration in connection with any act or omission by the PPF or any person exercising functions on its behalf.

27. The HR Manager and/or the Trustee were not at any time acting on the PPF's behalf, and certainly not when the events of which Mr S was complaining about occurred prior to the start of the Scheme's PPF assessment period. The PPF does not have any remit to consider, as part of a maladministration complaint, the actions of third parties who were not acting on the PPF's behalf.

28. The Pension Protection Fund (Investigation by PPF Ombudsman of Complaints of Maladministration) Regulations 2005 provide for the PPFO to investigate complaints of maladministration as defined in section 208 of the 2004 Act. The PPFO is similarly only able to investigate complaints about the actions of the PPF or persons exercising functions on behalf of the Board.

29. Mr S has suggested that the PPF may have been complicit in the alleged maladministration by the Trustee and the HR Manager, or that the PPF should have identified during the assessment period that members had been misled into taking early retirement before the start of the assessment period and reported this to the Pensions Regulator.



30. There is absolutely no basis for this allegation. Mr S has not provided any evidence of the PPF's involvement in the Trustee's administration of the Scheme or the calculation of benefits under the Scheme rules prior to the Employer's insolvency. The PPF investigated and found no evidence of any communication between itself and any other relevant third party in relation to the Scheme or the early retirement factors prior to the Employer's insolvency.
31. Following the Employer's insolvency once the Scheme had entered a PPF assessment period and it was clear that the Scheme would in due course transfer to the PPF (as a result of its funding position), the PPF's interest was in ensuring that members' benefits had been calculated in accordance with the Scheme rules and complied with the requirements of the 2004 Act.
32. During the PPF assessment period, various tasks had to be completed by the Trustee and its advisers to ensure that the Scheme had been administered in accordance with the Scheme rules and benefits had been calculated correctly. This work was completed for the Scheme and confirmed that the early retirement reduction applied to Mr S' pension on his retirement was made in accordance with the Scheme rules. As such there was no reason for the PPF to raise concerns about the Scheme with the Pensions Regulator.
33. Mr S was informed that the levy for 2009/10 had not increased but had decreased and he accepted this position.
34. For completeness, the Board notes that any liability to a member that is associated with the actions of a scheme's trustee and administrators prior to a scheme's transfer to the PPF does not pass to the PPF. Section 161(3) of the 2004 Act was clear that the liabilities of a scheme that are assumed by the PPF on the scheme's transfer do not include any liability to, or in respect of, any member of the scheme (other than liabilities in respect of money purchase benefits).

### ***Mr S' submissions***

35. The copy of the Actuarial report was the only document that the PPF acknowledged it held and was highly likely to have been provided after the Scheme entered into the assessment period. It is from this report that the PPF was informed of the £4M savings to be made by getting the over 50s to place their pensions into early payment.
36. The PPF could deduce from this report that its own compensation factors were considerably greater than the Scheme factors. At that time around 40 members placed their pensions into early payment under the Scheme in preference to the PPF. This was a clear abnormality. Had members been given information about the PPF factors prior to the start of the PPF assessment period then there was no reason for them to put their pensions into payment early.
37. If the PPF had raised the question of the above abnormality with the Pensions Regulator and it was corrected at the time to allow members to resubmit their

pensions under PPF factors, then the liabilities for the PPF would have increased. Instead, he suggests, the PPF chose not to say anything or raise the issue with the Pensions Regulator as by keeping quiet it would gain financially.

38. He also suggests that there were two agendas running at this time. One of deliberate deception and the second for financial gain:-
- The deliberate deception was perpetrated prior to the PPF assessment period by the Trustee and HR Manager and not the PPF.
  - The financial gain for the PPF was that its liabilities were significantly reduced and the fact that it had the Actuarial report during the PPF assessment period showed that it chose to keep quiet about what it knew in order to gain financially.
39. The PPF has been quite keen to express that it does not have any correspondence or electronic records on file between it and the Trustee prior to the PPF assessment period. The PPF did not mention if it had any correspondence or minutes of any meetings held with the Trustee during the PPF assessment period. If any existed that exonerated the PPF from his allegations for that period, then this would have been presented at the earliest opportunity. It does seem that the PPF cannot prove anything other than what he is alleging happened. The Actuarial report was there for a reason and it would have been read and the content understood by the PPF.

## Adjudicator's Opinion

40. Mr S' complaint was considered by one of our Adjudicators who concluded that no further action was required by the Board. The Adjudicator's findings are summarised below.
41. The PPF was brought into being by the 2004 Act. The PPF is not an occupational pension scheme. It is a compensation scheme. It is intended to provide compensation for the members of an occupational pension scheme which is unable to pay the benefits which had been promised to them.
42. The Scheme transferred to the PPF in May 2011. At that point, the Scheme, effectively, ceased to exist and its members became eligible to receive compensation from the PPF. The amount of PPF compensation payable and the terms and conditions under which it is paid are set out in the 2004 Act and The Pensions Protection Fund (Compensation) Regulations 2005 (**the Compensation Regulations**).
43. Mr S has accepted that the PPF had no involvement in the administration of the Scheme prior to the assessment period and the PPF could not be held responsible for the actions of the Trustee or the HR manager at that time.
44. The remaining element of Mr S' complaint was that the PPF received the Actuarial report and did not take any action based on the information provided within it. Mr S said the failure by the PPF to act on the information in the Actuarial report was a

deliberate act to ensure the Scheme liabilities were not increased during the PPF assessment period.

45. The PPF explained to Mr S that its role during the PPF assessment period was to ensure the Scheme had been administered in accordance with the Scheme rules and benefits had been calculated correctly. The Actuarial report was provided to the PPF to give information about early retirement factors to enable it to check the calculation of benefits. The Adjudicator reviewed the Actuarial report, and it set out that the early retirement factors were decided by the Trustee based on recommendations from the Scheme Actuary. In the Adjudicator's opinion the Actuarial report had been provided to the PPF to check that benefits had been paid correctly. It was not for the PPF to comment on the Actuarial report in the way that Mr S suggested.
46. Mr S said 40 members of the Scheme took early retirement before the Scheme entered the PPF assessment period. He also said that the PPF would have known that it offered more favourable retirement factors than the Scheme and so the number of early retirements should have been questioned by the PPF. In the Adjudicator's view the PPF's role was limited to checking that pension benefits were correctly calculated and paid, it was not to question why members had taken early retirement at a particular point in time.
47. In the Adjudicator's opinion, Mr S had not provided any evidence that the PPF had acted inappropriately. The PPF's purpose was to accept defined benefit occupational pension schemes that did not have enough assets to pay members pension benefits at PPF levels of compensation irrespective of the transferred liability. In the Adjudicator's view, the PPF had no reason to act to influence the level of a Scheme's liabilities in the way that Mr S claimed.
48. The PPF is required to administer the Scheme in accordance with the Pensions Act 2004 and the Compensation Regulations. The PPF had done that. There was nothing in the Regulations that said the PPF should have reviewed the Actuarial report in the way Mr S suggested. Mr S was in receipt of compensation from the PPF, which replaced the pension he would otherwise have lost when the Scheme was wound-up in deficit. In the Adjudicator's opinion there had been no maladministration by the PPF.
49. Mr S did not accept the Adjudicator's Opinion, and the complaint was passed to me to consider. Mr S provided his further comments which I have considered, but they do not change the outcome. I agree with the Adjudicator's Opinion.

### **Mr S' further comments**

50. Mr S submits:

- There were two clear periods when the actions took place with regard to the Scheme. The pre-assessment period and the assessment period. In his opinion there was no maladministration by the PPF during the pre-assessment period. The 26 October 2022 response of the PPF Reconsideration Committee summarised a

diluted version of the grounds he submitted and had incorrectly focussed on the pre-assessment period.

- It was during the assessment period that the PPF had knowledge of the more unfavourable Scheme early retirement factors versus the PPF early retirement factors, from the Actuarial Report supplied to them. The maladministration carried out by the Scheme HR Manager and Trustee during the pre-assessment period, had led to more than 40 members, including him, being misled into opting for early retirement from the Scheme. The PPF appeared not to raise any questions about the number of retirements. In not doing so in his opinion this meant that the PPF became complicit and part of the maladministration process.
- When over 40 people within the same company suddenly elect to claim their pension benefits with a fifty percent cut in their pension benefits unnecessarily, it should have at least raised suspicion that something may not be quite right. He agreed that the PPF had no reason to act to influence the level of a Scheme's liabilities, but it possibly could have made the Pensions Regulator aware and taken a look at the circumstances. He believed that the PPF could have and should have done more given the knowledge that it held.
- When he first started compiling the information for this case, he believed that the higher earners would have come under the PPF cap. As he progressed with this case he now knows that there was a second reason and that was that, if the Pension Regulator had been informed and placed the Scheme into wind up and in turn submitted it to the PPF, then the high earning management would not have had time to move their pensions from the Scheme to an alternative provider. They, along with those managers that would not be affected by the PPF cap, would have also have to pay the 10% administration charge.

## **Ombudsman's decision**

51. Mr S asserts that the PPF should have done more to investigate the reason that a number of members of the Scheme had taken their retirement benefits early and were not able to benefit from more favourable early retirement factors provided by the PPF.
52. In 2009, Mr S was working for an employer that was in financial difficulty. This meant there was a great deal of uncertainty around job security and the payment of pension benefits. The fact that a number of Scheme members had opted to take their pension benefits at the same time so that they had the security of having made a decision about their finances is not something that I would expect the PPF have concerns about.
53. I do not doubt that the PPF would make a referral to the Pensions Regulator if that was appropriate but, in this case, I cannot see any reason for such a report to have been made. Mr S' benefits were being paid in accordance with the Scheme Rules and had been reduced using early retirement factors set out in the Actuarial Report.

54. I note Mr S' points regarding the Reconsideration Committees response of October 2022. I consider that Mr S has now had the opportunity to have all of the points he raised regarding what happened during the assessment period considered in some detail.
55. I also note that Mr S has put forward a further reason why for the senior management staff wanted to delay the Scheme's entry to the PPF's assessment period. Mr S was sent a letter by the HR Manager on 8 April 2009 informing him of the closure of the DBP to future accrual. One of the options available to him at that time was to transfer his pension benefits to another arrangement if he wished. However, as this took place before the Scheme entered the PPF assessment period, the PPF took no part in this.
56. I do not uphold Mr S' complaint.

**Dominic Harris**

Pensions Ombudsman  
24 February 2025

## **Appendix - The Artenius Pension Scheme Review of the Actuarial Calculation Factors**

### **“Summary**

The key conclusions of this report are;

- the early retirement factors currently in use continue to be suitable;

...

### **Early Retirement factors**

Rules governing factors

1.1 Rule 6.8 of the Defined Benefit Plan Rules states that for members retiring early in cases other than ill health:

*“... his pension will be reduced to take account of his age at retirement in such a manner as the Trustees may decide and as shall be certified as reasonable by the Actuary.”*

1.2 Rule 6.12 of the Defined Benefit Plan Rules states that for members retiring early:

*“ the value of any pension... shall not be less than the value of the Members’s short service benefits”*

Existing early retirement factors

1.3 There are currently two distinct sets of early retirement factors, namely:

- those which apply to retirement from deferred status;
- those which apply to retirement from active status. These factors allow for expected salary increases to retirement and are more generous than the deferred factors.

...

1.5 As the Scheme is expected to close to future accrual and the link between past service benefits and final salary is removed it is appropriate to use only the deferred factors in the future.

...

1.10 I have reviewed the factors in light of this basis and conclude that the early retirement factors currently in use continue to be suitable. Subject to the Trustee’s agreement I will recertify the factors as reasonable to use.

Impact on Scheme Funding

- 1.11 The Trustee aims to fund the Scheme on a basis which is more prudent than a best estimate. If the factors were to be broadly cost neutral on the Trustee's funding basis then it is likely that the resulting factors would be higher, leading to higher levels of early retirement pension for members.
- 1.12 Maintaining the current factors means that on each early retirement, the liabilities on the Trustee's funding basis are reduced, therefore helping to reduce the deficit in the Scheme.
- 1.13 To illustrate this effect if we assume that all members who are currently over 50 and are in employment take early retirement then a reduction in liabilities in the order of £4M would be achieved.
- 1.14 The reduction in liabilities is based on estimates of the number of members who may retire early and their age at which they retire. In practice any reduction in liability will be different to that quoted and would be measured at the next formal actuarial valuation at 30th June 2010."