Excerpt from email from TPR to Jeff Rowney, copied to Bill Galvin and David Eastwood, 8 January 2019

Source: https://twitter.com/JosephineCumbo/status/1139848517260697600

Incorrect wording in the consultation document

We note that the main December Board paper (MC 291-3.3) references "*the so-called gilts-plus approach preferred by the Pensions Regulator*". Although understanding the gilts-plus equivalent discount rate can be a useful comparator indicator for trustees and us, and we appreciate being provided this information by you, the statement is incorrect as TPR has no preferred approach to setting the discount rate (provided that legislative requirements are met). Similar wording, also incorrect, appears in the consultation document on page 13: "*the Pensions Regulator prefers measuring discount rates relative to gilts*".

We have commented on this issue publicly, for example in our 2017 Annual Funding Statement, where we state "*We are not prescriptive about the approach trustees should take when setting the valuation discount rate, provided that the outcome is consistent with the requirements of the legislation and the DB code*".

Finally, there is some wording at the bottom of page 13 which is also incorrect. The consultation states "*the view expressed by the Pensions Regulator is that the discount rate used in the September 2017 consultation was at the upper end of the range for a scheme with a "strong " employer"* and *"the final discount rate adopted for the 20017 valuation of gilts + 1.2% is still above the level the Regulator views as appropriate for a "tending-to-strong " covenant".* These statements are factually incorrect. In our correspondence in relation to the 2017 and 2018 valuations, and in our discussions with the Executive on the risk associated with the valuation approach, we have not commented specifically on the level of the discount rate. Instead we have focused our commentary on the overall funding approach, reflecting that we generally look at everything in the round when considering a valuation (covenant, investments, TPs, recovery plan, any contingency arrangements etc.), rather than look at individual assumptions in isolation.

As the consultation is now online, we will not insist that you correct the wording but we would ask that you consider doing so. It is important that our position is not potentially misrepresented so I am copying Sir David into this email and will also share a copy with UUK. We may of course need to correct the record if these statements are referred to in the media.

[Original image below]

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