Template FSA081 - Pillar 2 Pension risk

Information required

A firm must submit the data items required by this template proportionately to the nature, scale and complexity of its activities. A graduated approach is described by the colour codes below:

Colour coding
No colour: All firms
Yellow: deposit-takers and designated investment firms whose size, interconnectedness, complexity and business type give them the capacity to cause either some disruption or very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on their business in an unsafe manner; others on an exception basis
Grey: deposit-takers and designated investment firms whose size, interconnectedness, complexity and business type give them the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on their business in an unsafe manner; others on an exception basis

General instructions

Firms are required to provide separate information for the largest defined benefits schemes they have material responsibility for, using separate columns for scheme 1, scheme 2 etc.. Please aggregate all the non-material defined benefits pensions in the designated column.
Assets must be reported at market value at the effective date; liabilities must be reported at accounting value (except where otherwise stated) at the effective date.
We draw attention to the column entitled 'details, comments and notes', where the firm can enter, or provide links to, additional information in support of the data provided in the columns to the left of it.

In Section I the deficit (surplus) of the pension schemes must be calculated by valuing the assets at market value and the liabilities at accounting value.

Additionally, firms must report the S75 value of the liabilities of each scheme, calculated in accordance to Section 75 of the Pensions Act 1995.

Firms should, in the designated section, explain the principles underlying the choice of pensions accounting assumptions for each defined benefit plan and whether the principles and the choice in the most recent year have received auditor acceptance.

In 'Section II - Pillar 2 calculations' firms must report the deficit (surplus) of the pension fund under stress scenarios, as specified in the Statement of Policy on Pillar 2

In 'Section II - Pillar 2 calculations' the deficit (surplus) should be calculated using the firm's own methodology (in the column 'firm's assessment') as well as the accounting basis ('stress scenario' columns).

In 'Section II - Pillar 2 calculations', the incremental deficit from 1-year stress is the stressed deficit minus the starting deficit
In 'Section II - Pillar 2 calculations' firms are required to provide a description and separate quantification for each management action and offset they wish to claim for the calculation of Pillar 2A for pension risk capital. We will also need an explanation of why each action would be effective in a stress and how it fulfils the PRA eligibility criteria for accepting management actions and offsets. Firms should provide this information in the column entitled 'details, comments and notes'.

SPVs - special purpose vehicles
deposit-takers and designated investment firms whose size, interconnectedness, complexity and business type give them the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on their business in an unsafe manner; others on an exception basis
In relation to any special purpose vehicles (SPV) or similar arrangements proposed to be used as an offset to Pillar 2 pensions risk capital, firms are required to provide to the PRA:
• The document or agreement governing that vehicle
• Summaries of the above, the purpose of the vehicle, and how it operates.
• Explanation of the effectiveness of the vehicle as a mitigant to risk in a going concern scenario.
• A breakdown of the investments of the vehicle at the effective date at individual asset level
• Explanations of how the assets held by the vehicle change over time.
• If the SPV is held on the firm’s balance sheet, a breakdown at the effective date of the risk-weightings of the assets and an explanation of those risk weightings.
• Breakdown at the effective date of assets to which prudential filters have been applied, together with an explanation of these prudential filters.
• Explanation of the valuation methodology used for these assets.
• Explanation of how the SPV contributes to the capital resources of the group and solo entities.
Quantitative information should be provided in separate lines at the bottom of this template, with any commentary added in the designated box.

Breakdown of PV01 and IE01
deposit-takers and designated investment firms whose size, interconnectedness, complexity and business type give them the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on their business in an unsafe manner; others on an exception basis
This information should be provided in separate lines at the bottom of this template, with any commentary in the designated box.

Firms are required to provide the PV01 and IE01 of the assets and separately the liabilities of each pension plan at the effective date in the designated cell of the template. Additionally, firms are required to provide: (i) the PV01 and IE01 of the assets separately for each asset class listed in the template (including each rating class for corporate bonds); (ii) the PV01 and IE01 of the liabilities, split by type of member (active, deferred, pensioner); (iii) the IE01 of the liabilities further split by type of increase for each material tranche, for example (this is not intended to be an exhaustive list):

- Salary increases before retirement
- Revaluation in deferment
- RPI increases in payment
- RPI increases in payment with a collar of 0%pa and a cap of 5%pa.
- Other

The IE01 of the liabilities should be calculated without allowing for any caps and floors. For example, if a tranche of benefit is subject to RPI increases in payment with a cap of 2.5%pa, then the IE01 should be calculated assuming full RPI linkage without capping the increase at 2.5%.

Additional documents to be attached to the submission

All firms

Please provide latest funding update and triennial valuation report in respect of UK schemes only. These are the reports provided by the scheme actuary to the trustees of the pension plan.