



### Scheme Administration

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#### Benefit Calculations

The Office for National Statistics is changing the way it calculates the Retail Price Index to use a broader measure of mortgage interest repayments. The period of deflation that emerged last year would have appeared much shorter and shallower had the RPI been measured using the new methodology.

### Actuarial

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#### Pension Protection Fund

On 18 March 2010, the PPF Levy Steering Group published a paper setting out its proposals for the long-term future of the pension protection levy. A key consideration of the Steering Group is the proposition that changes to a scheme's levy ought to derive primarily from changes in its own risk, not from changes in others' risk.

The PPF has confirmed that the cap on compensation to be paid to members of pension schemes that transfer to the PPF will increase by 3.5% from 1 April 2010. This means that the maximum level of compensation available at age 65, allowing for the 90% reduction factor, will be £29,748.68 per annum. The PPF has also published revised commutation and early retirement factors to be used from 1 April 2010.

### Governance

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#### Legislation

Pensions issues in the Chancellor's Budget on 24 March 2010 were limited to the confirmation that restrictions on pensions tax relief for high earners are going ahead as planned, further proposals on trivial commutation of small pensions would be considered and confirmation on unchanged lifetime and annual allowances for the next five years.

Taking effect from 6 April 2010, the Department for Work and Pensions (DWP) published new employer debt regulations that provide easements designed to permit a restructuring of scheme employers without triggering a section 75 (buy-out) debt. The easements apply to restructuring involving associated employers, if a legal agreement provides for one employer to take over responsibility for the employees, pension liabilities and assets of the other employer.

On 8 April 2010, the Court of Session in Scotland published its judgement in a dispute over the exercise to equalise normal retirement ages between males and females for a pension scheme for the employees of Low & Bonar plc. The Court ruled that a formal deed of amendment was not required in order to effect a sex equalisation exercise, despite the scheme's governing rules stipulating that amendments must be effected by deed. This ruling may result in a lower number of Scottish pension schemes challenging the validity of equalisation work carried out in the '90s.



## Consultancy

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### Defined Contribution

On 16 March 2010, the DWP highlighted the expected charging structure for the National Employment Savings Trust (NEST). In addition to an annual fund management charge of 0.3%, a 2% charge on contributions will be in place for a likely period of 20 years. In anticipation of the auto-enrolment provisions for NEST, due to come into force from October 2012, the Pensions Advisory Service (TPAS) has published an online guide to assist employers.

On 18 March 2010, the Board for Actuarial Standards (BAS) published a consultation paper on the calculation of pension projections in statutory money purchase illustrations (SMPs). The consultation paper considers whether the current rules could be enhanced in order to help scheme members better understand their benefit statements and thus improve their planning for retirement.

The Minister of State for Pensions and Ageing Society confirmed the Government's intention that defined contribution schemes will no longer be able to contract out from the state pension after 6 April 2012. This change is intended to simplify pension provision, and the Minister highlighted that it has become increasingly difficult to determine whether a scheme member would be better off by contracting out.

### Investment

Following a 22.1% rise over 2009, the FTSE100 index rose a further 4.9% over Quarter 1 2010.

### Liability Reduction

On 31 March 2010, the DWP published an information note for employers on the risk sharing options that are available for defined benefit pension schemes under current legislation. The note's objective is to provide information to employers considering making changes to their scheme and includes case studies on risk and cost sharing exercises implemented by large, well known employers.

### Pensions Provision

New regulations have been published that clarify, with effect from 6 April 2010, that any change to the elements of pay that constitute pensionable earnings for a defined benefit scheme is a listed change and consequently will require the employer to consult on the change with scheme members.

## Spring 2010 Seminars: 'Risk Reduction for Final Salary Pension Schemes'

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Final registration for Thomson Dickson Consulting's Spring 2010 seminars on Risk Reduction for Final Salary Pension Schemes is still available on our web site, [www.tdcllp.com](http://www.tdcllp.com). The breakfast seminars are being held on the following dates: Inverness – Tuesday 20 April 2010, Edinburgh – Thursday 22 April 2010, Aberdeen – Tuesday 27 April 2010, Glasgow – Thursday 29 April 2010

*"In the long run, we are all dead"*

**John Maynard Keynes**

The information in this note should not be relied upon or taken as an authoritative statement of the law.



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