TDC Mid Month Update

15 August 2008

Scheme Administration

Reporting and Controls

On 17 July 2008, the Parliamentary Ombudsman published her report entitled ‘Equitable Life: A Decade of Regulatory Failure’ and called on the Government to establish and fund a policyholder compensation scheme. The Ombudsman makes 10 accusations of maladministration by the DTI, the Government Actuary’s Department and the Financial Services Authority.

Calculation of Benefits

The Retail Prices Index (RPI) inflation measure, used extensively by pension schemes to increase pension benefits year on year, rose to 5.0% for July 2008, up from 4.6% for June 2008.

Actuarial

Transfer Values

On 8 August 2008, the Pensions Regulator issued a draft of the long awaited guidance on calculating transfer values for members of defined benefit schemes. The guidance aims to help trustees understand and fulfil their new responsibility to set the basis of calculation of cash equivalent transfer values. The consultation period ends on 19 September 2008 and the new responsibilities come into effect on 1 October 2008.

Mortality

The Regulator announced on 21 July 2008 that it had decided to delay the inclusion of mortality assumptions as one of their criteria to assess the suitability of pension schemes’ funding plans. The introduction of a mortality ‘trigger’ will not now apply until the beginning of the next valuation cycle starting in September 2008. This will impact on valuations, and follow-up recovery plans for schemes in deficit, due from December 2009.

The Actuarial Profession

As part of its project for developing a new structure for actuarial standards, the Board for Actuarial Standards published its conceptual framework on 31 July 2008, promoting the provision of actuarial information that is complete, transparent, relevant and comprehensible.

Consultancy

The Pensions Regulator

The Regulator published the results of its 3rd survey of pension scheme governance on 17 July 2008, showing overall ratings consistent for 2007 and 2008. The Regulator reports that schemes are clear about the aspects that contribute to the raising of governance standards, namely the importance of regular trustee board meetings, trustee training and the level of trustee experience.

On the same day, the Regulator published its Annual Report and Accounts for 2007-08, in which it stated that the overall levels of scheme governance are generally lower for small schemes than those of large schemes. Accordingly, the Regulator is ‘increasingly focusing on small schemes’.

Thomson Dickson Consulting LLP

45 West Nile Street, Glasgow, G1 2PT | **t**: 0141 285 1585 | **f:** 0141 285 1586 | enquiry@tdcllp.com | www.tdcllp.com

On 23 July 2008, the Regulator published a consultation document on record keeping, stressing the importance of good record keeping in the governance of pension schemes and suggesting that there is scope for improvement by those responsible for record keeping and scheme administrators, irrespective of size or type of scheme.

Trustees

On 31 July 2008, HMRC published new guidance for Trust or Company Service Providers (TCSP) on registering under the Money Laundering regulations. Trustees who provide services by way of business as a TCSP (with some exclusions) need to register before 30 September 2008 but, more generally, trustees of occupational pension schemes do not need to register with HMRC.

Benefit Structure

On 8 August 2008, HMRC published a set of Q&As in relation to the set up and reporting of salary sacrifice arrangements.

Pensions Provision

The amendment to the Pensions Bill that would have allowed the introduction of risk sharing in defined benefit schemes was debated in the House of Lords, but the outcome was its effective withdrawal from inclusion in the Bill.

The Government has suggested that employers can continue to use their current earnings definition for calculating contributions to their workplace pension scheme, as part of the exemption requirements to enrol employees into Personal Accounts. It is possible that an annual check on qualifying earnings and the minimum level of contributions may suffice.

On 6 August 2008, the NAPF launched ‘FD PensionsConnection’, a pensions information service for finance professionals involved in their company’s workplace pension. The service, which is free for one year, gives access to information on the latest pensions developments.

Investments

Over Q2 2008, balanced pooled pension funds produced an average gross return of minus 1.5%, as calculated by BNY Mellon. Over the first six months of 2008, the average gross return was minus 9.1%.

Autumn 2008 Seminars

Registration for our Autumn 2008 series of seminars, entitled Risk Management for Final Salary Pension Schemes, is now available on our web site. The breakfast seminars are being held on the following dates: Edinburgh – 23 September 2008, Aberdeen – 25 September 2008, Inverness – 30 September 2008, Glasgow – 2 October 2008.

“Markets can remain irrational longer than you can remain solvent”
John Maynard Keynes

TDC **Thomson Dickson Consulting LLP**

45 West Nile Street, Glasgow, G1 2PT | **t**: 0141 285 1585 | **f:** 0141 285 1586 | enquiry@tdcllp.com | www.tdcllp.com