

Scheme Administration

Benefit Calculations

Legislation has been put in place that allows a dependant's scheme pension to be payable to financially dependant children over the age of 23 in certain circumstances. This legislation falls under the Government's program for pensions tax simplification which commenced in April 2006.

Actuarial

Accounting for Pension Costs

On 11 August 2009, the Accounting Standards Board (ASB) issued a consultation document setting out proposals for the future reporting requirements for UK and Irish companies. The paper proposes that the Generally Accepted Accounting Practice (GAAP), including FRS17 (the current ASB standard for pensions disclosures), is replaced by international standards (IAS19 for pensions) from 2012. This consultation is driven by the ASB's opinion that there is no case for the continued use of two different accounting frameworks in the UK. Although FRS17 and IAS19 are broadly similar at present, IAS19 is likely to be significantly revised in 2011.

Pension Protection Fund

On 30 July 2009, the PPF announced that it will look again at its proposals for reform of the PPF levy. The PPF consulted in November 2008 on proposals to take account of scheme-specific investment strategy and a five-year insolvency risk factor in the risk-based levy calculation. However, concerns raised by the pensions industry during the consultation process have prompted the PPF to review its plans. A group of senior industry stakeholders will be established to oversee development of the new policy, supported by a second group of technical experts. Revised proposals for consultation are now expected in early 2010 and the PPF has indicated that the new system will not be introduced before 2012-13 at the earliest.

In a consultation paper published on 31 July 2009, the PPF announced its intention to review the assumptions used for valuations under Sections 143 and 179 of the Pensions Act 2004. The objective is to keep the assumptions in line with the latest pricing developments in the buy-out market. The PPF indicates that the revised assumptions may lead to fewer pension schemes coming under PPF control, as the new calculations may make it easier for schemes to demonstrate that they can pay benefits more generous than PPF levels of compensation. The PPF intends to introduce the new assumptions from 31 October 2009.

Governance

Trustees

On 17 July 2009, the Pensions Regulator published a revised draft Code of Practice on Trustee Knowledge and Understanding (TKU), with the new Code likely to come into force later in 2009.

Three supporting TKU scope guidance documents are available, one for defined benefit schemes (including those with defined contribution sections also), defined contribution only schemes and small (12 to 99 members) fully insured defined contribution schemes.

Consultancy

Defined Contribution

On 22 July 2009, the Pensions Regulator published a statement entitled 'Engaged employers and informed retirement choices – key to good outcomes for members of defined contribution (DC) pensions'. The statement reflects the Regulator's focus on achieving informed member choices at retirement and greater employer engagement, for both occupational trust based and contract based DC plans. The Regulator is concerned that members do not shop around when they come to retire and has therefore updated its member leaflet 'Making your retirement choices' to assist members, trustees and employers. The Regulator is also concerned that trustees of DC schemes do not regularly review their retirement processes and member literature. To alleviate the concerns of many employers about the distinction between information and advice when issuing details about a DC scheme, the Regulator and the Financial Services Authority will be jointly publishing a guide later in 2009.

On 17 August 2009, the Personal Accounts Delivery Authority (PADA) highlighted that it is embarking on a 'myth busting' program in the Autumn to explain how the personal accounts scheme will operate, to clarify misunderstandings about PADA's role and to emphasise the target market for personal accounts.

Autumn 2009 Seminars

Registration for Thomson Dickson Consulting's Autumn 2009 series of seminars on current issues impacting on the management of occupational pension schemes is now available on our web site, www.tdclp.com. This series of seminars will include updates on funding and risk reduction of DB liabilities, members' perspectives on both DB and DC and schemes' investment strategies. The breakfast seminars are being held on the following dates:

Glasgow: Thursday 1 October 2009, The Blythwood Square Hotel
Aberdeen: Tuesday 6 October 2009, The Marcliffe Hotel & Spa
Edinburgh: Thursday 8 October 2009, The Bonham Hotel

"To be alive at all involves some risk"

Harold Macmillan

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



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