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**Scheme Administration**

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**Benefit Calculations**

Following the Government's announcement that it is proposing to use the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI) as the reference for increasing pensions in payment and revaluing deferred pensions, the Pensions Regulator issued a statement on 21 July 2010 to help trustees and employers understand and manage the effects of the proposed change. The Regulator suggests that, as the impact of the change is likely to be scheme specific, trustees should prepare by reviewing their scheme rules and any previous member communications regarding indexation. The Regulator also suggests that trustees and employers discuss how they might respond when changes are finalised and should consider what communication to members on the changes is required, including the issue of an interim communication to members who may be making transfer or retirement decisions. The statement makes it clear that, until the required legislative changes are finalised, trustees should continue to have regard to current legislation when making decisions and that current schedules of contributions and recovery plans should remain in force. If the value of a scheme's liabilities is reduced once the change is finalised, the Regulator expects to see a shorter recovery plan rather than reduced deficit contributions.

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**Actuarial**

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**Actuarial Profession**

The Institute and Faculty of Actuaries was formally launched on 1 August 2010 following approval of the June 2010 merger by members of the Faculty of Actuaries (in Scotland) and the Institute of Actuaries (in England). The Institute and Faculty of Actuaries will assume sole responsibility for awarding actuarial qualifications in the UK and the regulation of its members in the public interest.

**Pension Protection Fund**

On 12 August 2010, the Department for Work and Pensions (DWP) issued a formal consultation on proposals to change the inflation link for increases in PPF and Financial Assistance Scheme (FAS) payments from RPI to CPI. Under the draft proposals, those people reaching the age at which PPF or FAS payments are payable on or before 30 March 2011 will have all of their revaluation calculated according to the RPI. However, those reaching that point on or after 31 March 2011 will have any revaluation for periods starting from that date calculated according to the CPI.

**Transfer Values**

On 28 July 2010, the DWP launched a consultation on four sets of draft regulations in connection with the proposed abolition of DC contracting-out with effect from April 2012. The consultation includes plans to abolish transfers between contracted-out DB schemes and contracted-out DC schemes, as such schemes will no longer exist post abolition. This proposal could result in Guaranteed Minimum Pension (GMP) benefits being retained in defined benefit schemes and only excess benefits (above GMP) being transferred to an alternative pension plan.

## Governance

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### Legislation

On 27 July 2010, HM Treasury published details of its proposals to reform pensions tax relief. The new Government has expressed reservations about the previous Government's approach adopted for high earners and is instead considering a range of alternative measures, including a reduction in the annual allowance to around £30,000 - £45,000. For the valuation of defined benefit accrual, the proposal is to use a flat rate valuation factor in the range 15 – 20. The Government is also considering a reduction in the Lifetime Allowance, currently set at £1.8 million.

On 29 July 2010, the Government published its proposals for the abolition of the Default Retirement Age (DRA). The document, published jointly by the Department for Business, Innovation and Skills (DBIS) and the DWP, proposes that, after 1 October 2011, it will be unlawful for employers to require employees to retire at a particular age. However, although there will no longer be a DRA, it will still be possible for employers to operate a compulsory retirement age, provided they can objectively justify it. The Government is not consulting on its decision, but is instead asking whether there needs to be additional support for employers and also for views on unintended consequences of removing the DRA.

### Scheme Reporting

On 22 July 2010, the Pensions Regulator published its Annual Report and Accounts for 2009-10. The report provides extensive information on the Regulator's work over the course of the year and highlights its continued focus on risks affecting both DB and DC schemes and raising standards of governance and administration of occupational schemes.

## Autumn 2010 Seminars: “Perennial Pensions”

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Registration for Thomson Dickson Consulting's Autumn 2010 seminars entitled Perennial Pensions is now available on our web site, [www.tdclp.com](http://www.tdclp.com). With numerous legislative and regulatory changes planned for the next few years, this series of seminars will consider the impact of all these changes on defined benefit pension schemes. We will suggest actions to be taken by trustees and sponsoring employers and clarify the relevant timescales to be adhered to.

The breakfast seminars are being held on the following dates:

Aberdeen: Wednesday 22 September 2010, The Marcliffe Hotel & Spa

Edinburgh: Thursday 23 September 2010, The Radisson Blu Hotel

Inverness: Wednesday 29 September 2010, The Kingsmills Hotel

Glasgow: Thursday 30 September 2010, The Radisson Blu Hotel

*“Age only matters when one is ageing. Now that I have arrived at a great age, I might as well be 20.”*

**Pablo Picasso**

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



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