
Scheme Administration

Benefit Calculations

With effect from 1 December 2009, pension schemes will be able to make a lump sum payment not exceeding £2,000 to members who wish to commute a trivial pension entitlement. Certain conditions have to be satisfied, in particular for schemes with less than 50 members, including the member being between 60 and 75 years old.

Reporting and Controls

The Pensions Regulator has started to issue Scheme Return notices to trustees to remind them to complete the 2009-10 Scheme Return using the Regulator's online Exchange system. Most schemes have a deadline date for submission in January or February 2010.

Actuarial

Accounting for Pension Costs

On 20 November 2009, the Accounting Standards Board (ASB) published a report entitled 'The Financial Reporting of Pensions: Feedback and Redeliberations' with the intention of providing the International ASB with recommendations to consider in developing a revised pensions accounting standard IAS19. The ASB has reaffirmed its key proposal that a risk free discount rate should be used to value pension scheme liabilities.

Actuarial Profession

On 17 November 2009, the Board for Actuarial Standards (BAS) issued its technical actuarial standard on data. The standard, to be known as TAS D, aims to ensure that data on which actuarial information is based is reliable and that any limitations in data are fully understood by users. TAS D is to take effect from July 2010.

Pension Protection Fund

On 1 December 2009, the PPF published new guidance for actuaries completing section 143 valuations, produced for pension schemes that are under assessment by the PPF. The new guidance, which includes a checklist for the basic items that should be included in valuation reports, is to apply for all valuations signed from 1 January 2010.

Governance

Legislation

The Chancellor's Pre-Budget Report (PBR) of 9 December 2009 has extended the scope of the changes to tax relief on pensions contributions announced in the April 2009 Budget. In general, reduced tax relief is now to apply to those earning over £130,000 per annum rather than the previous level of £150,000. The PBR also included an extension of the phasing in period of the personal accounts regime by pushing back the final compliance date to 2017 from 2016.



The Pensions Regulator

On 24 November 2009, the Pensions Regulator launched a campaign aimed at encouraging good governance and administration and better management of pension scheme risks. The campaign includes the guidance on internal controls and Trustee Knowledge and Understanding (TKU) mentioned below.

Internal Controls

On 1 December 2009, the Pensions Regulator published revised internal controls guidance for consultation, alongside new bite sized e-learning modules (a 2 minute and a 12 minute version) which provide an overview of managing pension scheme risks.

Trustees

On 8 December 2009, the Pensions Regulator confirmed that its revised Code of Practice on TKU is now in effect. A key requirement of the TKU guidance is the expectation that trustees will use the Regulator's Trustee Toolkit training programme.

Consultancy

Defined Contribution

On 25 November 2009, the Personal Accounts Delivery Authority (PADA) published its key findings from its consultation process on designing an investment approach for Personal Accounts. The PADA findings included recognition that members are likely to have relatively little appetite for risk, the default fund will use a wide range of asset classes and a target date approach and fund choice outside the default fund should be modest and simple.

On 15 December 2009, the Department for Work and Pensions (DWP) published a report entitled 'Employer Attitudes to Collective Defined Contribution Pension Schemes' and announced that it will not be progressing any further work on collective DC pension schemes. The reasons for this stance by the DWP included the risk of 'unacceptable intergenerational unfairness' and breaching European law.

Liability Reduction

On 10 December 2009, the Pensions Regulator warned trustees of the risks that transfer incentive exercises pose to pension scheme members and urged trustees to scrutinise such exercises carefully.

We wish all our readers a Merry Christmas and a Happy New Year



"The true meaning of Christmas will not be revealed until Easter – or possibly much later"

Mervyn King

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



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