
Scheme Administration

Defined Contribution

The Pensions Regulator published guidance on voluntary employer engagement in work place contract based pension schemes on 31 January 2008. The guidance provides help to employers offering group personal pension or stakeholder schemes who choose to involve themselves more closely in the running of their schemes.

Actuarial

PPF Levies

Employers and trustees are encouraged to consider what actions they can take over the next few weeks to present the financial health of the sponsoring employer and their pension scheme in the best possible light in order to reduce the amount of PPF levies paid in 2008-09 and 2009-10.

Accounting for Pensions Cost

The UK's Accounting Standards Board issued a discussion paper on 31 January 2008, 'The Financial Reporting of Pensions', which proposes changes to the way pension scheme assets and liabilities are calculated and reported. Their proposals include the use of a risk free gilt rate to discount future cashflow liabilities, the inclusion of an expense allowance, the removal of salary increase allowances and the reporting of actual return on assets as income.

The Pensions Institute at Cass Business School also published a paper on 31 January 2008 which suggested that the single number currently used to represent the funded status of a defined benefit pension scheme is misleading to the users of company accounts. The report recommends the use of fan charts that show a range of possible outcomes.

Mortality

On 18 February 2008, the Pensions Regulator announced a consultation exercise on their intention to include mortality assumptions as one of their criteria to assess the suitability of pension schemes' funding plans. The introduction of a mortality 'trigger' could lead to pension schemes incorporating large allowances for future mortality improvements in their valuations.

Consultancy

Trustees

Independent Trustees (ITs) must register with HMRC, under new money laundering regulations that come into force on 1 April 2008. The register will allow HMRC to check that ITs have adequate money laundering procedures and controls.

Legislation affecting Scheme Benefits

Following the resignation of Peter Hain, James Purnell has become the fifth Work & Pensions Secretary in three years.

The Pension Protection Fund and the Financial Assistance Scheme

The Pensions Reform Minister Mike O'Brien announced that a legislative programme of 'rapid succession' regulations will be introduced in the next few months to improve the Financial Assistance Scheme and facilitate the prompt payment of benefits to members of qualifying pension schemes.

On the 14 February 2008, the PPF announced a consultation on changes to the assumptions used for pension scheme valuations under section 143 (PPF entry) and section 179 (PPF levies) of the Pensions Act 2004. Their proposals involve a weakening of the valuation bases to reflect the more competitive pricing currently available in the buy-out market. If the proposals are accepted, it will be 2009-10 levies which will be first affected, not those for 2008-09.

Pensions Provision

The Government has confirmed that employers who offer at least a 6% contribution rate could be allowed a three month waiting period before auto-enrolling staff, as part of the Personal Accounts (PA) regime to be in force from 2012. On a separate matter, the PA Delivery Authority issued a consultation into the charging structure for PAs. Views are being sought on the use of annual management charges, contribution charges and joining fees. Further, the Department for Work and Pensions (DWP) is to launch a study of the relationship between PA savings and means-tested pension benefits to assess how many people could end up no better off despite saving into the national pension scheme.

On the 7 February 2008, the Court of Appeal ruled that Government ministers were wrong to reject a report by the Parliamentary Ombudsman which found that the DWP issued misleading advice about occupational pensions. The DWP intends to appeal this Court of Appeal decision in the House of Lords.

Investments

The Alternative Investment Management Association is working on a best practice guide for trustees investing in hedge funds. The guide is expected to be published in April 2008.

Over 2007, balanced pooled funds produced an average gross return of 7.9%, as calculated by BNY Mellon. Over a three and five year period to 31 December 2007, balanced pooled funds produced an average gross return of 13.7% pa and 14.2% pa respectively.

"It frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy."
Groucho Marx

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