
Scheme Administration

Member Data

On 9 February 2011 the Pensions Regulator published a statement to trustees and administrators highlighting the importance of good scheme administration. The statement reminds trustees to have the processes and structures in place to scrutinise their administrator and clarifies that the Regulator will be providing further guidance on administration over the coming weeks.

Benefit Calculations

In the year to January 2011, the RPI annual inflation measure was 5.1%. The Government's preferred measure of inflation, CPI, was 4.0% over the same period, double the target rate of 2.0%.

Group Risk

Although the default retirement age is being removed with effect from October 2011, the Government has clarified that group risk insured benefits will be exempt from the principle of equal treatment on the grounds of age. This exemption allows employers to withdraw these benefits from employees over state pension age.

Actuarial

Scheme Funding

On 3 February 2011 the Department for Work and Pensions (DWP) announced that the National Insurance (NI) contribution rebate for contracted out defined benefit schemes will reduce from 5.3% to 4.8% with effect from 6 April 2012. This effective rise of 0.5% in NI contributions paid is split 0.2% for active members and 0.3% for sponsoring employers.

Pension Protection Fund

On 25 January 2011 the PPF published a consultation on its proposed approach to calculating PPF compensation to ensure that members receive equal treatment with respect to their Guaranteed Minimum Pension (GMP) entitlements. The consultation proposes an "underpin" approach to equalising male and female GMPs as it may be less costly than the alternative "tranching" approach.

On 31 January 2011 the PPF announced that, following recent consultation, it intends to implement its new levy framework from 2012-13. The new deadline for submitting scheme information for the 2012-13 levy will be 31 March 2012. However, it is still important that schemes provide up-to-date information via Exchange by 31 March 2011 as the PPF will use it to set the levy scaling factor for the first three years under the new framework. Also, the new framework will include employer insolvency scores being measured as at 31 March 2011. Final details of the levy calculation are expected in Spring 2011.

The PPF has confirmed that the cap on compensation paid to members of pension schemes that transfer to the PPF will increase by 0.5% from 1 April 2011, resulting in a maximum level of compensation of £29,897.42 per annum for a 65 year old, after applying the 10% reduction factor.

Governance

Investments

Investment performance figures for 2010 have been extensively reported by many pension schemes and industry commentators over the last few weeks. For example, average returns over one, three and five year periods to 31 December 2010 for typical “balanced” investment portfolios, with an average equity weighting of 50%, are 9.8%, 2.8% and 4.4% per annum respectively.

Consultancy

Defined Contribution

On 28 January 2011 the Pensions Regulator published a discussion paper on the regulation of DC pension plans. The paper entitled “Enabling good member outcomes in work-based pension provision” invites views on how well the market forces of supply and demand work to support good outcomes for small and large occupational DC and work based personal pension plans.

On 31 January 2011 the DWP issued a call for evidence on the regulatory differences between occupational and workplace personal pension schemes. The Government is focusing on the scope for regulatory arbitrage between trust and contract DC schemes, particularly in relation to short service refunds and trivial commutation rules.

On 15 February 2011 HMRC published its 2011 drawdown pensions tables, used for calculating the maximum income allowed when drawing down pension plan funds. The new tables apply for drawdown pension years commencing on or after 6 June 2011 and, in general, reduce the maximum income allowed compared to the previous drawdown rates.

Spring 2011 Pensions Seminars

Registration for Thomson Dickson Consulting's Spring 2011 seminars on current pensions issues will shortly be available on our web site, www.tdclp.com. The breakfast seminars are being held on the following dates:

Edinburgh: Tuesday 17 May 2011, Hotel Missoni
Glasgow: Thursday 19 May 2011, Blythswood Square Hotel
Inverness: Tuesday 24 May 2011, Glenmoriston Town House Hotel
Aberdeen: Thursday 26 May 2011, Marcliffe Hotel & Spa

*This is the **40th edition** of the Mid Month Update and, if the following quotation proves to be true, we look forward to continue producing this publication over the next 20 months. The 60th edition of the Mid Month Update will coincide with the roll out of automatic enrolment to work based pension schemes!*

“Youth is too tumultuous for felicity; old age too insecure for happiness. The period most favourable to enjoyment, in a vigorous, fortunate, and generous life, is that between forty and sixty.”

Christian Nevell Bovee

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



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