
Scheme Administration

Calculation of Benefits

The Government's target measure of inflation, the Consumer Price Index (CPI), was 2.1% for December 2007 whereas the Retail Price Index (RPI) rate was 4.0%.

Actuarial

PPF Levies

The Department for Work and Pensions has published draft regulations that propose increases to the Pension Protection Fund (PPF) administration levy and the Pensions Regulator general levy for 2008-09. For most small schemes, the PPF administration levy will go up by around 17% and the general levy will increase by around 30%.

Mortality

On 8 January 2008 the Actuarial Profession published a draft set of new mortality tables for Self Administered Pensions Schemes (SAPS). The SAPS tables are the first that relate specifically to the mortality of occupational pension schemes rather than those derived from the general population or data collected from insurance companies. The new tables will give actuaries the opportunity to consider mortality assumptions based on tables derived exclusively from the pensions industry.

Consultancy

The Pensions Regulator

The Pensions Regulator and the PPF jointly published the second version of the Purple Book on 18 December 2007. The Purple Book contains data and analysis of UK final salary pension schemes and includes summary details of scheme sizes and industry category, funding levels, asset allocation and PPF claims and levies.

The Pension Protection Fund and the Financial Assistance Scheme

On 17 December 2007 the Secretary of State for Work and Pensions announced assistance for up to 140,000 people who lost savings when their employer sponsored pension scheme collapsed. Following the publication of the Young Review which looked at ways of generating additional value from failed pension schemes, the changes being made to the Financial Assistance Scheme will provide members with 90% of their accrued pension (capped at £26,000 p/a) with increases on post '97 benefits and tax free cash and ill health options.

Pensions Provision

Employer contributions to Personal Accounts, due to start in April 2012, will be phased in over the first three years at 1%, 2% and 3% of band earnings by April 2014. The employee rate will also be phased in over three years, reaching 4% after tax relief by the third year.

The significance of the pension scheme buy out market in 2008 has been debated in recent weeks following the announcement of increased business volumes by leading participants in this market. Paternoster announced full year premium income of £1.4 billion from 21 new schemes in 2007 whereas Legal & General announced premium income of £1.1 billion from 200 new bulk annuity policies in 2007.

The Association of Consulting Actuaries (ACA) published its 2007 Pension Trends Survey on 2 January 2008 and highlighted that 80% of defined benefit schemes in the private sector are closed to new members and 20% are closed to future accrual of benefits for existing members. The National Association of Pension Funds (NAPF) survey published on 4 January 2008, which tends to focus on larger schemes, stated that around a third of private sector schemes remain open to new members and only 5% are closed to accrual for existing members.

“When I was young I thought that money was the most important thing in life. Now that I am old I know that it is.”

Oscar Wilde

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



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