
Scheme Administration

Benefit Calculations

On 8 July 2009, the Court of Appeal overturned an aspect of the judgement of the High Court in the case of Foster Wheeler v. Hanley & Others. The High Court had ruled that members who had accrued pension by reference to normal retirement ages (NRA) of both 60 and 65, were entitled to take all of their pension at age 60. The Court of Appeal decided that the benefits with NRA 65 were to be actuarially reduced and also set out guiding principles which need to be applied to ensure that schemes achieve sex equalisation in the most appropriate way.

Actuarial

Accounting for Pension Costs

On 9 July 2009, the International Accounting Standards Board (IASB) published its International Financial Reporting Standard (IFRS) designed for use by small and medium sized entities (SMEs). The IFRS is made up of simplified versions of the full reporting standards, including a simplified version of the pensions accounting standard IAS19.

Actuarial Profession

On 26 June 2009, the Board for Actuarial Standards (BAS) published a consultation paper setting out proposals for a technical standard on pensions. One objective of the proposed standard is to ensure that actuarial information provides the best possible support to trustees, sponsoring employers and others who use the information to make decisions. The paper considers the principles underlying the selection of discount rates, both prudent and best estimates of liabilities and scheme funding reports.

Pension Protection Fund

On 23 June 2009, the PPF confirmed that the total pension protection levy estimate will be £700 million, indexed to wages, for 2010-11. This amount is consistent with the PPF's commitment to a stable total levy in real terms for three years.

Scheme Funding

On 19 June 2009, the Actuarial Profession published the Continuous Mortality Investigation (CMI) Working Paper 38 together with a prototype version of the Mortality Projection Model. The paper introduces the Model, gives an overview of CMI research and illustrates some sample projections. The Model has been produced to address concerns that the 'interim cohort' mortality projections are now out of date.

On 30 June 2009, the Registrar General in Scotland published a report detailing the number of people aged 90 to 104, by single year of age, and the number of people aged 105 and over in Scotland, yearly from 2002 to 2008. Over this period, the number of centenarians has risen from 570 to 720 (630 women and 90 men).

Governance

Legislation

On 3 July 2009, the Government tabled an amendment to the Finance Bill to relax its 'anti-forestalling' measures that limit tax relief on pension contributions paid by high earners before 2011. Broadly, tax relief will be now available on irregular contributions of up to £30,000 per annum (previously the limit was £20,000). On 10 July 2009, HMRC updated its set of Q&As on the anti-forestalling measures.

The Pensions Regulator

On 23 June 2009, the Regulator published a further statement emphasising the importance of prudent scheme funding levels, the flexibility in the regulatory framework to cope with current economic conditions and the flexibility in setting a recovery plan to repair a deficit. The statement is reinforced with a series of case studies on setting funding targets and agreeing recovery plans.

On 29 June 2009, the Regulator published its final version of the Code of Practice on Material Detriment, setting out the circumstances in which the Regulator expects to use its power to issue a contribution notice when an employer's actions or failures have a materially detrimental effect on the likelihood of members receiving their benefits. Alongside the Code, the Regulator published a new module to the Trustee Toolkit entitled 'Buy-ins and partial buy-outs' and illustrative examples of how the material detriment test operates in practice.

On 14 July 2009, the Regulator published its Annual Report and Accounts for 2008-09.

Consultancy

Defined Contribution

On 23 June 2009, the Office for National Statistics published its Pension Trends Report which shows that the total number of people contributing to pension savings using defined contribution plans was 7.8 million (0.9 million occupational plus 6.9 million personal pension). This compares to 7.9 million people saving through employer sponsored defined benefit plans, about two thirds of which work for the public sector.

Pensions Provision

On 13 July 2009, the Government launched a strategy 'Building A Society For All Ages' to help Britain prepare for an ageing society. The strategy brings forward to 2010 (from 2011) a review of the default retirement age of 65, the age at which employers can require all staff to retire.

Reporting and Controls

On 16 June 2009, HM Treasury announced the publication of a report with proposals for the approach to be adopted and the issues to be addressed for the Equitable Life ex-gratia payment scheme. The report includes initial proposals for assessing 'relative loss' sustained by policyholders.

"It's tough making predictions, especially about the future"
Yogi Berra

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



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