
Scheme Administration

Benefit Calculations

On 8 July 2010, the Pensions Minister announced that the Government believes the Consumer Prices Index (CPI) to be a more appropriate measure of pension recipients' inflation experiences than the Retail Prices Index (RPI) and it is therefore right to use CPI to determine revaluation and indexation of pension rights for all occupational pension schemes. On 12 July 2010, the Department for Work and Pensions (DWP) issued a statement on moving to CPI as the measure of price inflation, including some examples to illustrate the use of CPI in next year's revaluation orders. The impact of this proposed change on pension schemes will depend on the approach taken to effect the legislation and the specific wording on revaluation and indexation in scheme rules. In the year to June 2010, the RPI inflation measure was 5.0% and the CPI rate was 3.2%.

Actuarial

Actuarial Profession

On 25 June 2010, the Board for Actuarial Standards (BAS) published a draft standard on pensions and insurance transformations. This new standard will ensure that pension scheme trustees, responsible for making decisions on whether bulk transfers between pension schemes should go ahead, are given the relevant information about how scheme members might be affected.

On 30 June 2010, the Financial Reporting Council (FRC) updated its Actuarial Quality Framework, a guide to assessing the quality of actuarial work. The framework identifies six drivers to promote actuarial quality including communication of actuarial advice and the technical skills, ethics and professionalism of actuaries.

Pension Protection Fund

On 24 June 2010, the PPF published revised guidance, version H4, for actuaries completing Section 143 valuations for schemes under PPF assessment.

Scheme Funding

On 1 July 2010, the Pensions Regulator published draft guidance to help trustees understand their responsibilities and options associated with multi-employer schemes. The employer debt regime for multi-employer schemes is considered to be very complex, particularly when a participating employer leaves a scheme. The guidance is accompanied by two e-learning modules.

Governance

Legislation

The Chancellor's Budget on 22 June 2010 included a number of measures affecting pensions, including the following:

- An alternative (to the previous Government's) approach for restricting pension tax relief for high earners will be investigated and likely to involve reduced annual allowances.

- The Public Service Pensions Commission has been established to make recommendations on how public service pensions can be made sustainable and affordable in the long term. It will produce an interim report in September 2010.
- Increases to the Basic State Pension will increase in line with the greater of prices, earnings and 2.5% with effect from April 2011. CPI will be used as the inflation measure, although the April 2011 increase will be at least equal to that of the RPI.
- The date from which the State Pension Age will increase to 66 will be reviewed.
- A consultation will take place on the phasing out of the default retirement age of 65 with effect from 6 April 2011.
- Although the Government has confirmed its commitment to automatic enrolment, a review of workplace pension reforms is due to report by 30 September 2010.
- The compulsory purchase of an annuity at age 75 is to be abolished. On 15 July 2010, HM Treasury published a consultation document entitled "Removing the requirement to annuitise by age 75" which proposes capped and flexible drawdown arrangements to replace both the compulsory purchase of an annuity and alternatively secured pension arrangements.

On 7 July 2010, the European Commission published a Green Paper entitled "Towards adequate, sustainable and safe European pension systems". The paper includes a discussion on the solvency regime for pension schemes and suggests that the Solvency II insurance regime could be applied as a reserving requirement for defined benefit schemes.

Internal Controls

On 18 June 2010, the Pensions Regulator published revised guidance on internal controls, aiming to help trustees of smaller schemes implement effective risk management as set out in the Code of Practice on Internal Controls. The guidance identifies seven areas of risk of particular importance, including a lack of trustee knowledge and understanding, conflicts of interest, poor record keeping and deterioration in the employer covenant.

Consultancy

Investments

Following a 4.9% rise in Quarter 1 2010, the FTSE100 index fell 13.4% over Quarter 2 2010.

Liability Reduction

On 13 July 2010, the Pensions Regulator published updated guidance on transfer incentives, to clarify the role of both the employer and trustees with these exercises and to ensure that trustees become actively involved in any transfer incentive or benefit modification exercise. The guidance is accompanied by a new e-learning module and a joint statement with the Financial Services Authority (FSA).

"I'm pretty confident round this golf course"

Rory McIlroy, speaking ahead of scoring 63, 9 under par, in the first round of the Open Championship at St Andrews on 15 July 2010

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



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