

Scheme Administration

Benefit Calculations

In the year to May 2011 the RPI annual inflation measure was 5.2%. The Government's preferred measure of inflation, CPI, was 4.5% over the same period. Both rates were unchanged from the previous month's rates.

On 14 June 2011 HMRC published its Pension Schemes Newsletter Number 47 which includes examples of calculating pension input amounts for DB schemes, using the growth in accrued pension over the pension input period and standard valuation factor of 16, and the tax treatment of payments from the Equitable Life Payments Scheme.

Group Risk

On 23 May 2011 the Association of British Insurers (ABI) announced that new guidance has been issued to insurers to encourage the prompt settlement of life insurance claims. In the new simple process, the life insurer will ask the main beneficiary to complete a declaration where they agree to pay back any money they receive from the policy if the legal process decides they were not the rightful recipient. It is hoped that this process will reduce from months to weeks the time taken to pay death benefits to beneficiaries.

Actuarial

Scheme Funding

On 8 June 2011 the Office for National Statistics (ONS) published its statistical bulletin of life expectancies at birth and at age 65 in the periods 2003-05 to 2007-09. The headline statistics include UK average life expectancies of 77.9 and 82.0 for male and female births and comparable ages for Scottish births of 75.4 and 80.1. The average life expectancies for people who have reached age 65 are 82.8 and 85.4 for UK males and females and 81.5 and 84.1 for Scottish males and females.

Pension Protection Fund

On 25 May 2011 the PPF published its latest Bulletin, a newsletter which rounds up PPF news from the past couple of months. This latest issue features information on the new levy framework, the PPF's 2011 Strategic Plan and updated valuation assumptions.

Governance

Legislation

On 24 May 2011 HMRC and HM Treasury published a consultation on changes to the tax rules for employer contributions that take the form of an asset rather than cash. The proposals contained in the consultation aim to restrict the unintended tax relief that is currently available to a sponsoring

employer with some of these asset backed contribution arrangements to more accurately reflect the value of the contributions to the scheme.

Investment

On 17 May 2011 the National Association of Pension Funds (NAPF) published a guide to help trustees better understand foreign exchange. The guide provides information on the basics of the currency market, currency strategies and draws attention to the risks of foreign exchange and how they can be managed.

Consultancy

Defined Contribution

HMRC has published Issue 2 of the Countdown Bulletin, its newsletter about the abolition of contracting out for defined contribution pension schemes. This second bulletin provides information on changes to member records and the procedures for late payment of rebates.

On 24 May 2011 the Department for Work and Pensions (DWP) published guidance for offering a default option for defined contribution automatic enrolment pension schemes. The guidance provides information on the design, governance, communication and review of default fund options.

On 10 June 2011 the Pensions Regulator published a “5-step action checklist for trustees” to encourage them to discuss the 2012 workplace pensions reforms with their sponsoring employer. Although the new duties for automatic enrolment predominately apply to employers, trustees will have a role to play and will want to be aware of any impact on their existing pension scheme.

“The surprising thing about young fools is how many survive to become old fools”

Doug Larson

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



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