

Scheme Administration

Member Data

On 24 February 2011 the Pensions Regulator and National Insurance Services to the Pensions Industry (NISPI), the part of HMRC dealing with occupational pension schemes that are contracted-out, jointly published a statement on improving scheme administration. The statement focuses on the need to reconcile a scheme's contracted-out records with those held by NISPI and highlights that use of the Shared Workspace facility can greatly speed up the reconciliation process.

Benefit Calculations

With effect from 6 April 2011, the annual allowance for tax relief on pension scheme contributions reduces from £255,000 to £50,000. On 3 March 2011 HM Treasury announced that members with annual allowance charges above £2,000 will be able to elect for the full charge to be met from their scheme. Trustees of occupational schemes with active members are encouraged to select, before 6 April 2011, the most suitable Pension Input Period, the period over which benefit accrual will be measured for tax purposes.

Scheme Accounts

On 17 February 2011 the Pensions Regulator published a statement to help trustees understand the extent and limits of the auditor's work in a statutory pension scheme audit. The statement emphasises that trustees cannot rely on the statutory audit to inform them of the quality and accuracy of their member data or the controls around that data. Trustees should work with their administrator to take the necessary steps to address deficient member records.

Actuarial

Pension Protection Fund

Employers and trustees are reminded to take what action they can in the next two weeks to reduce the amount of PPF levies to be paid in 2011-12 and 2012-13. Contingent asset certificates must be submitted by 31 March and deficit reduction certificates by 7 April in order to count for the 2011-12 levy.

On 21 February 2011 the PPF announced a consultation on changes to the assumptions used for valuations under Sections 143 and 179 of the Pensions Act 2004. The aims of the proposed changes are to allow for the change to the measure of inflation used for indexing PPF compensation from RPI to CPI and to reflect recent developments in the buy-out market.

Actuarial Profession

On 1 March 2011 the Actuarial Profession published two new Actuarial Profession Standards (APSs) for pensions actuaries. The two new standards, APS P1: Duties and Responsibilities of Pensions Actuaries and APS P2: Compliance Review: Pensions, come into effect on 1 April 2011. These new APSs signal a departure from a reliance on detailed rules to a more principles-based regime of ethical and professional standards.

Governance

Legislation

On 1 March 2011 the European Court of Justice (ECJ) ruled, in the Test-Achats case, that from 21 December 2012 insurance markets in EU member states will no longer be able to use sex based annuity and insurance premium rates. Although the ruling does not affect pension schemes directly, scheme members are likely to face a reduction in their retirement incomes if providers reduce annuity rates to remove differences between male and female life expectancy.

The following pensions related legislative changes take effect from 6 April 2011:

- The Basic State Pension will increase in line with the greater of price inflation, earnings and 2.5%. CPI will be used as the inflation measure, although the April 2011 increase will be at least equal to that of the RPI.
- Transitional provisions allowing schemes to comply with A-Day tax changes will expire on 5 April 2011.
- The use of a default retirement age will be phased out from 6 April 2011 with the statutory notification period being abolished.
- The requirement to purchase an annuity with a defined contribution fund by age 75 is being abolished, being replaced by flexible or capped drawdown options.
- As mentioned above, the annual allowance will be set at £50,000.

Consultancy

Liability Reduction

On 10 March 2011 the Independent Public Service Pensions Commission published a final report on its review of public sector pensions. The main recommendations in the report include final salary benefit accrual being replaced by a career average revalued earnings structure and normal pension age for most public sector employees being linked to the state pension age. In a related announcement, HM Treasury published a consultation on the Fair Deal policy, a policy applying to public sector staff when they are compulsorily transferred to a non-public sector employer.

Spring 2011 Pensions Seminars

Registration for Thomson Dickson Consulting's Spring 2011 seminars on current pensions issues is now available on our web site, www.tdcllp.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

"The future ain't what it used to be"

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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