
Scheme Administration

Benefit Calculations

The Government has proposed an amendment to the Pensions Bill that will allow people to buy up to an additional six years of voluntary National Insurance contributions in order to receive a higher state pension entitlement. The proposals will apply to those who reach state pension age between 6 April 2008 and 5 April 2015, with an extra year's contribution costing £420 to produce an extra £160 per year of pension.

Pension Payroll

The Association of British Insurers (ABI) has launched an electronic information exchange to speed up the time it takes to process open market option annuity payments. Fifteen annuity providers are involved in the initiative which aims to improve the annuity set up process and the transfer of funds between providers.

Actuarial

Mortality

On 30 October 2008, the Office for National Statistics published the latest life expectancy data for the whole of the UK, to add to the figures published last month for Scotland. Life expectancy at birth was 77.2 years for men and 81.5 years for women and life expectancy at age 65 was 17.2 years for men and 19.9 years for women.

On 31 October 2008, the Actuarial Profession published mortality tables for self-administered pension schemes (SAPS). The tables are the first to be produced using data specifically from self-administered pension schemes rather than that collected from insurance companies or the general population. The SAPS investigation has confirmed the previously highlighted correlation between amounts of pension and mortality and, as a result, has produced separate tables based on pensioners receiving annual amounts above or below certain levels.

Pension Protection Fund

On 29 October 2008, the PPF published its annual report covering the year 2007-08. The report showed that, by the end of April 2008, 38 schemes representing more than 12,000 members had transferred to the PPF, with a further 187 schemes in an assessment period. The report also confirmed that more than 3,600 people were already receiving PPF compensation and a total of almost £22 million had been paid out. The PPF now has more than £1 billion of assets under management.

The Minister for Pensions Reform, Rosie Winterton, announced that the rates for the General Levy and the Administration Levy for 2009-10 would be frozen at the levels used for 2008-09.

Scheme Funding

The Institute of Chartered Accountants of Scotland (ICAS) has recently produced a guide for trustees outlining the issues to be considered when evaluating and monitoring the ability and willingness of employers to support a defined benefit pension scheme. ICAS has suggested that current market conditions raise additional concerns about schemes having sufficient funds to meet future liabilities and the guidance, entitled 'Getting the balance right in evaluating the employer covenant', contains practical examples to illustrate the issues trustees might face.

Consultancy

Defined Contribution

The Government has confirmed that employers will be able to 'self certify' that their existing money purchase pension scheme meets the required quality standard for Personal Accounts, to be introduced from April 2012. The annual test is to be based on the expected value of the pension contributions over the period of the coming year.

Investments

The Alternative Investment Management Association has published a report, Roadmap to Hedge Funds, which aims to demystify the hedge fund industry by explaining issues such as short selling, fees, transparency and the notion that hedge funds are risky and speculative investments.

Legislation

On 20 October 2008, the Government tabled amendments to the Pensions Bill which propose changes to the Regulator's anti-avoidance powers. In conjunction with these amendments, the Regulator has published a draft set of circumstances in which it expects to impose a Contribution Notice under the proposed new 'material detriment test'. A related Code of Practice is to follow.

The Minister for Pensions Reform announced on 12 November 2008 that the Government is considering making changes to section 75 legislation relating to the statutory debt due by an employer when it exits a pension scheme. Consultation on any changes will take place in February next year and the likely effective date of new legislation will be October 2009.

The Pensions Regulator

The Regulator has issued a statement to trustees of all work based pension schemes setting out its general position in relation to the current volatile market conditions. The statement stresses that trustees need to keep the position of their scheme under review and should continue to focus on making sound decisions in the long term interests of scheme members. For defined benefit schemes, the Regulator believes the existing scheme funding framework is flexible enough to deal with the general fall in asset values and emerging pressures on employer covenants.

The Regulator has published a document entitled 'Our Corporate Strategy 2008-2012' setting out its objectives, priorities and next steps for risk based regulation.

"In the long run, we are all dead"

John Maynard Keynes

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



Thomson Dickson Consulting LLP

45 West Nile Street, Glasgow, G1 2PT | t: 0141 285 1585 | f: 0141 285 1586 | enquiry@tdcllp.com | www.tdcllp.com