
Scheme Administration

Data

On 28 October 2009, the Office for National Statistics published its Occupational Pension Schemes Annual Report, containing detailed analysis of the 2008 Occupational Pensions Schemes Survey. Active membership of private sector schemes is estimated at 3.6 million, split between 2.6 million in final salary schemes and 1.0 million in money purchase schemes. The final salary figure of 2.6 million has fallen from 2.7 million in 2007.

Actuarial

Accounting for Pension Costs

On 28 October 2009, the Board for Actuarial Standards (BAS) published a consultation paper setting out proposals for a technical standard on actuarial information used in accounts and other financial documents. A key objective of the paper is that those responsible for preparing accounts and financial information can have confidence in the actuarial information that they receive.

Actuarial Profession

On 14 November 2009, the Financial Reporting Council (FRC) published a document highlighting the challenges faced by users of actuarial information arising from the difficult economic conditions. The FRC believes that governing bodies, either directors or trustees, should take special care to ensure that they fully understand the assumptions on which actuarial information is based, and to form a view on how appropriate they are. The document discusses some of the key issues and sets out a list of questions that members of governing bodies should consider.

Pension Protection Fund

On 29 October 2009, the PPF approved a method for ensuring that equal compensation is paid to men and women who belong either to schemes being assessed for entry into the PPF or to schemes that have already transferred to the PPF. Differences in entitlement for men and women can, in particular, arise as a result of guaranteed minimum pensions (GMPs) being due at different state retirement ages, and so a PPF-specific solution has been agreed to address this. The implementation of this new practice will add to the work required to be carried out by trustees as part of the assessment process, although the PPF is likely to take responsibility for implementing the practice for schemes already in the PPF and those currently close to completing the assessment process.

On 5 November 2009, the PPF published its annual report covering the year 2008-09. The report showed that, by the end of April 2009, 100 schemes representing more than 30,000 members had transferred to the PPF, with over 12,700 people already receiving compensation. At the same date a further 290 schemes, representing around 179,000 members, were in an assessment period. The PPF now has around £3bn of assets under management.

On 9 November 2009, the PPF published proposals for the 2011-12 levy, aimed at improving the way that the insolvency risk of sponsoring employers of pension schemes is assessed. The proposals reflect industry feedback and a review of the methodology and insolvency probabilities carried out by Dun & Bradstreet (D&B), the company responsible for measuring insolvency risk on behalf of the PPF. The PPF is consulting on the changes now as they relate to failure scores which take effect from 31 March 2010 for the 2011-12 levy year. Further consultation will be carried out once the levy scaling factor for 2011-12 is available.

On 12 November 2009, the Minister of State for Pensions announced that the rates for the General Levy and the PPF Administration Levy for 2010-11 would be held at the levels used for 2008-09 and 2009-10.

Scheme Funding

On 10 November 2009, the Pensions Regulator published its annual Scheme Funding report, which analyses recovery plans submitted by final salary schemes. The key findings of the report include greater prudence in setting mortality assumptions, an increase in the average discount rate used and an increase in both recovery plan lengths and back-end loading. The proportion of recovery plans that triggered further investigation by the Regulator rose to 60% from 52% in the previous 12 month period.

Governance

Legislation

On 28 October 2009, ministers from the DWP called for businesses and individuals to submit evidence on the default retirement age (DRA) to feed into the review taking place next year. The Government has asked for evidence, including why and how businesses currently operate a DRA and the impact of raising or removing the DRA, to be submitted by 1 February 2010.

Internal Controls

On 30 October 2009, HMRC published the latest version of its guide to using the Pension Scheme Online Service, aimed at scheme administrators and practitioners.

Consultancy

Defined Contribution

On 27 October 2009, the Pensions Regulator published the results of its review of the provision of pre-retirement literature in occupational defined contribution schemes. Material was assessed on compliance with legislative requirements, good practice in areas such as the description and prominence of the Open Market Option and the use of clear, plain English. Following the publication of the report, a letter is to be sent to 4,500 schemes, highlighting the findings of the review and encouraging trustees to review the pre-retirement literature sent out to their members.

“A pension is the art of spending money without getting any fun out of it”

Kathy Lette

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



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