
Scheme Administration**Member Data**

On 27 October 2011 the Office for National Statistics (ONS) published its 2010 Occupational Pension Schemes Survey. Active membership of private sector final salary schemes is estimated at 2.1 million members, down from 2.4 million in 2009, and the 1.0 million active members in money purchase schemes is broadly unchanged over the last year. The average employer contribution rate to open occupational DC schemes was 6.2% of pensionable salary.

On 7 November 2011 the Department for Work and Pensions (DWP) published a consultation on proposed changes to the general levy and the PPF administration levy to take effect from April 2012. These two levies are each usually in the region of £3 - £5 per member and should not be confused with the PPF's scheme and risk based levies. The consultation proposes that the general levy is reduced by at least 12% and the administration levy by at least 25% from 2011-12 rates to reflect the Government's reallocation of services funded by these levies..

Benefit Calculations

On 24 October 2011 HMRC provided, via the Association of Consulting Actuaries (ACA), examples of pension input amount calculations covering two aspects. The first is where a member has defined benefits with different normal pension ages and the second relates to a member continuing in service beyond normal pension age.

In the year to October 2011 the RPI annual inflation measure was 5.4% and the CPI inflation measure was 5.0%.

Actuarial**Scheme Funding**

On 25 October 2011 the European Insurance and Occupational Pensions Authority (EIOPA) published a consultation on revisions to European pension schemes legislation, including consideration of a Solvency II type funding regime for occupational pension schemes.

On 26 October 2011 the ONS published its latest population projections, based on 2010 UK population data. The number of centenarians is projected to rise from 13,000 in 2010 to 110,000 in 2035, an average rate of growth of nearly 9% per annum.

Pension Protection Fund

On 7 November 2011 the PPF published its annual report covering the year 2010-11. The report disclosed that the PPF had a surplus of £678 million (105% funded) at 31 March 2011, compared with a £430m surplus (103% funded) in March 2010. Other headlines in the report included total membership of nearly 75,000 in the 283 schemes that had transferred to the PPF by 31 March 2011 and 335 schemes in assessment, with total membership of over 187,000. The PPF has £6.3 billion of assets under management as at 31 March 2011.

On 10 November 2011 the PPF confirmed how it will calculate compensation for men and women to ensure equal treatment required by law, in particular to cover the equalisation of Guaranteed Minimum Pension (GMP) benefits. Following a pilot project with selected schemes, the new approach will then apply to all schemes either being assessed for entry to or already in the PPF.

Governance

Legislation

On 3 November 2011 the Pensions Bill received Royal Assent and became the Pensions Act 2011. The main provisions in the Act are as follows;

- State Pension Age (SPA) – equalisation of SPA for men and women at age 65 by November 2018 and then at age 66 by October 2020. The DWP has published a fact sheet on the timetable for changes to SPA.
- auto-enrolment – inclusion of a number of regulatory changes to the duty on employers to automatically enrol eligible employees into a qualifying pension scheme. A cap on administration charges for schemes used for auto-enrolment is also included in the Act.
- money purchase definition – amendment to the definition of scheme type to ensure that where a deficit is possible, it is not considered to be a money purchase scheme.
- revaluation and indexation – amendments to existing legislation following the Government's decision to use CPI rather than the RPI inflation measure.
- refund of surplus – extension until April 2016 for trustees to ensure that payments of surplus to the employer can be made.

Investments

On 20 October 2011 the National Association of Pension Funds (NAPF) published its latest “made simple” guide, entitled Performance Measurement, Attribution and Risk. This guide helps trustees understand whether investment objectives are being met and if investment managers are achieving their targets.

Consultancy

Defined Contribution

On 25 October 2011 the Pensions Regulator issued a statement on hybrid pension schemes, setting out its concerns on the governance of these schemes which combine DB and DC elements.

On 8 November 2011 the Pensions Regulator published the third edition of “DC trust”, a summary of statistics on occupational trust based DC pension schemes and memberships.

Liability Reduction

On 9 November 2011 the Association of British Insurers (ABI) and the NAPF published guidance on bulk insured pensions to assist trustees understand the process of entering into a buy out or buy in insurance arrangement. The guidance includes buy out / buy in objectives, consideration of key legal issues and a glossary of terms.

“Money is better than poverty, if only for financial reasons”

Woody Allen

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



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