
Scheme Administration

Benefit Calculations

The Retail Prices Index (RPI) inflation measure for September 2008, to be used extensively by pension schemes to increase benefits in 2009, rose to 5.0%, up from 3.9% for September 2007.

Data

The Office for National Statistics published further data from its most recent Occupational Pensions Schemes Survey 2007. The 3.6 million active members in private sector schemes are split between the 2.7 million in final salary schemes and the 0.9 million in money purchase schemes. The final salary figure of 2.7 million is down from 3.0 million in 2006.

On 26 September 2008, the Board for Actuarial Standards (BAS) published a consultation paper setting out proposals for a generic standard on data. The paper sets out the principles that BAS believes should apply to the use of data in actuarial work.

Actuarial

Mortality

On 23 September 2008, the Pensions Regulator published its response to the recent consultation on good practice in selecting mortality assumptions for defined benefit pension schemes. The Regulator has confirmed that mortality will not be used as a primary trigger for assessing the suitability of a scheme's funding plan and will only be scrutinised where a scheme is flagged up by an existing trigger. The Regulator has also released guidance for trustees on the process for determining mortality assumptions.

On 25 September 2008, the Registrar General published life expectancy figures for Scotland covering the period 2005-07. Life expectancy at birth was 74.8 years for men and 79.7 years for women and life expectancy at age 65 was 16.1 years for men and 18.8 years for women. Average life expectancy in Scotland remains lower than in any other country in western Europe.

Pension Protection Fund

On 25 September 2008, the PPF issued a consultation document regarding the 2009-10 levy. A total levy estimate of £700m and a levy scaling factor of 2.22 have been proposed for 2009-10 and the PPF does not expect them to change when they are confirmed in November. The PPF has also confirmed that D&B has been re-appointed as the PPF's insolvency risk provider.

Transfer Values

On 29 September 2008, the Regulator published its final guidance on calculating transfer values for members of defined benefit schemes. From 1 October 2008, trustees will be responsible for setting the basis for calculation of cash equivalent transfer values. Previously this calculation had to be certified by a scheme's actuary. The Regulator said that while many of the consultation responses have been taken into account for clarity in the final guidance, there are no new principles involved and its primary purpose is to assist trustees with their new responsibilities.

Consultancy

Defined Contribution

The National Association of Pension Funds (NAPF) has launched a campaign to award a Pension Quality Mark to defined contribution schemes which meet three criteria on contributions, governance and communication. The contribution requirement to qualify for the Mark is at a 10% total level, with at least 6% paid by the employer.

Investments

On 7 October 2008, HM Treasury published its response to consultation on the Myners investment principles. The outcome of the consultation will be a smaller number of high level principles linked to additional Trustees' guidance, a voluntary 'comply or explain' approach to disclosure and the establishment of an Investment Governance Group to maintain the principles and guidance.

On 14 October 2008, the NAPF published its final set of 16 best practice principles for investment consultants, to help them support their professional relationships with pension scheme clients.

Legislation

The Heyday campaign group, backed by Age Concern, has lost a key stage in its challenge against the UK's mandatory retirement age of 65. The opinion of the Advocate General of the European Court of Justice (ECJ) suggests that member states are able to apply national laws on fixing retirement ages. A final judgement of the ECJ will likely follow in 2009.

The Pensions Regulator

On 18 September 2008, the Regulator published guidance for trustees to help them improve the effectiveness of their communication with members. The guidance outlines good practice principles, stresses that schemes should have clear objectives for communicating with members and states that effective communication should have impact, clarity and accuracy. The Regulator also published an investment guide for members of defined contribution schemes.

On 1 October 2008, the Regulator published final guidance to help trustees and employers identify, monitor and manage conflicts of interest. Alongside the full guidance, the Regulator has also produced a summary document to convey key messages on the governance of conflicts. The timing of these publications coincides with the effective date of new Companies Act legislation requiring company directors to avoid conflicts of interest.

On 13 October 2008, the Regulator refreshed the Trustee Knowledge and Understanding (TKU) framework to ensure it remains relevant and it published a revised Code of Practice and scope guidance for consultation. The Code of Practice provides practical guidance on the TKU regime while the scope guidance provides trustees with a checklist of topics on which they need to have knowledge and understanding.

"October is one of the peculiarly dangerous months to speculate in stocks in. The others are July, January, September, April, November, May, March, June, December, August and February."

Mark Twain

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



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