
Scheme Administration**Benefit Calculations**

In the year to September 2011 the CPI annual inflation measure was 5.2% and the RPI rate was 5.6%. This CPI rate is the highest ever recorded and the RPI rate is the highest recorded since June 1991. Traditionally it is the September RPI rate that is used extensively by pension schemes to increase benefits in the following year. However, it is now the CPI measure of inflation that is being used by many public and some private sector schemes.

On 21 September 2011 HMRC published its Pension Schemes Newsletter Number 49 which includes an update to the Registered Pension Schemes Manual to cover the Finance Act 2011 changes to pensions taxation. The Newsletter also states that HMRC intends to improve its guidance on trivial commutation of pension benefit entitlements.

Actuarial**Scheme Funding**

On 23 September 2011 the Pensions Regulator launched a statutory employer e-learning module on its website, to support the new requirement on trustees to identify the statutory employer(s) for their schemes on the Scheme Return submission. The Regulator reminds trustees that failing to keep track of the scheme's statutory employer could have serious consequences for the members.

To coincide with Older People's Day on 1 October 2011, celebrating the contributions of older people to society, the Office for National Statistics (ONS) published life expectancy statistics from the National Interim Life Tables for 2008-2010. Life expectancy at birth in the UK has reached its highest level on record for both males and females with a new born baby boy expected to live to 78.1 years and a new born baby girl to 82.1 years, assuming mortality rates stay the same as they were in 2008-10. Based on 2008-10 mortality rates, a man currently aged 65 could expect to live to 82.8 and a woman to 85.4 years old.

Pension Protection Fund

On 21 September 2011 the PPF published a consultation on its proposals for the 2012-13 levy. The PPF is aiming to collect a total levy of £550m in each of the next three years, down from the target amount of £600m in the current year. In order to make the levies more stable and predictable, a new levy calculation will incorporate a formula that is fixed for a three year period, averaging of market movements over five years, the use of ten employer insolvency bands (rather than the current set of 100 rates) and an allowance for investment risk. A risk based levy scaling factor of 0.89 and a scheme based levy multiplier of 0.0085% have been proposed for 2012-13, along with a maximum risk based levy of 0.75% of the value of liabilities. The PPF has also announced a new requirement for schemes with Type A contingent assets. A certification that the guarantors could be expected to meet their full commitments under the contingent asset if called upon to do so will have to be recorded on the Regulator's Exchange facility.

Actuarial Profession

On 22 September 2011 the Actuarial Profession published a framework for the use of discount rates in actuarial work, with the intention of making it easier for actuaries to explain the derivation of the discount rate to their clients.

On 7 October 2011 the Actuarial Profession published a consultation paper on conflicts of interest, including guidance on assessing and monitoring conflicts of interest for actuaries working in all practice areas and additional regulatory provision for actuaries undertaking certain types of pensions work. The proposals do not ban outright an actuary being appointed by both the trustees and sponsoring employer of a pension scheme but they would prohibit a Scheme Actuary from advising the employer on scheme funding or matters directly related to the scheme's benefits.

Governance

Legislation

The Pensions Minister has tabled an amendment to the Pensions Bill 2011 by extending the date at which State Pension Age (SPA) will reach 66 to November 2020 instead of April 2020, benefitting an estimated 500,000 people. The timetable for equalising SPA for men and women at age 65 will not change from November 2018. Further amendments related to the definition of money purchase benefits and a cap on charges for deferred members have also been made to the Bill.

Investments

The FTSE100 index fell 13.7% in Q3 2011 and is down 13.1% over the year to date.

Consultancy

Defined Contribution

HMRC has published Issue 4 of the Countdown Bulletin, its newsletter about the abolition of contracting out for defined contribution pension schemes. This fourth bulletin provides information on the resolution of data issues and switches of contracted out status from the money purchase basis to the salary related basis.

On 26 September 2011 the Association of British Insurers (ABI) launched an initiative to make it easier for people approaching retirement to shop around to get the best possible retirement income. Insurance companies that are members of the ABI will not include an annuity application form in the retirement pack they send to their policyholders, stopping customers from automatically rolling over their pensions savings to an annuity with the current provider.

On 13 October 2011 the Pensions Regulator published a statement on the role of trustees in DC schemes, a role described as critical in ensuring effective scheme governance and delivery of good member outcomes. The statement highlights the differences between the trustee roles in DB and DC schemes and provides a reminder of the need to manage underlying risks.

"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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