

Scheme Administration

State Benefits

On 2 September 2008, the Department for Work and Pensions (DWP) published a consultation paper on the conversion of Guaranteed Minimum Pensions (GMPs) into scheme benefits. The Pensions Act 2007 allows contracted-out occupational schemes to convert members' GMPs into ordinary scheme benefits on the basis of actuarial equivalence. Trustees and sponsoring employers may choose this facility in order to simplify their benefit structures provided certain conditions are satisfied.

Member Data

Tracesmart, the fraud prevention firm, has been granted access to receive death registration information by the General Register Office, enabling the company to supply the pensions industry with access to a comprehensive database of mortality data. This type of service allows trustees to check if pensioner and dependant members have died thereby ending the benefit payment liability of a scheme.

Actuarial

Scheme Funding

On 2 September 2008, the DWP issued an informal discussion paper to a limited group of stakeholders, outlining seven options for relaxation of the rules on returning pension scheme surpluses to employers. The DWP has asked for views on issues such as lowering the threshold at which surpluses can be returned and introducing overriding legislation to allow a refund payment even if scheme rules do not allow it. The DWP has stressed that these are not concrete proposals, nor is it a formal public consultation, but simply an initial attempt to gauge stakeholder interest and preferences.

On 9 September 2008, the European Commission issued a consultation paper looking at the impact of Solvency II on pension funds. Solvency II will introduce more stringent capital adequacy requirements for the insurance industry from 2011, but there have been discussions on extending the regulation to include pension funds. The Commission has said that its aim is to strike a fair balance between the protection of future pensioners and the cost of providing occupational retirement benefits. It has been estimated that the funding requirement across all UK defined benefit schemes would increase by 57% if Solvency II was applied to these schemes, however, the latest proposal is that it only be applied to two specific categories of schemes, therefore excluding most UK defined benefit pension arrangements.

Consultancy

Pensions Provision

On 28 August 2008, the DWP published research on employer perceptions of risk sharing in pension schemes. The main findings of the research included a general level of scepticism about the risk sharing concept and little enthusiasm for either a collective defined contribution scheme or a conditional indexing scheme.

PENSIONSFORCE, an independent service provided to employers by the National Association of Pension Funds (NAPF), has launched a new website, www.pensionsforce.co.uk, providing practical information to help employers and their employees understand the importance of planning for their retirement.

The NAPF has also launched 'HR PensionsConnection', a specialist service aimed at providing information and support to HR professionals involved in their organisation's workplace pension. The new service, free for a year, will give direct access to the latest developments and thinking on a wide range of pensions issues.

The DWP has ended discussions with a cross-industry group on pension schemes using their existing definition of pensionable earnings to meet a quality test for Personal Accounts, to be introduced from April 2012. Any requirement on employers to use the same definition of pensionable earnings as the Personal Accounts scheme could result in employers 'levelling down' the pension benefits currently being offered.

On 4 September 2008, the Association of Consulting Actuaries (ACA) published the results of a survey of pension trends in small and medium sized companies (with 250 or fewer employees). The key findings of the survey focused on current contribution levels being less than those required by the forthcoming Personal Accounts regime. A related finding confirmed the move away from final salary pension provision with over 90% of defined benefit schemes closed to new members and over 50% closed to existing members.

Autumn 2008 Seminars

Registration for our Autumn 2008 series of seminars, entitled Risk Management for Final Salary Pension Schemes, is available on our web site. The breakfast seminars are being held on the following dates: Edinburgh – 23 September 2008, Aberdeen – 25 September 2008, Inverness – 30 September 2008, Glasgow – 2 October 2008.

"The future ain't what it used to be"
Yogi Berra

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



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