

Scheme Administration

Benefit Calculations

The Retail Prices Index (RPI) inflation measure for July 2009 was -1.3%. The Consumer Prices Index (CPI) measure, the Government's target measure, was 1.6%, its lowest level since February 2005.

HM Revenue & Customs has published a new version of its guide Approaching Retirement (IR121), which offers guidance on the tax implications of reaching retirement, claiming state pension benefits and the consequences of retiring overseas.

Actuarial

Accounting for Pensions

Corporate bond yields, which are used to calculate the value of pension scheme liabilities in company accounts, fell by around 10% in the month to the end of August, offsetting the rise in equity asset values from the recent upturn in the stockmarket. The average yield on a typical over 15 year AA bond fell from 6.2% at the end of July to 5.6% at the end of August. Average yields had peaked at over 7% in the wake of the recent economic turmoil, but are now reverting to more typical levels. The impact of using a 5.6% discount rate, rather than a 7% rate, could amount to a 40% rise in the value of liabilities for an average scheme.

Actuarial Profession

On 31 August 2009, the Actuarial Profession announced the introduction of the Actuaries' Code, a new code of professional conduct for the profession. The Code sets out the ethical principles and standards that actuaries are expected to observe in their professional lives and will be supplemented in time by new Actuarial Profession Standards and Information and Assistance Notes offering further guidance on what is expected from actuaries in particular contexts. The Actuaries' Code comes into effect from 1 October 2009.

Mortality

On 10 September 2009, the Registrar General for Scotland published provisional figures for births, deaths, marriages and civil partnerships registered in Scotland during the second quarter of 2009. The 12,770 deaths registered over this period was 5.4% lower than the same period in 2008, and the lowest total between April and June for at least thirty years.

Consultancy

Defined Contribution

On 17 August 2009, the Personal Accounts Delivery Authority (PADA) announced that it is embarking on a 'myth busting' programme to explain how personal accounts will operate from 2012. The initiative will consist of meetings with pension advisers and employers during this autumn and will be supported by PADA's key facts documents. Some of the misunderstandings of the personal accounts scheme include 'the personal accounts scheme is only suitable for small companies' and 'the personal accounts scheme will compete with existing pension schemes'.

Pensions Provision

On 1 September 2009, the Association of Consulting Actuaries (ACA) published its first report of the results of a survey of pension trends. The headline results of the survey included the statistics '87% of defined benefit schemes are closed to new entrants' and '18% are closed to future accrual'. On the significance of deficits in defined benefit schemes, 90% of such schemes were in deficit and their average funding level was 79%.

Autumn 2009 Seminars

Thomson Dickson Consulting's Autumn 2009 series of seminars, entitled 'Final Call for Final Salary', will commence on 1 October 2009. With the increasing move from DB to DC pension provision, our seminars will focus on the difficulties being faced by trustees and sponsoring employers in reconciling their different viewpoints on scheme funding. We will also share our experience of the Pensions Regulator's involvement in reviews of deficits and employer contributions. We are pleased to be joined by Lynne Lamont from Newton Investment Management who will discuss the current status of investment markets and economies and explain Newton's thematic investment philosophy. As always, we will include a round up of current pensions news.

Registration for the seminars is available on our web site, www.tdcllp.com. The breakfast seminars are being held on the following dates:

Glasgow: Thursday 1 October 2009, The Radisson SAS Hotel
Aberdeen: Tuesday 6 October 2009, The Marcliffe Hotel & Spa
Edinburgh: Thursday 8 October 2009, The Bonham Hotel

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Oscar Wilde

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