
Scheme Administration

Benefit Calculations

The Retail Prices Index (RPI) inflation measure for September 2009, to be used extensively by pension schemes to increase benefits in 2010, fell by 1.4%, down from 5.0% for September 2008. The impact of this negative inflation rate on the revaluation of deferred benefits is likely to be a one year revaluation rate of 0% but revaluation for longer periods will incorporate the -1.4% fall. The statutory indexation for pensioner members is likely to be set as 0% for 2010 increase calculations.

Actuarial

Pension Protection Fund

On 30 September 2009, the PPF issued a consultation document regarding the 2010-11 levy. A total levy estimate of £720m (based on the 2009-10 total of £700m indexed to wages) and a levy scaling factor of 1.64 (reduced from 2.22 for 2009-10) have been proposed for 2010-11. At the same time, the PPF announced plans to reduce the cap on the risk-based levy to 0.5% of PPF liabilities, estimating that the revised cap will impact on 10% of schemes (an increase from the 5% of schemes affected under the previous 1% cap). A scheme based levy multiplier of 0.0145% has been proposed for 2010-11, down from the multiplier of 0.0162% used for the 2009-10 levy year.

On 8 October 2009, the PPF updated the assumptions used for valuations under Sections 143 and 179 of the Pensions Act 2004. The objective is to keep the assumptions in line with the latest pricing developments in the buy-out market. The new assumptions apply to valuations with an effective date on or after 31 October 2009.

Mortality

On 24 September 2009, the Registrar General published life expectancy figures for Scotland covering the period 2006-08. Life expectancy at birth was 75.0 years for men and 79.9 years for women and life expectancy at age 65 was 16.3 years for men and 18.9 years for women. Although average life expectancy in Scotland has improved over the last decade by 2.6 years for men and 1.9 years for women, it remains lower than in any other country in western Europe.

Governance

Legislation

On 17 September 2009, the Department for Work and Pensions (DWP) published a consultation proposing changes to the employer debt regulations. The proposals intend to relax the section 75 buy-out debt rule for certain corporate restructurings involving multi-employer schemes. The two mechanisms of general easement and de-minimis easement will have the effect of avoiding the occurrence of an employment cessation event if certain conditions are met by the two employers.

The DWP published a consultation document on 25 September 2009 containing various proposed amendments to pensions legislation, including the addition of a new 'listed change'. If an employer is proposing to make a change to the definition of pensionable earnings for a defined benefit

scheme, the consultation regulations will now require the employer to consult with the scheme members affected by the change.

On 25 September 2009, the High Court decided that the UK's default retirement age (DRA) of 65 is lawful. The DRA legislation allows employers to retire employees at or above this age without being accused of age discrimination. The High Court ruling appears to have been influenced by the Government's decision to review the DRA in 2010.

Consultancy

Defined Contribution

On 17 September 2009, the Pensions Regulator and the Financial Services Authority (FSA) jointly published a guide for employers on talking to employees about pensions. The leaflet attempts to clarify the distinction between providing general information and facts and the provision of authorised advice.

On 21 September 2009, the National Association of Pension Funds (NAPF) launched the Pensions Quality Mark for DC pension schemes. The Pensions Quality Mark aims to help employers demonstrate the value of their pension scheme offering and it is available if the DC scheme has a total contribution rate of at least 10% (with at least 6% paid by the employer), has high standards of governance and provides easily understood communication material to members.

On 24 September 2009, the DWP published a consultation on the proposed rules for the auto-enrolment of employees into qualifying pension schemes. The requirement to auto-enrol will be staged over three years from October 2012 starting with the largest employers. The minimum employer contribution in this period will be 1% of band earnings, stepping up to 2% from October 2015 and 3% from October 2016. The DWP has also revised certain timing aspects of the auto-enrolment process. It is now proposing that enrolment into a qualifying scheme, the joining window, will now have to be completed within one month of the automatic enrolment date and the window to opt out now becomes one month commencing from the end of the joining window.

On 15 October 2009, the High Court ruled against the Treasury in the ongoing Equitable Life dispute, stating that the Treasury had acted unlawfully in rejecting many of the findings of the Parliamentary Ombudsman. The Treasury has 21 days to respond and outline if it intends to widen the eligibility of its compensation package.

Pensions Provision

On 24 September 2009, the Association of Consulting Actuaries (ACA) published its second report of the results of a survey of pension trends. The headline message of the report is that 59% of employers, including 86% of smaller employers, intend to review their pension arrangements in the next three years ahead of the introduction of Personal Accounts in October 2012.

"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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