Premier Pensions
consulting actuaries

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KEY FACTS AND DATES FOR PENSION SCHEMES

This bulletin summarises the key facts and dates that pension scheme managers and trustees should be aware of. We have tried only to list here items that require action, rather than describe the raft of current consultations that may be of interest but require nothing to be done. This means that each of the items listed below should be on a trustees' "to-do" list now.

Trivial commutation

New Legislation was introduced on 1 December 2009 which extended the circumstances in which members can be paid a trivial commutation lump sum. A member between age 60 and 75 may now, subject to certain criteria, be able to receive a trivial payment up to £2,000 in lieu of their pension, without reference to pension benefits from other sources. (A lump sum may also be paid in other limited circumstances.)

However the DWP has now announced that, due to a drafting error, GMPs cannot be commuted under the new regulations. According to the DWP, the drafting error will not be corrected until April 2010 when amending regulations are introduced. It is not yet known whether the amending regulations will apply retrospectively. If they do not apply retrospectively, any trivial commutation of GMPs made in this period would be in breach of DWP regulations.

Trustees should consider whether a trivial commutation exercise may be worthwhile – and should make sure their administrators are aware of the GMP problem referred to above if doing so.

Please let is know if you require further details of the precise criteria that must be satisfied in order to pay a trivial commutation lump sum.

Minimum retirement age rising to 55 on 6 April

The earliest age from which members (who are not in ill health) can normally first start taking retirement benefits as authorised payments increases from age 50 to 55 with effect from 6 April 2010.

If retirement before age 55 is currently permitted, we recommend that Trustees should point out the change in Legislation to members, as it may impact on many members' retirement planning.

The Regulator's revised Code of Practice on Trustee Knowledge and Understanding

The Regulator's revised Code of Practice regarding the statutory requirement for trustees to have adequate knowledge and understanding is now in force. The Regulator expects all Trustees to read the Code in full. The key changes from the previous code are:

- Trustees should read all trust documentation thoroughly
- Trustees are expected to use the Trustee Training Toolkit available via the Regulator's website, unless they can demonstrate they have followed an alternative learning programme.

Note that, under employment legislation, trustees have the right to time off for the purposes of performing their duties as trustees and for relevant trustee training.

Note also that newly-appointed individual trustees have a period of six months from the date of appointment as trustee to complete the required learning.

The PPF levy for 2010/2011

The PPF has confirmed the following details in respect of the 2010/11 levy year:

- The PPF aims to collect an overall levy of £720 million, unchanged from 2009/10.
- The risk-based levy scaling factor will be 1.64 (this was 2.22 for 2009/10).
- The risk-based levy cap is 0.5% (was 1% for 2009/10) of a scheme's PPF liabilities. This is designed to protect the weakest schemes.
- A scheme-based levy multiplier of 0.000145 of a scheme's PPF liabilities (was 0.000162 for 2009/10.
- The funding limit at which schemes pay a reduced risk-based levy remains at 120%
- The funding limit at which schemes pay no risk-based levy remains at 140%.

If you require an estimate of how this will impact on your individual scheme please contact your usual Premier Pensions adviser.

Key dates for the 2010/2011 PPF levy

The following deadlines apply to the 2010/11 levy year:

- 5pm on 31 March 2010 for certification/recertification of contingent assets
- 5pm on 9 April 2010 for deficit reduction contributions
- 5pm on 30 June 2010 for final certification of full block transfers that have taken place up to and including 31 March 2010.

The PPF levy for 2011/12 – action by 31 March 2010?

The PPF has published a consultation document which outlines proposed changes to the way insolvency risk will be measured for the purpose of the 2011/12 levy. Note that the 2011/12 levy calculation will be based on Dunn and Bradstreet scores as at 31 March 2010 – so affected companies need to take action quickly.

The full document is available on the main Levy page on the PPF website. A quick summary is as follows:

Influence of parent company on Failure Score:

- When measuring the failure score of a subsidiary whose ultimate parent company is at substantial risk of going bust, the score of the subsidiary will be that of the parent. Therefore, scheme sponsors should ensure that D&B have the correct information on your group structure, and monitor the failure scores of domestic and global parent companies in the same way as the scheme sponsor.

For charities:

- D&B will collect accounts from the Charity Commission. Employers filing accounts with the Charity Commission will now have them automatically picked up by D&B up until 30 March 2010. If you are in any doubt that D&B may not pick up your accounts from the Charity Commission website, the PPF recommend that they are sent directly to D&B.

Companies with three or more branches:

- A new attribute called "nationwide" will be introduced for businesses with three or more branches in different UK regions which will mean they are assessed as a national rather than regional employer. To ensure D&B hold the correct information on your branch locations you should contact D&B before 31 March 2010 – the "nationwide" attribute cannot be appealed after this date.

New insolvency risk table:

- A new probability of insolvency table for 2011/12 has also been published. This will affect all schemes' levies. We recommend speaking to D&B as soon as possible to see if there's any information you can provide that will affect your score.

Companies with contingent assets:

- PPF-compliant contingent assets will be excluded by D&B in their scores. This means that the PPF will inform D&B about which employers have pledged contingent assets.

The Regulator's guidance regarding good record keeping

In January 2009 the Regulator issued guidance on the standards of record keeping appropriate for pension schemes. The guidance anticipated that trustees would discuss these standards with their administrators and design tests and action plans to help audit the data held for the pension scheme. However, the guidance did not set out required, mandatory actions, but instead described only what the Regulator regards as best practice.

On 2 February 2010 the Regulator revealed that less than 20% of schemes surveyed had taken any action to review their standards of record keeping in accordance with the January 2009 guidance. As a result, the Regulator has now released a consultation document on the subject, proposing that the record keeping guidance will now describe mandatory actions that all schemes must follow.

Trustees may wish to start taking action now, by discussing with their administrators what steps need to be taken to test and document the standards of record keeping for their scheme.