

Pensions Bulletin

Spring 2010 Issue 7

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Help to reduce PPF levies

It's that time of year again when accounts are needed from The Pensions Trust's participating employers to assist in reducing the Pension Protection Fund (PPF) levies payable by our defined benefit pension schemes.

As in previous years, the Trust is asking its employers to submit their accounts to Dun & Bradstreet (D&B), the credit rating agency used by the PPF, which must be done **by 5pm on 30 March 2010** to help minimise the impact of the 2011-12 levies.

Audited accounts should be sent electronically to D&B using the email address **customerhelp@dnb.com**; and to assist your organisation with this an email template is available in the 'Employers Area' on the homepage of the Trust's website.

Please remember to attach a copy of your organisation's latest accounts and include the following information in the body of the email:

- name of the pension scheme your organisation participates in;
- your organisation's full name and address; and
- any Charity or Industrial & Provident Society registration numbers.

*Please note that employers who participate solely in the Trust's **Unitised Ethical Plan** or **Flexible Retirement Plan** do not need to take the action as outlined above; neither do organisations who submit their accounts to Companies House.*



Fact Sheet 1 provides more details about the PPF, [click here](#), and is available on our website (details on page 4).

The Pensions Trust will be present at...

- ISBA Annual Conference, 12-13 May 2010
- CFDFG Annual Conference, 18 May 2010
- CIH Conference & Exhibition, 22-24 June 2010
- NHF Social Housing Exhibition, 22-24 September 2010
- ACEVO Annual Conference, November 2010 (date to be confirmed)

Further information on these conferences and exhibitions is available on our website at www.thepensionstrust.org.uk > News, Media & Events > Events



The Pensions Trust

Change to employer consultation rules

From 6 April 2010 employers will have a duty to consult with pension scheme members on any proposed change to the definition of pensionable earnings. This will be classed as a 'listed change' and a fine of up to £50,000 can be imposed by The Pensions Regulator if an employer fails to comply with their consultation obligations.

As reported in issue 5 of the Bulletin, legislation requires employers with 50 or more employees to consult with 'affected members' (i.e. members who are currently paying contributions to the pension scheme or those who are eligible to join the scheme) on listed changes which include:

- increasing normal pension age;
- increasing member contributions;
- closing the scheme to new members;
- ceasing future accrual of benefits; and
- changing benefits to a defined contributions basis.

Any such consultation period must last at least 60 days after which the employer must consider any comments before making its decision.

If your organisation is considering making changes to its pension scheme you should contact the Trust's Customer Relations Team, who will guide you through the consultation requirements.



Further details about the consultation regulations can be found on Fact Sheet 2, [click here](#), available on our website.

Funds call for more pension focussed gilts

Over 80% of UK pension funds want the Government to issue more long-dated and index-linked gilts, reveals a survey from the National Association of Pension Funds (NAPF). This measure would help to reduce pension scheme deficits and the impact of pensions on company balance sheets.

Whilst £200 billion of gilts have been issued in the current tax year, demand remains strong, and the Government plans to issue a further £170 billion of gilts in 2010-11.

The NAPF 2009 Annual Survey also reveals the following key findings:

- Only 23% of private sector defined benefit pension schemes remain open to new members, compared to 28% in 2008.
- Over a quarter of respondents still do not know how they will respond to the auto-enrolment requirements from 2012.
- Employers on average contribute 7.5% of pay to defined contribution schemes, with 10% saying that they plan to increase contributions in the near future.



More details about the NAPF 2009 Annual Survey can be found at www.napf.co.uk

Auto-enrolment on the horizon

The Pre-Budget Report reaffirmed the Government's commitment to introduce the requirement for employers to automatically enrol staff into a pension scheme from 2012 and also confirmed that:

- The basic State Pension will increase by 2.5% in April 2010, although other components such as SERPS will be frozen.
- National Insurance Contributions will increase by 1% from April 2011, which means employees will pay 12% and employers 13.8% on earnings up to £43,888 per year.
- The pension tax-relief restrictions, which will apply from April 2011, will be extended to people earning £130,000 or more.



Further details about the Pre-Budget Report and auto-enrolment can be found on Fact Sheets 3 ([click here](#)) & 4 ([click here](#)), available on our website.

DB pension deficits on the rise

The aggregate deficit of 6,800 defined benefit pension schemes now stands at £329 billion, according to The Pensions Regulator, which is an increase from £98 billion in 2008.

Other key findings of the Regulator's latest 'Purple Book' include:

- company liquidations in late 2009 were 50% higher than in 2007;
- average holdings in equities have fallen from 53.6% in 2008 to 46.4% in 2009; and
- the use of contingent assets to reduce PPF levies has risen by 30%, from 452 for the 08-09 levy year to 587 for 09-10.

The report provides in-depth analysis of how the UK's defined benefit pension schemes fared during the recession and also highlights various trends experienced by sponsors of these schemes since 2006.

 The Purple Book was published jointly with the PPF and is available at www.pensionprotectionfund.org.uk

Longer to pay off pension deficits

Employers are now taking longer to pay off their defined benefit pension scheme deficits, analysis by The Pensions Regulator shows.


The latest set of 'recovery plans' to be agreed show that it will take on average 8.3 years until these pension schemes are fully funded, which is an increase from 6.1 years as agreed in previous plans.

The Regulator's analysis – which covers 4,900 recovery plans – also revealed that:

- more schemes are paying a greater proportion of deficit contributions towards the end of their recovery plans; and
- 24% of plans triggered Regulator investigation, up from 17% in 2007.

Overall, the trends shown in these recovery plans reflect the deterioration in financial conditions experienced since the end of 2008.

The analysis also suggests that trustees have an increasing understanding of the flexibility available in setting recovery plans to accommodate challenging economic times.

 The full report 'Scheme funding: An analysis of Recovery Plans' is available at www.thepensionsregulator.gov.uk

Tell us when your last member leaves


The Pensions Trust is calling for all employers in our multi-employer defined benefit pension schemes to tell us **immediately** when your last active member stops making pension contributions and leaves the pension scheme.

This will enable us to help you determine the most appropriate course of action to deal with the 'employer debt on withdrawal' rules – and may prevent your organisation paying a hefty sum that could otherwise have been avoided.

Recent experience at the Trust has highlighted – yet again – that our employers should be vigilant when monitoring how many staff are actively paying pension contributions, especially if numbers are very low.

Employers also need to be careful when reviewing their pension arrangements or restructuring their operations to ensure that any possible 'debt on withdrawal' issues are considered.

Please contact the Customer Relations Team at The Pensions Trust either before or – at the latest – within one month of your last active member's date of leaving.

 Full details about the employer debt regulations and recent industry consultations can be found on Fact Sheet 5, [click here](#), available on our website.

Growth Plan - have your say

Employer Forums

- Do you want to know more about the Growth Plan?
- Do you have views on how the Trust interacts with you as a participating employer?
- Is there something you want to say on how the Growth Plan is funded?
- Do you want to learn more about the work of the Growth Plan Employer Consultative Group (GPECG)?

If the answer to any of these questions is 'yes', then please contact us.

We are looking to run some employer forums this year that meet your needs, so please let us know if you'd be interested in attending and the topics you would like to see covered.

Please contact

pam.jenkinson@thepensionstrust.org.uk by **31 March 2010**, so that we can gauge the level of interest, find venues, allocate date(s), and design an agenda.

We look forward to hearing from you!

New investment strategy

The Trustee, following consultation with the GPECG, has agreed a new investment strategy for the Growth Plan.

The new strategy provides protection against the first 15% of falls in equity markets until 2011, whilst also ensuring the Plan benefits from equity returns up to a certain limit. It also:

- increases the likelihood of reaching full funding by 2018; and
- reduces the chance of asking employers for additional contributions.



Further details of the new investment strategy for the Growth Plan can be found on Fact Sheet 6, [click here](#), available on our website.

The Pensions Trust gets Gold

The Pensions Trust has been awarded the prestigious Investors in People Gold Standard. The award represents achievement of world class best practice and demonstrates that the Trust is operating at the highest levels of people management.

Carole Reid, Chief Executive at the Investors in People Centre for Yorkshire & Humber, joined the Trust's staff on 21 January 2010 for a celebratory event and to present the Trust with the award.

Speaking at the event, Carole Reid said: 'It is an honour to present the Gold Award to The Pensions Trust. They have achieved an exceptionally high standard to be recipients of this accolade.'

Within the national Investors in People database, which contains over 28,000 recognised organisations throughout the UK, The Pensions Trust is now part of an exclusive listing of 101 organisations who have successfully achieved Gold recognition - joining only another eight within the Yorkshire and Humber region.

To gain the Investors in People Gold accreditation, The Pensions Trust was assessed on ten separate areas, from business strategy to people management strategy, via interviews and application forms.

The Pensions Bulletin is a newsletter from The Pensions Trust. It can be viewed electronically on our website www.thepensionstrust.org.uk > Document Library > General Literature > Pensions Bulletin for Employers.

The content of Pensions Bulletin is a summary of recent developments and is not intended to be comprehensive. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances or refer to source material, as appropriate.

Email your enquiries to bulletin@thepensionstrust.org.uk