

# Pensions Bulletin

Spring 2011 Issue 10

## In this issue:

### Page 1

- New pensions tax regime from 6 April 2011

### Page 2

- Auto-enrolment getting closer
- What's your Staging Date?
- CPI increases will apply from 6 April 2011
- Government removes Default Retirement Age

### Page 3

- New investment service from The Pensions Trust
- Longer to pay off pension deficits
- Pensions in Purple

### Page 4

- Paternoster sold to Goldman Sachs
- Trust wins PATH award
- The Oxford Diocesan Board of Finance joins the Trust
- The Trust will be present at...

## New pensions tax regime from 6 April 2011

New tax rules for pensions will come into force on 6 April 2011. These are:

- **Restricting tax relief for high earners.** This will be done via the reduction of an individual's Annual Allowance (from £255,000 to £50,000) rather than the complex approach outlined by the previous Government.

*Annual Allowance is a statutory limit on the amount by which pension savings, from all registered pension schemes, can increase each year without tax charges being applied.*

- **Increasing the factor for valuing the annual increase in defined benefit accrual.** The factor will now be 16 instead of ten, which means that a £1,000 increase in annual pension benefit is now worth £16,000 instead of £10,000.
- **No exemption from the Annual Allowance test in the year of retirement.** There will now be a test in the year a member's benefits are taken; previously this was not required.
- **Allowing members who exceed the Annual Allowance to use any unused allowance from the previous three years.** This may be used, for example, to offset the increase in pension benefits due to any 'spikes'.

The Pensions Trust will notify all members about these changes in April 2011 via Intouch magazine.

If you believe that any of your employees will be affected by the new pension tax rules, then we recommend that you visit the HM Treasury website at:

[http://www.hm-treasury.gov.uk/consult\\_pensionsrelief.htm](http://www.hm-treasury.gov.uk/consult_pensionsrelief.htm).

Members may also wish to seek independent financial advice.

The new framework is a result of last year's Emergency Budget, announced on 22 June 2010, as reported in Issue 8 of the Bulletin. The changes were confirmed by the Government on 14 October 2010.



Further details about the new pensions tax regime can be found on Fact Sheet 1, [click here](#), available on our website (details on page 4).



The Pensions Trust

## Auto-enrolment getting closer

The Pensions Bill, published in January 2011, confirmed the Government's pensions changes and the requirement for employers to automatically enrol staff into a pension scheme from 2012. This will be done in stages over four years to September 2016.

The Bill builds on reforms set out in the Pensions Act 2008 and includes:

- An 'earnings trigger' of £7,475 per annum – this is the level at which staff must be automatically enrolled into a workplace pension scheme.
- An optional three-month waiting period for employers before they have to automatically enrol their staff.

Alongside the Bill, The Pensions Regulator has issued a leaflet for employers called 'An Introduction to work-based pension changes', which provides a simple guide to the reforms and is available on the Regulator's website, [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

Other measures in the Bill include:

- Equalising the State Pension age for men and women by 2018 and increasing it to age 66 by 2020.
- Changes to the pension increase rules, which will allow schemes to continue with Retail Prices Index (RPI) increases, or to switch to Consumer Price Index (CPI) increases for future service.

### What's your Staging Date?

You will need to start automatically enrolling your employees into a pension scheme at some point in the next few years.

But when do you have to do this? Our new Staging Date Tool gives you the answer (and a whole lot more). Visit our website and click on Auto-enrolment.



Further details about the Pensions Bill and auto-enrolment can be found on Fact Sheets 2, [click here](#), and 3, [click here](#), available on our website.

## CPI increases will apply from 6 April 2011

As reported above, the Pensions Bill will change pension increase rules, which will mean that from 6 April 2011 pensions in payment will increase in line with the Consumer Prices Index (CPI).

Defined benefit schemes at The Pensions Trust will have CPI increases applied automatically for pensions in payment, unless sponsoring employers elect to retain increases linked to the Retail Prices Index (RPI). The Trust has already been in contact with relevant employers in this respect.

The Trust will ensure that our members are informed of this change and all relevant scheme documentation, including member booklets, are updated.

The legislation does not affect schemes which have RPI increases 'hard-wired' into their rules or pensions that are subject to fixed rate increases; nor does it affect the revaluation of benefits before retirement, which will continue to be linked to RPI.



Further details about the change to CPI increases can be found on Fact Sheet 4, [click here](#), available on our website.

## Government removes Default Retirement Age

The Government has confirmed that employers will no longer be able to use the Default Retirement Age (DRA) of 65 to compulsorily retire workers. The DRA will be phased out during the period 6 April to 30 September 2011.

Legislation will remove the DRA provisions, except in cases where workers have already been notified of their retirement before 6 April 2011 and their retirement date is before 1 October 2011.

The Advisory, Conciliation and Arbitration Service (ACAS) has published a guide for employers 'Working without the default retirement age', which outlines the changes and provides advice on how employers can manage the new rules.

In future, employers will only be able to retire workers at a set age if it can be 'objectively justified' e.g. for succession planning or health and safety reasons.



The ACAS guide is available at <http://www.acas.org.uk/index.aspx?articleid=3203>

## New investment service from The Pensions Trust

The Pensions Trust is pleased to announce further details of its new investment service.

As reported in Issue 8 of the Bulletin, the Trust is phasing in this new service over a period of 12 months. The new approach applies across all schemes and aims to achieve better returns to ensure that the optimum results are delivered for members.

The key elements of the new strategy are:

- More investment in alternative growth assets, in order to diversify growth type assets away from investment just in quoted equities.
- Striving to ensure that its investment manager appointments add value by outperforming their respective benchmarks.
- More concentrated focus on the management of asset-liability outcomes rather than managing the assets in isolation.

The Trust has also made changes to its governance structure to enhance the decision making process, through the creation of three sub-committees:

- The Funding and Investment Strategy Review Group (FISRG) is responsible for agreeing funding positions with scheme sponsors and for recommending scheme-specific investment strategies.
- The Investment Strategic Opportunities Group (ISOG) reviews, recommends or rejects new investment ideas.
- The Investment Manager Review Group (IMRG) monitors the performance of managers and makes recommendations on the appointment and dismissal of managers.

David Adkins, the Trust's Chief Investment Officer, will lead the implementation of the new service, which also includes providing sponsoring employers with:

- more extensive reporting; and
- information about the Trust's capital market views.

In addition, the Trust will take a more responsive approach to fluctuations in market conditions through the use of a service which will provide daily estimates of funding and solvency levels.

## Longer to pay off pension deficits

Employers are continuing to take 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, 9.4 years until these pension schemes are fully funded. This is an increase from 8.3 years as agreed in previous plans, which was also an increase from 6.1 years (as reported in Issue 7 of the Bulletin).

The Regulator's analysis, which covers 7,000 recovery plans, also revealed that:

- more schemes are paying a greater proportion of deficit contributions towards the end of their recovery plans; and
- 27% of recovery plans triggered Regulator investigation, up from 24% in 2008 and 17% in 2007.

Overall, the trends shown in the latest recovery plans reflect the historic market lows experienced in the UK at the beginning of 2009.



The full report 'Recovery plans: assumptions and triggers' is available at

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Pensions in Purple

An improvement in the UK's financial and economic environment has led to reduced risks for defined benefit (DB) pension schemes, a recent publication from The Pensions Regulator shows.

The Regulator's latest 'Purple Book', which focuses on the 12 months to 31 March 2010, includes the following key findings:

- 21% of DB schemes remain open to further build up of benefits, down from 22% in 2009 and 33% in 2007.
- Current projections suggest that the Pension Protection Fund (PPF) has an 83% probability of being self-sufficient by 2030.
- The use of contingent assets to reduce PPF levies has risen by 16%, from 620 for the 2009-2010 levy year to 720 for 2010-2011.

The report provides in-depth analysis of trends exhibited by the UK's DB pension schemes and is available at [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## Paternoster sold to Goldman Sachs

Goldman Sachs completed its acquisition of Paternoster UK Ltd on 11 January 2011, the result of which means that the specialist pensions business is now a 100%-owned subsidiary of The Goldman Sachs Group.

As reported in Issue 9 of the Bulletin, The Pensions Trust had been in touch with Paternoster following news of the business being put up for sale.

Paternoster has now reassured the Trust that:

- there is no intention to change its day-to-day administration;
- policyholders will continue to hold their policies with Paternoster; and
- current pension payments will not be affected by this transaction.

In addition, the Financial Services Authority gave approval for the sale and, as part of the transaction, Goldman Sachs will make additional capital injections into Paternoster's business.

The Trust selected Paternoster to secure the benefits of 10,500 Growth Plan pensioners in August 2008. Paternoster closed to new business in May 2009.

## Trust wins PATH award

The Pensions Trust has won a Long Standing Partnership Award from Positive Action Training in Housing (PATH), an organisation that aims to increase employment opportunities for black and minority ethnic groups.

Since 2004 the Trust has taken on 11 PATH trainees and eight trainees secured permanent positions with the Trust. Of the eight that took up permanent positions, seven are still employed by The Pensions Trust today. Additionally, over half have secured internal transfers and promotions since working for the Trust permanently.

The Trust was delighted to accept this award and remains committed to working with PATH to continue developing employment success of PATH trainees.

## The Oxford Diocesan Board of Finance joins the Trust

The Oxford Diocesan Board of Finance, is the latest employer to transfer its defined benefit pension scheme to The Pensions Trust.

Sally Wildman, Personnel Manager of The Oxford Diocesan Board of Finance said:

*'The Oxford Diocesan Board of Finance believe that there are advantages in transferring the day-to-day running of its pension arrangements to a specialist provider. It is hoped that this will increase efficiency, reduce time, and remove the pressure and increasing regulatory burden upon the Trustees of The Oxford Diocesan Board of Finance Staff Retirement Benefit Scheme who currently manage the existing scheme.'*

The transfer now brings the Trust's total membership to over 150,000 for the first time since we began over 60 years ago.

## The Trust will be present at...

- Voice, 29-30 March 2011
- CFGD Annual Conference, 12 May 2011
- ISBA Annual Conference, 18-19 May 2011
- CIH Conference & Exhibition, 21-23 June 2011

Further information on these conferences and exhibitions is available on our website at

[www.thepensiontrust.org.uk](http://www.thepensiontrust.org.uk) >  
[News, Media & Events](#) > [Events](#)

*The Pensions Bulletin is a newsletter from The Pensions Trust. The Bulletin and Fact Sheets can be viewed electronically on our website*  
[www.thepensiontrust.org.uk](http://www.thepensiontrust.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.*

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