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New Employer Debt Regulations

Changes to the regulations that apply when an employer withdraws from a multi-employer defined benefit scheme came into force on 6 April 2008.

The new regulations apply to all employers that participate in The Pensions Trust's multi-employer schemes, including employers who use the Growth Plan as an Additional Voluntary Contribution arrangement.

Under the old regulations an employer was deemed to have withdrawn if it did not have any active members and did not have any employees eligible to join. Now an employer will have withdrawn on the date that it ceases to employ any active members.

However, the regulations introduce a "period of grace" that allows an employer to continue in the scheme, but only if the employer notifies the Trustee of the intention to enrol a member within the following 12 months. If after 12 months the employer still has no active members, then it will be deemed to have withdrawn from the scheme at the date the last employee ceased to be an active member.

In order to take advantage of the "period of grace" provisions, a participating employer **must** give notice to The Pensions Trust within one month of the last active member leaving the scheme.

Giving notice to The Pensions Trust can be done by completing the standard notice form that is available on our website.

If notice is not received within one month of the last active member leaving, an employer will not be able to take advantage of the "period of grace" provisions and will be immediately liable for a withdrawal debt. The law allows no leeway in this timing.

A number of our employers who have no active members have previously confirmed that they are still offering the relevant multi-employer scheme to eligible employees. Our legal advisers have confirmed that such employers will continue to be considered not to have withdrawn until they cease to employ eligible employees. If such an employer enrolls an active member however, then the new rules will apply.

The regulations also contain four possible alternatives to payment of the full buy-out debt. Full details about these options are available in a fact sheet on our website.

Finally, the Government intends to examine practical solutions to the problem of company reorganisations triggering the employer debt regulations. Further announcements are expected later this year.



The "period of grace" notice form [click here](#), together with a fact sheet detailing the new regulations [click here](#), can be found on our website.



Impact of the Credit Crunch

The Pensions Trust's investment funds have not suffered any significant losses from the global credit crunch. This is the message that has been fed back to us from our investment managers and custodians.

At the root of the credit crunch were concerns about investors' exposure to the US sub-prime mortgages sector. The response of the Trust's Investment Committee was to:

- ascertain the exposure to the US sub-prime sector, which was found not to exist;
- ascertain the exposure to mortgage-related debt within the portfolio's holding in structured products, which was considered minimal; and
- look at the securities lending programme, where it was found that no losses had occurred. Nevertheless the Committee took the decision to suspend the programme and to carry out a full due diligence review.

There has, however, been some impact on fund performance, due to:

- the continued fall in UK commercial property values;
- manager style e.g. just about all quantitative equity managers suffered during the third and fourth quarters of 2007; and
- the position some managers took e.g. one manager was overweight in corporate bonds, structured products and financials.

So whilst there has been some recent underperformance, exposure of the Trust's funds to mortgage-related debt remains low.

Are you ready for Personal Accounts?


As an employer you can't have escaped the Government's plans to introduce Personal Accounts from 2012. Inevitably this raises a number of questions about your current pension arrangement with The Pensions Trust.

In the years leading up to 2012, The Pensions Trust intends to provide a programme of support to assist its participating employers to meet the requirements of Personal Accounts.

Details of Personal Accounts are currently being debated in Parliament as part of the Pensions Bill. It will become the Pensions Act 2008 later this year.

Other key themes of the Bill include:

- the simplification of state pensions, and
- deregulation to assist employers who sponsor good pension schemes.

 **Factsheets providing more detailed information on Personal Accounts [click here](#), the Pensions Bill [click here](#) and the deregulatory review [click here](#) are available on our website. These topics will also be covered in future issues of the Pensions Bulletin.**

69% of DB schemes shut

Nearly seventy per cent of private sector defined benefit (DB) schemes are now closed to new members, a survey from the National Association of Pension Funds (NAPF) shows.

The survey, published in January, is available at www.napf.co.uk A key finding showed that only 31% of private DB schemes are open to new members.

At The Pensions Trust some 40% of DB schemes are still open to new members. However, this includes our large multi-employer schemes. Taking this into account, some 90% of the Trust's employers, who support a DB scheme, still keep these schemes open to their new employees.

The NAPF survey's findings also cover defined contribution (DC) schemes. Key findings for DC schemes were:

- Employers on average contribute 7% of pay.
- 84% of DC schemes have a default fund.
- 91% of members opt to invest in the default fund.

At The Pensions Trust, employers offering the Flexible Retirement Plan (FRP) to their employees are contributing, on average, 8% of pensionable pay. 85% of FRP members have opted to invest in the default fund.

Recovery Plan Analysis

Plans that detail how defined benefit (DB) pension schemes propose to pay off their deficits have been analysed by The Pensions Regulator.

The Regulator has analysed 1,300 of these “recovery plans”. The plans concerned relate to scheme valuations undertaken between September 2005 and March 2006.

The analysis revealed the following:

- a strengthening in the assumptions underlying the calculation of technical provisions (the cost of benefits);
- a reduction in the length of recovery periods (the time taken to pay off deficits);
- 70% of plans triggered Regulator investigation, but most only needed minimal intervention; and
- over 80% of plans are for 10 years or less; the average is 7.5 years.

In February 2008, the Regulator announced a consultation on proposals to include mortality assumptions as a new trigger. The proposals would impact on scheme valuations that have an effective date from March 2007. The Pensions Trust is protesting at the retrospective nature of this. The consultation closed on 12 May 2008.

Another publication from the Regulator provides a snapshot of the UK's DB pension scheme universe. The so-called “Purple Book” pulls together areas such as funding levels, employer insolvency rates and claims on the Pension Protection Fund.

Big hike in PPF levies


Invoices from the Pension Protection Fund (PPF) for the 2007/08 levy have now arrived at The Pensions Trust.

Actual levy amounts range from 25% to 350% higher than last year. This hike was expected given the change in the PPF's calculation formula, which was largely to compensate the PPF for under-estimating how much it would collect in levies in 2006/07.

The Pensions Trust has actively encouraged its employers to submit accounts to Dun & Bradstreet (D&B), the credit rating agency used by the PPF. This work has helped to reduce the impact of the 2007/08 levies. Similar work has been done this year prior to 31 March in efforts to reduce bills for 2008/09 and 2009/10. Also, the PPF has recently confirmed, following consultation, some changes that will have an impact on future levies.

Firstly, D&B has developed a new scorecard for not-for-profit organisations. This recognises the lower risk of insolvency in the sector when compared with commercial organisations. In addition, the probabilities of insolvency allocated to the highest failure scores have been reduced. The effect of this will help to reduce levies for schemes with The Pensions Trust.

Secondly, the PPF will introduce new mortality assumptions for future PPF valuations. This change will come into effect for 2009/10 levies and will have the effect of increasing the overall levy amounts payable.

 The Regulator's publications, “Recovery Plans: an initial analysis” and “The Purple Book”, can be found at www.thepensionsregulator.gov.uk. There are also fact sheets about the PPF [click here](#) and “The Purple Book” [click here](#) available on our website. To view the PPF's website [click here](#).

Secure your personal data!

The loss of data by HM Revenue & Customs last year left a lot of people in the UK worried about identity theft.

As a result of this, The Pensions Trust has since reviewed its own security measures and has introduced a new more secure method of sharing membership data with its professional advisors.

This new method also means that other parties sharing data with the Trust will follow the same secure process.

Alongside this, the Information Commissioner's Office (ICO) has published a good practice note that aims to alert small and medium sized organisations to the security measures they should have in place to protect the personal information they hold.

The note can be found on the ICO's website at www.ico.gov.uk

Edinburgh Office Closure Update

The Pensions Trust can now confirm that our Edinburgh office closed at the end of March. All member administration has now been transferred to our Leeds office at:

Verity House, 6 Canal Wharf, Leeds, LS11 5BQ

Member related enquiries can also be sent to enquiries@thepensionstrust.org.uk

Part of our Customer Relations Team will continue to be based in Edinburgh at:

Conference House, 152 Morrison Street, The Exchange, Edinburgh, EH3 8EB

This change should cause minimal disruption and for The Pensions Trust it is very much business as usual.

Director Election Results

The Pensions Trust is pleased to announce the appointment of two new Directors to the Board.

Kevin McNerney and Catherine Howarth join as Member Nominated Directors. Kevin McNerney is a Senior Legal Officer (Employment Law) with the Royal College of Nursing and Catherine Howarth is a Senior Campaigns Organiser for London Citizens. These appointments follow the retirements of Paul Cotterill and Valerie Ching.

The Trust Deed provides for elections of at least two Member Nominated Directors and two Employer Nominated Directors each year, providing that there are sufficient candidates. The Pensions Trust regrets that this year there were no new candidates for the Employer Nominated Director vacancies and therefore John Alleston and Richard Marshall agreed to be appointed for a final year to fill these vacancies.

Due to the pressures of work it is understandable that employers may be reluctant to release employees in order to serve on the Board. However, pensions are a significant expense to employers as well as a valuable staff benefit. It is therefore disappointing that more employers have not this year encouraged their employees to stand for election as Employer Nominated Directors.

Growth Plan Employer Consultative Group

We contacted all Growth Plan employers in November 2007 to advise that an Employer Consultative Group was to be established to act as a conduit for the views of employers.

The Employer Consultative Group will be consulted by the Trustee on matters relating to scheme funding, investment and changes to the benefit structure.

Employers were invited to nominate candidates for election as one of the 12 members of the Employer Consultative Group. Only 12 nominations were received by the closing date and therefore all 12 nominees have been automatically appointed to the Employer Consultative Group without the requirement for an election.

Members of the Employer Consultative Group are as follows:

Name	Employer
James Brooke Turner	The Nuffield Foundation
Brian Delves-Defee	Association for Spina Bifida & Hydrocephalus (ASBAH)
Marten Fraser	Nottingham Council for Voluntary Service
Roger Hoyle	Liverpool Personal Services Society
Ian Issac	New Sandfields Averavon
Hugh Macmillan	Hammersmith & Fulham Citizens Advice Bureau
Philip Parker	YWCA - Engalnd & Wales
Frances Richardson	Oxfam
Ellen Robertson	VSA
David Rodgers	Charnwood Citizens Advice Bureau
Roger Smith	British Red Cross Society
Neil Smurthwaite	ACIS Group Ltd

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

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