

Pensions Bulletin

Summer 2009 Issue 5

In this issue:

Page 1

- Stolen laptop update
- Budget 2009

Page 2

- Fines for employers who fail to consult
- Employer "notifiable events" rules relaxed

Page 3

- DWP consults on auto-enrolment deadlines
- Remind your staff of ill-health pension rights
- Employer debt update

Page 4 - News from The Pensions Trust

- Growth Plan update
- Paternoster closed to new business
- Changes at the top

Stolen laptop update

You may be aware – either via a letter we sent at the end of May or in the news – of the theft of a laptop computer containing data on The Pensions Trust's members. The laptop was stolen from the offices of NorthgateArinso, the suppliers of our pensions administration system.

The Pensions Trust can confirm that we notified all affected members – and their employers – of the theft and that the protective registration cover provided by CIFAS, the UK's Fraud Prevention Service, is now in place. CIFAS has advised the Trust that, to date, there is no evidence to suggest any fraudulent activity has taken place as a direct result of the theft. Further details about CIFAS can be found at www.cifas.org.uk

The police and the appointed private investigator remain of the view that this was an opportunistic theft, with the target being the laptop itself, rather than anything contained on the laptop. However, we are still advising members to remain vigilant and to contact their banks immediately if they notice any unusual transactions on their financial statements.

The Trust's Board of Directors is meeting with NorthgateArinso to discuss the incident in more detail and assess the future working relationship with this supplier. The Trust is also awaiting feedback from the Information Commissioner – the outcome of which will be communicated to all employers and members.

Budget 2009

Alistair Darling's 2009 Budget, announced on 22 April, contained a number of measures relating to pensions. A summary of the main points is provided below.

- The Basic State Pension will increase by at least 2.5%. So, if inflation is below this level, pensioners will still see their pensions rise in real terms.
- From 2010/11, the basic Personal Allowance will be gradually reduced to nil for people with incomes above £100,000. There will also be a new 50% income tax rate for earnings above £150,000.
- From 2011/12, higher rate tax relief on pension contributions will be restricted for people earning more than £150,000. New rules will prevent affected individuals from paying large extra pension contributions prior to 2011. The Pensions Trust has already contacted its own affected members.



Further details about the 2009 Budget can be found on Fact Sheet 1, [click here](#), available on our website (details on page 4).



The Pensions Trust

Fines for employers who fail to consult

New rules that impose fines on employers who do not consult with their staff about pension scheme changes came into effect on 6 April 2009. The power for issuing these fines – to a maximum of £50,000 – rests with The Pensions Regulator.

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 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.

Details on the changes must be provided before consultation starts and should include relevant background information with a timescale for the implementation of the changes. The consultation period must last at least 60 days after which the employer must consider any comments before making its decision.

Employers with The Pensions Trust who are considering making changes to their pension scheme should contact our Customer Relations Team, who will guide employers through the consultation requirements.



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

Employer “notifiable events” rules relaxed

Changes to the rules that require employers to inform The Pensions Regulator of certain events came into effect on 6 April 2009.

Legislation now specifies that the following employer-related events are no longer notifiable:

- changes in key posts (e.g. Chief Executive or Finance Director); and
- changes in credit rating.

The “notifiable events” rules are designed to give the Regulator early warning of a possible call on the Pension Protection Fund and have been in force since April 2005. The rules comprise specific events which are likely to have a major impact on the security of members’ benefits.

As a reminder, employers **must** notify the Regulator of the following events:

- any decision which may result in a debt to the pension scheme not being paid in full;
- a decision to cease business activities in the UK;
- wrongful trading;
- a breach of a banking covenant in certain circumstances; and
- the conviction of a director for an offence involving dishonesty.

The Pensions Trust issued a letter in 2005 to all employers about the need to notify the Regulator of these events. The Trust also provides regular reminders to participating employers via our stewardship reporting process.



Full details about the updated “notifiable events” rules can be found on Fact Sheet 3, [click here](#), available on our website.

DWP consults on auto-enrolment deadlines

All employers must provide their staff with basic pension scheme information within 14 days of starting work. Employers will also need to ensure that new employees become a member of a pension scheme within this same timeframe.


These are just two of the proposals that have been set out by the Department for Work and Pensions (DWP) in a recent consultation on employers' duties to auto-enrol employees into pension schemes.

The proposed rules will come into force alongside the introduction of Personal Accounts in 2012.

Other key proposals include:

- A 30 day window during which an individual can opt-out of the pension scheme and be treated as if he or she had never joined.
- Details of the opt-out process, which includes a requirement for employers to refund employees' contributions in full.
- The ability for employers, in certain circumstances, to operate a waiting period of up to 90 days before auto-enrolment commences.

The Pensions Trust responded to the consultation, which closed on 3 June 2009. We await the results with interest.

 **Further details about the auto-enrolment consultation from the DWP can be found on Fact Sheet 4, [click here](#), available on our website.**

Employer debt update

A recent case at The Pensions Trust has highlighted that there may be some confusion over when an employer may apply for a "period of grace" under the employer debt on withdrawal regulations.

Employers should note that an application should be made either **before** the last active member leaves the scheme or **within one month** of the last active member leaving the scheme.

As reported in previous issues of the Pensions Bulletin, new regulations that apply when an employer withdraws from a multi-employer defined benefit scheme came into force in April 2008. The regulations apply to all

Remind your staff of ill-health pension rights


Employers should remind their staff about their rights to enhanced pensions on leaving service due to ill-health. This has been highlighted by a recent case that has been dealt with by the Pensions Ombudsman.

The Ombudsman received a complaint from a member of the Bank of New York Pension Plan. The member said that the Bank had failed to inform him of his right to an unreduced pension on termination of his contract because of ill-health. As a result, the member was only entitled to a standard early retirement pension.

On review of the case, the Ombudsman was satisfied that the Bank had provided the member with appropriate literature outlining the benefits available to him. However, it was determined that the Bank had a duty to remind the member **before he left service** that he could claim an enhanced pension, particularly because he was in a poor state of health at the time.


The Bank was directed to consider the medical evidence regarding the member's condition at his leaving date and to reach a fresh conclusion as to whether he qualified for an enhanced ill-health pension.

Members of a number of The Pensions Trust's defined benefit schemes may receive higher benefits if they apply for retirement on ill-health grounds upon leaving employment. Employers are therefore encouraged to remind their staff of this option and to inform The Pensions Trust as soon as it seems likely that a member may need to retire early because of ill-health.

 **Guidance on the ill-health rules and procedures applicable to your pension scheme can be found in the relevant scheme literature, available on our website.**

employers that participate in The Pensions Trust's multi-employer schemes.

An employer is considered to have withdrawn on the date that it ceases to employ any active members, although the "period of grace" provisions can be used before a withdrawal debt becomes payable. Giving notice can be done by completing the standard form that is available on our website.

 **Updated details about the employer debt regulations can be found on Fact Sheet 5, [click here](#), available on our website.**

Growth Plan update

Actuarial valuation results

The Growth Plan Employer Consultative Group (GPECG) met on 21 April 2009 to consider the Plan's 2008 actuarial valuation results.

The results reveal that the funding level of the Plan was 96% as at 30 September 2008, equivalent to a shortfall of £29 million.

Participating employers should have, by now, received a letter detailing the valuation results. The letter also provided each employer with their estimated share of the Plan's buy-out deficit (e.g. debt on withdrawal) as calculated as at 30 September 2008.

Please contact Pam Jenkinson at pam.jenkinson@thepensionstrust.org.uk should your organisation require a copy of this letter.

Vacancy

As reported in the last issue of the Bulletin, there is a vacancy on the GPECG. If you are interested in nominating someone to serve on the GPECG or would like more information about the Group please contact Karen Parry at karen.parry@thepensionstrust.org.uk

Paternoster closed to new business

The pension buy-out firm, Paternoster UK Ltd, announced in May 2009 that it has - for the time being - decided not to take on additional insurance business. This is due to difficulties in raising capital to insure any new pension schemes.

Paternoster has, however, reassured its policyholders, including The Pensions Trust, that it holds money above and beyond the amount they need to pay all of their existing pension obligations. Paternoster has advised that they will only insure new pension schemes once new capital is raised or the economic outlook improves - and then only once the Financial Services Authority says it is appropriate to do so.

The Pensions Trust secured the benefits of 10,500 Growth Plan pensioners with Paternoster in August 2008.

Changes at the top

The Pensions Trust is pleased to announce the appointment of Lynda Howe as the new Chair of its Trustee Board and Keith Nunn as the new Deputy Chair. Lynda replaces John Alleston, who retired after five years as Chair, and Keith replaces Clive Unitt.

Lynda is a Certified Accountant and retired as Finance and IT Director from York Housing Association in June 2007. Keith was employed by BP from 1981 and was Director of BP Pensions Trustee Ltd for eight years before he retired in 2006.

In addition, three new Directors have been elected to the Board. Frances Richardson and Robert Vandersluis join as Employer Nominated Directors and Mary Doddridge joins as a Member Nominated Director. Mike Boag has also been appointed as a co-opted Professional Director.

These elections follow the retirements of Richard Marshall, Barry Smith, Philip Edwards, Allan Herring and Clare Smith.

There are currently 13 Directors on the Board – six elected by members, six elected by employers and one co-opted by the elected Directors. From 1 March 2010, the number of Directors will reduce to 12, ten elected and two co-opted.



More information on the Trustee Board can be found on our website, [click here](#).

The Pensions Bulletin is a quarterly newsletter from The Pensions Trust. It can be viewed electronically on 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