

Pensions Bulletin

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No increase to your scheme's unit admin costs

The Pensions Trust is pleased to report that there will be no increase in unit administration costs for your pension scheme for the year to 30 September 2010. This is despite average UK pension administration costs increasing by 20%, according to a survey published earlier this year by Watson Wyatt.

In collaboration with Professional Pensions, Watson Wyatt completed its eighth annual survey into the cost of running pension schemes. The survey, covering 168 schemes with a combined membership of 5.2 million and varying in size from under 100 members to over 450,000, found that:

- All pension scheme costs have increased, with the administration costs demonstrating the largest increase relative to the cost per member measure, increasing by 20%.
- The cost of special projects also increased by nearly 50%.
- The cost of in-house pensions administration has risen more sharply than for administration provided by third parties, so much so that there is now very little difference between the two.

Although The Pensions Trust has not been immune to these increased costs, we have worked hard over the past few years to reduce the financial impact upon our schemes. We have done this through the implementation of our new administration system and the relocation of the administration function from Edinburgh to our Leeds office. The combined effect of this has meant we have been able to keep unit administration costs at the same level for this scheme year.

Worldwide life cover

From 1 October 2009 all active members of The Pensions Trust's pension schemes who work overseas will be covered by the life assurance policy the Trust has with its insurer, Legal & General (L&G). *Please note that this cover only applies to members who are not insured automatically as part of their pension scheme membership.*

Following successful renegotiation, the Trust has agreed a revised policy with L&G and, as such, employers no longer need to consider alternative life cover prior to any employee commencing a period of work overseas.

Previously, members who were seconded to countries classified as 'dangerous territories' were not covered under the L&G life assurance policy. This was communicated to all affected employers earlier this year. Should you have any queries about worldwide life cover, please contact Laura Freeth or Jane Mason on 0113 394 2530.



The Pensions Trust

Understanding Personal Accounts - your guide

As reported in previous issues of the Pensions Bulletin, the introduction of Personal Accounts will make pension provision compulsory for every employer from 2012. In addition, it will require the automatic enrolment of all staff into a Personal Account or an existing pension scheme, though workers are able to opt-out.

The Pensions Trust is keen for our own participating organisations to understand Personal Accounts and appreciate the impact they will have on their day-to-day operations. To this end, the Trust will work with you to establish an optimal solution for your organisation going forward; including helping you to make better informed decisions about pension arrangements you have with The Pensions Trust.

In addition, employers may be interested to know that the Personal Accounts Delivery Authority (PADA) has recently launched a campaign to dispel the myths surrounding the introduction of Personal Accounts.

PADA, the body responsible for setting up this national pension scheme, aims to explain how Personal Accounts will fit in to the current UK pension landscape. The

campaign will be delivered via a programme of meetings with key audiences, including pension advisers, trade bodies and employers.

The focus of this initiative will be to clear up some of the misunderstandings about Personal Accounts.

According to PADA, such myths include:

- That the Personal Accounts Scheme is a government pension scheme. *In reality, the Scheme will be an independent pension scheme run by a not-for-profit trustee corporation, accountable to Parliament.*
- That the Personal Accounts Scheme will compete with existing pension schemes. *In reality, the Scheme is being designed to complement existing workplace pension provision.*

To support the initiative, PADA has updated its 'Myth Buster' and 'Key Facts' documents, both of which are available from www.padeliveryauthority.org.uk



Details of Personal Accounts have been provided in previous issues of the Pensions Bulletin and associated Fact Sheets, which are available on our website (details on page 4).

Earliest retirement age to change from April 2010

The earliest age for taking benefits from a pension scheme will increase from age 50 to 55 with effect from 6 April 2010.

Minimum Pension Age

Current rules allow members of all 'registered' pension schemes – including those at The Pensions Trust – to start taking their pension from the 'Minimum Pension Age' of 50. From 6 April next year, this will change to age 55.

The 'cliff-edge' nature of this change means that someone retiring on 5 April 2010 can take all their benefits at age 50, but someone retiring a day later cannot take any benefits until they reach age 55.

This change is already covered in the relevant member booklet for your scheme that is produced by The

Pensions Trust. We will also remind members via an article in the next web-based edition of our Intouch magazine.

Help for employers

Should you wish, The Pensions Trust can provide details of the members at your organisation who will be affected by this change. This may be of assistance to your HR Team. Please get in touch with your usual contact at the Trust for this information.

Exceptions

Please note that some members may have a 'protected pension age' – so will still be able to retire from age 50 – provided they have finished work. Also, this change does not affect people who are retiring on grounds of ill-health, for which there are separate rules.



Full details about the retirement age changes can be found on Fact Sheet 1, [click here](#), available on our website.

PPF postpones levy overhaul

As a direct response to reaction from the pensions industry – including The Pensions Trust – the Pension Protection Fund (PPF) has delayed, by at least a year, the implementation of an overhaul to the PPF levy on defined benefit pension schemes.

This postponement relates to proposals from the PPF on the calculation of future levies. Any change to the levy will now become effective for the 2012/13 levy at the earliest.

The responses to the consultation that took place earlier this year show that:

- the majority of stakeholders agree that there should be a component added to the risk-based element of the levy to reflect a scheme's contribution to the long-term risks the PPF faces; and
- there is general support for allowing for each scheme's investment strategy in the levy.

Despite this overall backing for the plans, there was widespread concern expressed about some of the details, with many stakeholders unhappy at the proposed redistribution of the levy between schemes.

The PPF has therefore decided to examine some of the issues raised – in conjunction with a group of senior industry figures – with a view to developing revised proposals for consultation in early 2010.

The Pensions Trust will continue to campaign for fairer levy treatment for our own employers.



Details about the PPF have been provided in previous issues of the Pensions Bulletin and associated Fact Sheets, which are available on our website.

Regulator sets out flexible approach to scheme funding

The Pensions Regulator has outlined a number of ways that sponsors of defined benefit pension schemes can pay off their funding shortfall.

In a statement published this Summer, the Regulator provided details of various options for pension scheme trustees to consider where sponsoring employers are cash constrained in the short-term. Such options include:

- lengthening the period of time to pay off the funding shortfall;
- increasing payments in line with business plans; and
- making provision for payments to accelerate if the financial position of the employer improves.

As well as emphasising the flexibility of the current defined benefit funding regime in the current economic climate, the Regulator expects trustees to take a realistic approach to setting recovery plans. These plans should take into account the ability of the sponsoring employer to meet the agreed cash payments to the Scheme.

The Pensions Trust recognises, along with the Regulator, that we have experienced exceptional times over the past year. The Trust is therefore very mindful of considering the financial position and future prospects of each specific organisation when consulting with sponsoring employers about recovery plans.

In summary, whilst the Trust always looks to set recovery plans in the interests of members' financial security, we are fully aware of the difficulties employers are facing at the current time.



The Regulator's full statement can be found at www.thepensionsregulator.gov.uk

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- name;
- employer name and number;
- postcode; and
- email address

to bulletin@thepensionstrust.org.uk

The Pensions Trust will be present at...

- ACEVO Annual Conference, 5 November 2009
- NHF Board Members' Exhibition, 5-7 February 2010
- CFDG Annual Conference, Spring 2010 (date to be confirmed)
- CIH Conference & Exhibition, 22-24 June 2010

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

Trust appoints new Head of Finance

The Pensions Trust is pleased to announce the appointment of Mike Scrowston as new Head of Finance. He is the most recent addition to the Trust's Senior Management Group (SMG).

Before joining the Trust, Mike held the position of Head of Finance at Scarborough Building Society. Mike had previously worked for the Norwich Union Life Group for 20 years in numerous roles which included Director of Corporate Finance and Director of Unit Pricing.

Mike has a degree in Economics from Hull University and is also a member of the Institute of Chartered Accountants in England and Wales. He replaces Mark Rogerson, who left the Trust earlier this year.



Further details about the Trust's SMG can be found on our website.

Growth Plan Series 4 - next chance to switch

Employers in The Pensions Trust's Growth Plan are reminded that the next chance to switch to Series 4 is 1 March 2010.

In order for the switch to happen on this date, you must send your organisation's Decision Form to the Trust by **10 February 2010**.

The Decision Form is available on our website via the following link and should be completed and sent to the Trust to formally record your organisation's decision, www.thepensiontrust.org.uk > Document Library > Scheme Literature > Growth Plan Series 4 > Consultation Documents.

In June 2008, we wrote to all employers who participate in Series 3 about the introduction of Series 4. We explained that employers can choose to continue with Series 3 or offer Series 4 for new contributions; an employer cannot offer both.

Queries about Series 4 can be sent to **GP4enquiries@thepensiontrust.org.uk**

Trust continues eBusiness roll out

The Pensions Trust is pleased to announce that our eBusiness system is now being made available to all 2,500 contributing organisations.

Roll out of eBusiness commenced in August 2009 to employers in the SFHA Pension Scheme. Further roll out of the system will see employers in the Social Housing Pension Scheme (SHPS) provided with access by the end of 2010. A phased project will provide access to all remaining employers.

This facility – which allows contributions and member data to be submitted over the internet to the Trust – was introduced three years ago as part of the launch of the Trust's Flexible Retirement Plan. All new organisations joining the Trust now use eBusiness from the outset.

The system is delivering a significant improvement in the quality of information held by the Trust, and the use of data encryption ensures a high level of security. The system, whilst also improving overall governance, is helping to deliver secure, efficient and cost-effective administration of member benefits.

All employers will be contacted in advance of being invited to use eBusiness. The Trust will also provide appropriate support to ensure a smooth transition from previous means of submitting data.

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

*Email your enquiries to **bulletin@thepensiontrust.org.uk***