

Pensions law – the week in review

26 January 2009

AT A GLANCE

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BOARD FOR ACTUARIAL STANDARDS

- Statutory Money Purchase Illustrations - New version of TM1 published

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- Pension Provision and the Economic Crisis: New survey from the NAPF

1 LEGISLATION

1.1 Explanatory notes to the Pensions Act 2008

We reported in an earlier edition of 7 Days that the Pensions Act 2008 (the Act) had received Royal Assent on 26 November 2008.¹ To accompany the Act, the Office of Public Sector Information has today published a set of explanatory notes prepared by the Department for Work and Pensions, which are designed “to assist the reader in understanding the Act”.

The notes are intended to be read in conjunction with the Act. However, it should be noted that they do not form part of the Act itself and have not been endorsed by Parliament.

To view the explanatory notes, please click on the link below:

http://www.opsi.gov.uk/acts/acts2008/en/ukpgaen_20080030_en.pdf

¹ See 7 Days dated 1 December 2008

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2 BOARD FOR ACTUARIAL STANDARDS (BAS)

2.1 Statutory Money Purchase Illustrations - New version of TM1 published

Since 6 April 2003, it has been a legal requirement to provide members of certain money purchase pension arrangements with Statutory Money Purchase Illustrations (SMPIs)². SMPIs are produced in accordance with Technical Memorandum 1 (TM1), which is issued (and regularly reviewed) by the BAS.

TM1 has now been updated (following a fast-track consultation in December 2008³) to reflect changes to legislation, including the planned abolition of contracting-out on a money purchase basis and the revised method for calculating contracting-out rebates of National Insurance contributions (due to come into force from 6 April 2009).

The BAS intends to carry out a more general review of TM1 over the coming year.

To view the BAS' press release and revised TM1, please click on the links below:

Press Release: <http://www.frc.org.uk/bas/press/pub1870.html>

TM1: http://www.frc.org.uk/documents/pagemanager/bas/Guidance_Notes/TM1%20v1.3.pdf

3 NATIONAL ASSOCIATION OF PENSION FUNDS (NAPF)

3.1 Pension Provision and the Economic Crisis: New survey from the NAPF

The latest NAPF survey on "Pension Provision and the Economic Crisis" (which has been widely reported in the press), was published on 23 January 2009.

Earlier this month, the NAPF distributed a questionnaire asking its member pension schemes for their opinions as to how the financial crisis would affect pension provision in their own schemes, as well as more

² For more information, see our Sackers Extra News: Statutory Money Purchase Illustrations – impact on occupational pension schemes dated March 2003 (available from the client area of our website or your usual Sackers contact)

³ See 7 Days dated 8 December 2008 for details of the TM1 consultation

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generally across the UK. The questions repeated a number of those which were asked as part of the NAPF Annual Survey 2008⁴, to enable comparisons to be made to changes in the pensions outlook since July 2008.

While there have been significant moves away from defined benefit (DB) pension saving over the last decade, according to the NAPF almost 3 million people are still saving in an occupational DB arrangement.

The survey looks at the economic crisis from the perspective of both employers and employees. Its findings include:

- Employer:
 - half as many employers as in July 2008 predict “no changes” for existing members of open private sector DB schemes; and
 - 33% of respondents with DB schemes currently open to existing members only (and closed to future accrual) considered there would be no changes to their closed scheme - this compares with 50% of respondents to the July 2008 survey.

- Employee:
 - following improvement in the levels of overall employee confidence in workplace pensions between February and September 2008, employee sentiment dipped significantly after the market turmoil in the fourth quarter of 2008, leading to an overall 1% confidence rating among employees; and
 - however, according to the survey, individuals do not plan to make changes to their pension arrangements and 7% plan to increase the level of contributions they pay.

⁴ Available to order from the NAPF: <http://www.napf.co.uk/Publications/researchreports.cfm>

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The survey also incorporates an action plan for the Government, regulators and the industry, which seeks to:

- enhance member security and build confidence;
- improve cost effectiveness of pension schemes;
- ease the pressures on scheme sponsors; and
- help schemes manage their liabilities and their deficits.

To view the NAPF's press release and survey, please click on the links below:

[NAPF Press Release](#)

[Survey: Pension Provision and The Economic Crisis](#)



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