

16 February 2012

Report highlights the importance of making all the right pension choices

Research for the National Association of Pension Funds (NAPF) carried out by the Pensions Policy Institute (PPI) [warns](#) that accepting high pension charges and then choosing the wrong annuity could leave an individual with the prospect of either later retirement or a substantially lower retirement income.

While starting saving early, paying higher contributions and working longer should all enhance the prospects of a comfortable retirement, the PPI report argues that the failure of employers to negotiate the more competitively available pension charge rates and of employees to shop around for the best annuity deal can substantially reduce retirement income as well.

To put this into context the NAPF claims that, to get the same level of pension, uncompetitive pension charges could delay an individual's retirement by three years and not choosing the most competitive annuity at retirement could mean an individual has to retire two years later.

Auto-enrolment – updated guidance from the Pensions Regulator and Government

The Pensions Regulator has [updated](#) its “[detailed guidance](#)” on the auto-enrolment reforms. The guidance is aimed at larger employers and their advisers.

The main changes from last July's version reflect Pensions Act 2011 measures and also subsequent regulations.

New content includes material covering:

- postponement – the circumstances in which employers can postpone assessment and automatic enrolment of workers;
- DC certification – in light of consultation by the Department for Work and Pensions;
- the determination of whether a person is “ordinarily working” in the UK – including further examples for employers;

- contractual enrolment – including clarification around the use of salary sacrifice and flexible benefits arrangements, as a result of general feedback; and
- updated staging information in light of the Government’s announcement on 25 January 2012 (see [Pensions Bulletin 2012/04](#)).

The Regulator’s website has also been [updated](#) such that employers can now find out their indicative staging date following the Government’s announcement above on the revised staging profile for employers with fewer than 250 staff. The Regulator expects to update the guidance further once the Government has published draft regulations on the revised staging profile.

Separately, the Department for Work and Pensions has updated its own key facts [booklet](#) on auto-enrolment and the workplace pension reforms in general, aimed at both employers and employees.

Pension incentive exercises to be subject to actuarial professional standards

The Board for Actuarial Standards (BAS) has [announced](#) that it will consult on bringing actuarial work on pension incentive exercises into the scope of its technical actuarial standards (TASs). The consultation will also consider whether the TASs should include specific principles to be followed when providing actuarial advice on incentive exercises.

The consultation will explore whether, in conjunction with proposals by other parties, further measures should be taken to support the provision of better information, safeguards and outcomes for scheme members.

Comment

There is, as yet, no consultation paper so it is not clear precisely what the BAS has in mind. But this is an unsurprising move. The BAS made a statement that it had excluded liability management exercises from the scope of the Pensions TAS when it settled its contents in late 2010, but this may well have been driven by the need to settle the Pensions TAS around core activities of the pensions actuary. Now that its thoughts have moved on with the settling of the Transformations TAS, and given the continuing interest being shown in risk reduction, it seems highly appropriate that the BAS should be looking afresh at this area.

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LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions, investment, insurance and business analytics.

Lane Clark & Peacock LLP
London, UK
Tel: +44 (0)20 7439 2266
enquiries@lcp.uk.com

Lane Clark & Peacock LLP
Winchester, UK
Tel: +44 (0)1962 870060
enquiries@lcp.uk.com

Lane Clark & Peacock
Belgium CVBA
Brussels, Belgium
Tel: +32 (0)2 761 45 45
info@lcpbe.com

Lane Clark & Peacock
Ireland Limited
Dublin, Ireland
Tel: +353 (0)1 614 43 93
enquiries@lcpireland.com

Lane Clark & Peacock
Netherlands B.V.
Utrecht, Netherlands
Tel: +31 (0)30 256 76 30
info@lcpnl.com

LCP Libera AG
Zürich, Switzerland
Tel: +41 (0)43 817 73 00
info@libera.ch

LCP Libera AG
Basel, Switzerland
Tel: +41 (0)61 205 74 00
info@libera.ch

LCP Asalis AG
Zürich, Switzerland
Tel: +41 (0)43 344 42 10
info@asalis.ch

Lane Clark & Peacock UAE
Abu Dhabi, UAE
Tel: +971 (0)2 658 7671
info@lcpgcc.com

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