

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE - 07/06

1. Enhanced Protection (EP) – Lump Sum Death Benefit (LSDB)

The main points concerning the provision of LSDB for individuals who have elected EP are as follows: -

- EP will be lost if any new death benefit arrangement is established after 5 April 2006.
- Death benefit arrangements in force at 5 April 2006 can be continued; they can also be varied without immediate effect on EP.
- The amount of life cover in force at 5 April 2006 will be protected in the situation where an individual elects EP.

2. Internal Contracts/Risk Assessment

This will become increasingly high profile. The Pensions Regulator (TPR) guidelines are due shortly.

The aim is to

- Protect benefits under occupational schemes
- To reduce risk of situations which may lead to compensation payable from the Pension Protection Fund (PPF)
- To promote and to improve understanding of the good administration of work based pension schemes.

The code promotes a risk management framework when assessing the existence or adequacy of internal controls.

Trustees and managers should have a thorough understanding of the risks affecting the scheme.

Areas of risk will be:

- actuarial
- assets/investments
- regulation/legislation
- external factors e.g. interest rates, mortality
- member commutation/reputations

3. Conflicts of Interest

This is something we will probably have to face more and more.

The important areas to note are: -

- It appears to be more prevalent because:
 - deficits
 - the PR introducing robust discussions.
- Where a large Company actuary is involved and there is one actuary, the actuary will copy everything to the Trustees but not vice versa.
- Their alternatives are:-
 - two actuaries, same team
 - two actuaries completely separate teams.

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