

January has seen the appointment of another Secretary of State for Work and Pensions and turmoil in the financial markets; I however hope to catch your attention with -

Accounting for Pensions

<http://www.frc.org.uk/images/uploaded/documents/insidetrack/Inside%20Track%2054.pdf>

The conclusions of a long running research project on accounting for pension costs have just been published. The secondary link to the report, <http://www.frc.org.uk/asb/technical/projects/project0065.html>, interestingly features words “pro-active” and “accounting” in the title! We may therefore look forward to consideration of –

1. The allowance or otherwise for future salary increases.
2. Annual pension costs potentially taking account of what is actually paid.
3. Liabilities being valued at a risk free rate (gilts) rather than the current less onerous AA bond rate.
4. Changes in assets and liabilities being immediately recognised, with no US fudging “corridor” allowance.
5. The actual pension scheme investment return being reported as income (hence greater exposure of those “highly geared investment trusts” that have a manufacturing or air travel subsidiary!).

And just for good measure a challenge is thrown in for pension scheme accounts. The weakness is the lack of any assessment of future liabilities - a definite case of going forward by accounting only for the past. Images of driving whilst only looking out the back window come to mind! Consultation lasts until June, so no immediate change, but...

Damages

<http://www.bailii.org/cgi-bin/markup.cgi?doc=/ew/cases/EWCA/Civ/2008/5.html&query=Tameside+&+Glossop&method=all>

The above legal link will take you to a landmark decision in the Court of Appeal on compensation for the care needs of a small but needy group - the very seriously injured. Damages is a former “specialist subject” and it is always pleasing to read of another step forward in the area of focused and more sufficient compensation payments for those totally dependent on long term care 24, 7 (or when you think more about it 24, 365 and after mum and dad).

Before the turn of the century all compensation was in the form of a lump sum payment. Settlements were often £millions, however, whether this was sufficient or inadequate depended on many factors, not just longevity. Thankfully legislation in England, Wales and Northern Ireland now facilitates a much more sensible settlement regime of periodic payments (for as long as the injured individual lives). Prior to the above judgement annual increases to the periodic payments were however limited to retail price increases (RPI). Unsurprisingly RPI increases were inadequate in terms of covering increases in costs of care, principally the earnings of carers. The judgement allows indexation for future care costs to be linked to the Annual Survey of Hours and Earnings (ASHE). Common sense has prevailed. Time will tell if the judgement is influential in the smaller lump sum or Scottish court awards.

Helpful Checklists

<http://www.hmrc.gov.uk/pensionschemes/event-report.pdf>

<http://www.hmrc.gov.uk/pensionschemes/return-ops.pdf>

<http://www.hmrc.gov.uk/pensionschemes/return-non-ops.pdf>

It is a pleasure to pass on the above links. They are helpful and may save you time and money. The subject matter is Her Majesty's Revenue & Customs' (Inland Revenue to most of us) Event Report (tax return) and the Annual Scheme Return for the Pensions Regulator. The third, the non occupational schemes Return is included for completeness.

If your pension scheme administrator has just offered to complete the service for you and you are wondering about how reasonable the fee really is, why not have a browse and see –

- For the Event Report - just how many membership events and transactions are covered
- For the Annual Return – how much or little has changed in the last year since it was “populated”

And finally; As a members of Parliament settle for a 1.9% pay rise let's not forget their generous final salary pension benefits recently estimated to involve a 40% of payroll accounting cost. The trouble is we as tax payers have a terrible conflict of interest, we dare not suggest later retirement to reduce the costs!

As always, for further comment, assistance, advisory or trustee services, contact me on 07714 064964 or via allan@acmca.co.uk Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at www.acmca.co.uk