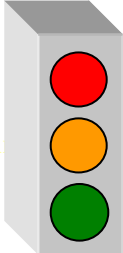


**Personal Accounts**

Personal Accounts (PAs) are the new pensions saving vehicle scheduled to be in place in 2012. We will however have the London Olympics to distract us! PAs, defined contribution or money purchase pots, will be an even more cost effective savings vehicle than Stakeholder Pensions! I however boldly suggest that it is not the savings vehicle that is important but the “auto enrolment” in PAs of the estimated 9m workers not currently in any occupational pension arrangement. The self employed will also be caught.

Workers will have to contribute 4% of earnings above the lower earnings limit. Tax relief of 1% will then be added with employers contributing 3%. Few employers will be looking forward to the prospect of such increased payroll costs. Crucially, workers will be auto enrolled unless they opt out. Some workers may not want to save for their retirement, some will not be able to afford it, however, my concern is for the group, perhaps 2m, where modest pension saving will simply lead to a loss of means tested benefits. Some low paid workers in existing pension arrangements may already be in this position. The provision of advice, guidance or information to prospective PA holders will be difficult. Employers certainly won't want to be giving advice, despite their financial interest! The best illustration I have seen so far involves traffic lights.

	Shouldn't enrol. Typically low earning, single, 50+, living in rented accommodation
	Maybe. Middle aged, has an earning partner, average earnings
	Join up. Aged 25, has prospects, doubts what benefits will be available in 2055.

Housing benefits, or more precisely the potential loss of such benefits, is a crucial differentiating factor. As an employer or adviser, do you have the data base from which such considerations could even start? A lot of work will have to be done by the Department of Work and Pensions, the PA Delivery Authority, the Pensions Regulator, existing advisers and employers. Are you ready? Lots of [background](#) available via TPAS.

**Insolvency**

A “SIP” was recently issued, not the normal pensions Statement of Investment Principles but a Statement of Insolvency Practice, #16 to be precise. SIP 16 provides [guidance](#) to licensed Insolvency Practitioners (IPs) in respect of “pre-packaged” sales in administrations.

A “pre-pack” is an arrangement under which the sale of part or all of a company’s business or assets is negotiated with a purchaser prior to the formal insolvency event and the sale takes place immediately or shortly after the IP’s appointment. Some previous pre-packs have been viewed as a bit of a stitch up, but in any case the perceptions can be as damaging as any underlying truth. There is legal authority for such deals but careful preparation is necessary for example in ensuring that the interests and conflicts of directors, shareholders and secured and unsecured creditors are all addressed.

With pension deficits becoming even bigger in monetary terms and more significant in company survival, there is an increasing likelihood of pension scheme trustees and advisers becoming involved with IPs. It is inconceivable that any pension debt would be compromised without the involvement and assistance of the Pensions Regulator. Trustees and their advisers may however be constrained by their Trust Deed & Rules. Scheme advisers will have to be very careful about who their client is! The specialist and experienced advice of an IP may be very useful. SIP16 will be just a small step toward greater transparency and accountability.

**And finally;** “Actuarial tables updated after 32 years”. Not actuaries belatedly recognising improving life expectancy but Statutory Instrument 2008/3162 coming into force on 1<sup>st</sup> February for England & Wales. The tables in question relate to the capitalisation of a surviving spouse or civil partner’s interest when someone dies intestate (without leaving a will). Any embarrassment at the long delay in revision will be tempered by the fact that the increased longevity is offset by reduced interest rates!

*As always, for further comment, assistance, advisory or trustee services, contact me on 07714 064964 or via [allan@acmca.co.uk](mailto: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](http://www.acmca.co.uk)*