Pensions Update

Scheme valuation
Every three years, the Scheme undergoes a fundamental review of the relationship between its assets and liabilities and the assumptions that are used to determine the cost of pension benefits.

The exercise, known as a triennial valuation, was undertaken as at 31 December 2010 and was the second to be carried out under the scheme specific funding requirements of the Pensions Act 2004.

The valuation assumptions were recently agreed by the Trustees and MRC, as principal sponsoring employer, and the finalised report is now available on the member website and the portal.

The 2010 valuation showed the Scheme to have a healthy funding position with assets exceeding liabilities by over £80 million.

A funding statement, summarising the overall financial position of the Scheme as at 31 December 2010, will be sent to all members on 10 February.

Scheme funding
The MRC Scheme has not been immune to the volatility in global markets that beset UK pension funds throughout 2011. Although the Scheme continues to be able to pay benefits as they fall due, the Trustees and MRC will continue to work together to monitor the funding position and an interim funding assessment will be carried out as at 31 December 2011.

The Trustees will provide a funding and investment update as part of their annual report that is sent to all members each September.

As a consequence of the valuation results, MRC has agreed to increase the amount it contributes to the Scheme from 11% to 13% of total salary with effect from 1 April 2012. The other participating employers will contribute at a rate of 14.9%.

There is no change to the amount that members are required to contribute to the Scheme.

The Trustees also pay an annual subscription to the Pension Protection Fund (PPF). In doing so, members have the security afforded by the PPF in addition to the financial commitment of MRC as principal sponsoring employer.
Changes to the Lifetime Allowance (LTA)
The Government has confirmed that the LTA, which was introduced in 2006 and applies to all pension benefits in aggregate except State pensions, will reduce from £1.8m to £1.5m from 6 April 2012.

When this change comes into force, it will mean that the maximum total pension on retirement will reduce from £90,000 pa to £75,000 pa.

Those who applied for and were granted primary or enhanced protection prior to April 2009 will continue to receive those protections.

A new fixed protection for individuals with benefits in excess of £1.5m is available. In exchange for a fixed LTA of £1.8m, members will be required to cease making further pension provision and opt out of any pension scheme to which they belong. The election under this arrangement must be made by 5 April 2012.

If you think this new limit will affect you, you should seek independent financial advice in order to act before the end of this tax year.

New tax limits on pension contributions
As advised previously, new tax limits on pension contributions came into effect from April 2011. This change could have tax implications for some members as a result of promotion, redundancy or ill health retirement and it is important that all Scheme members are aware of the new £50,000 tax limit on pension contributions.

A frequently asked question sheet, including examples of how the new limits will work in practice, is available on the portal and the member website at www.mrcps.co.uk using scheme identification code 672785.

Annual benefit statements
Annual pension statements will be issued in May this year. The statements will be based on membership and data held by MNPA as at 31 March and will include additional information relating to the new tax limits on pension contributions.

Annual report and accounts
The Scheme accounts for 2011 are in the process of being drafted by MNPA for audit by PwC in April. The audited accounts will be presented to the Trustees for approval when they meet on 27 June. A copy of the audited accounts will be available from the portal and member website by 27 July.

Expression of wish
Keeping the Trustees informed of your wishes regarding those you would want to receive the tax-free lump sum death benefit payable under the Scheme is very important.

Members are reminded to complete a form, which can be downloaded from the member website or the portal, and to update the nomination should your personal circumstances change.

Jim Clerkin FPMI
Pensions Manager & Secretary to the Trustees