

03 September 2012

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SO7

Abbreviations commonly used in 7 Days

Alert/News: Sackers Extra publications (available from the client area of our website or from your usual contact)

DB: Defined benefit

DC: Defined contribution

DWP: Department for Work and Pensions

ECJ: European Court of Justice

FAS: Financial Assistance Scheme

GMP: Guaranteed Minimum Pension

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

Working Paper 21: Identification and Assessment of Publicly Available Data Sources to Calculate Indicators of Private Pensions

The OECD has published a [working paper](#) that provides an assessment of the data available to estimate pension coverage, contributions and benefits in private pensions.

The authors note that, due to the growing importance of private and funded pension provision and the sensitivity of private pension provision to the economic climate, there is an increasing need for comparable and reliable information on private pensions to enable better monitoring of adequate retirement income and the role that private pension provision plays in this regard. The paper discusses ways in which the available data can be used, with a view to informing policy discussions on the role of private pensions in providing adequate retirement benefits.

The paper covers all 27 EU Member States and selected non-EU countries.

Working Paper 22: Financial education, savings and investments

The OECD has also published a [working paper](#) which looks at the factors that influence saving across different countries and discusses why and how people save, as well as the barriers to saving.

While the emphasis in this paper is on non-pension savings, there is some overlap with pension saving issues and the extent to which governments prioritise support for pension saving over other forms of saving and investment.

PENSION PROTECTION FUND

New template for FAS valuations

On 31 August 2012, the PPF (which is responsible for administering FAS) issued a new version of the template to be used for FAS "Regulation 22¹ valuations" ([version T4](#)). It also issued an updated version of the guide to filling in the validation template ([version GT5](#)).

A valuation under Regulation 22 is used to determine the asset shares of eligible beneficiaries of pension schemes whose assets are transferred to government under the FAS rules. The asset shares are used to determine, based on standard assumptions, whether beneficiaries would have received more than standard FAS assistance had an annuity been purchased with their share of scheme assets. The validation template is

¹ The Financial Assistance Scheme Regulations 2005 [SI 2005/1986]

required to be submitted to the PPF in order for the PPF to validate the valuation results. The guide provides details about how to complete the template.

The new versions have been released to reflect feedback gathered from valuation actuaries during the feedback project recently carried out by the PPF. The T4 version should be used for new Regulation 22 valuations, unless a draft has already been submitted using the earlier version or significant progress has been made in completing a previous version.

CASES

NASUWT Managed Pension Plan (PPF Ombudsman)

The Deputy PPF Ombudsman considered whether the risk-based levy for the NASUWT Managed Pension Plan (the "Plan") for the period 1 April 2009 to 31 March 2010 should have been calculated on the basis that the Plan benefited from a Type B(ii) contingent asset (real estate).

Background

In order to reduce the risk-based part of the pension protection levy, it is possible for occupational DB pension schemes to put in place contingent assets, such as parent company guarantees. To be recognised by the PPF for this purpose, contingent assets must meet certain requirements. These are set out in the PPF's contingent asset documentation, which comprises guidance and standard forms.

On 30 March 2009, the trustees of the Plan submitted certification of a Type B(ii) contingent asset which included the valuation of a property (the "Conference Centre") and a formal legal opinion in relation to the contingent asset.

On 19 October 2009, the PPF wrote to the trustees, stating that the Plan had not satisfied the PPF's requirements for recognition of the contingent asset because the property had been valued incorrectly and the qualifications to the legal opinion were inconsistent with the opinion given.

Following receipt of its levy invoice, the trustees applied to the PPF for a review of the levies.

The PPF reviewed their decision but upheld their calculation. They considered that the Plan's levy invoice had been calculated correctly in accordance with the terms of the PPF Determination for 2009/10.

Referral to PPF Ombudsman

The matter was referred to the Deputy PPF Ombudsman for her to determine whether the PPF had reached its decision correctly.

In the Deputy Ombudsman's opinion, the PPF's contingent asset guidance did not make clear how it required the property to be valued. This made their reasons for refusing to recognise the asset unclear and meant she could not be certain that the PPF had taken all relevant and no irrelevant matters into account in making its decision. The Deputy Ombudsman therefore concluded that the matter should be remitted to the PPF for reconsideration.

Secondly, the Deputy Ombudsman considered that the PPF's conclusion on the legal opinion had been affected by its decision on the valuation. The PPF should therefore also reconsider the legal opinion once it has reconsidered the valuation.

Finally, the Deputy Ombudsman noted that the PPF had sought to introduce new arguments during the course of the investigation, in particular about the scope of the valuation and additional concerns about the legal opinion letter. In her opinion, this indicated that not all relevant matters were considered at the appropriate stage by the PPF.

Determination

The Deputy Ombudsman decided that the Reconsideration Committee's decision had not been reached correctly. The Deputy Ombudsman therefore sent the matter back to the PPF, with the direction that it should revoke its original decision and replace the Committee's decision with a new decision when it has taken all relevant matters into account.

Comment

It will be interesting to see whether the PPF will now reach a different conclusion on this contingent asset and whether the contingent assets guidance will be revised in the light of the Deputy Ombudsman's comments.