Sackers extra

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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)
BIS: Department for Business, Innovation and Skills
DB: Defined benefit
DC: Defined contribution
CLG: Department for Communities and Local Government
DWP: Department for Work and Pensions
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

ACTUARIAL PROFESSION

Conflicts of interest: New policy proposals

The Actuarial Profession has today (10 October 2011) launched a consultation, setting out a package of proposals designed to address members' call for further guidance and respond to specific concerns regarding conflicts of interest arising in the context of the work of pension scheme actuaries. The Profession aims to develop proposals which are fundamentally principles-based and which are clear, proportionate and properly targeted at addressing the issues and concerns which have been raised.

At Appendix 6 to the consultation paper is a draft guide for pension scheme trustees, setting out the Actuarial Profession's view of good practice in relation to conflicts of interest that might arise for Scheme Actuaries and how Scheme Actuaries should manage those conflicts.

The consultation closes on 10 December 2011. If approved, the proposals are expected to come into force from April 2012.

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Local Government Pension Scheme (LGPS): Consultation

On 7 October 2011, the CLG published a statutory consultation proposing changes to local government pensions which aim to deliver fair cost savings.

The consultation paper sets out the Government's draft proposals to achieve short-term savings of £900million within the LGPS by 2014-15, equivalent to the 3.2 percentage point contribution increases in the unfunded public service pension schemes.

The consultation closes on 6 January 2012. However, to assist the Department's considerations, anyone wishing to submit alternative proposals is asked to do so by 28 October 2011 and to submit any specific costed options by 25 November 2011, to allow an opportunity for discussion and appraisal.

CLG Press Release

DEPARTMENT FOR WORK AND PENSIONS

Later Life Newsletter No. 28

The DWP has published its latest "Later Life Newsletter". This edition focuses on the Age Action Alliance - an independent alliance of organisations – which aims to find practical means to establish social justice for older people.

This national initiative is supported by Boots UK and the Centre for Social Justice, various Government Departments (including the DWP and BIS), and a number of charities which work to help older people in various ways. The Alliance partners intend to work together to improve the lives of the most disadvantaged older people, prevent deprivation in later life and challenge age discrimination.

FINANCIAL SERVICES AUTHORITY

Eligibility to the FSCS extended for certain corporate trustees

The FSA has made changes to its Handbook of Rules and Guidance which, with effect from 1 October 2011, will allow certain corporate trustees of Occupational Pension Schemes to make a claim on the Financial Services Compensation Scheme (FSCS) if a life insurer fails.

These changes follow a consultation on miscellaneous amendments to the FSA Handbook which was launched in June 2011 (see 7 Days dated 6 June 2011).

From 1 October 2011, the Compensation Sourcebook (COMP) (Occupational Pension Scheme Trustees) Instrument 2011 amends COMP with the effect that, should a life insurer fail, the FSCS can protect consumers who are members of occupational pension schemes, regardless of the scheme structure which the employer has chosen to adopt. The instrument enables corporate trustees of occupational pension schemes to make claims to the FSCS in relation to a life insurance policy of an insurer in the same group, where the sponsoring employer is a "large" employer.

Previously, where the employer was a large employer, FSCS protection depended on whether the trustee was a corporate trustee in the same group as the life insurer that issued the policies held by the trustees. The changes now in force have rectified this anomaly.

FSA Handbook Notice 113

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

Pension fund use of alternative investments and derivatives

IOPS has published Working Paper No. 13: "Pension Fund Use of Alternative Investments and Derivatives: Regulation, Industry Practice and Implementation Issues".

As the Paper's authors note, in recent years many pension schemes have increasingly invested in alternative investment categories and complex products. Subsequently, however, the financial and economic crisis has heightened the concern of pension regulatory and supervisory authorities regarding pension funds' use of alternative investments and derivatives.

IOPS, together with the Organisation for Economic Cooperation and Development (OECD), has conducted a survey across the IOPS and OECD member base to evaluate pension funds' exposure to alternative investments and derivatives. The information gathered from the survey and discussed in this Working Paper, provides an indication of pension scheme practices with respect to these investments and establishes whether the IOPS "Good Practices in the Risk Management of Alternative Investments by Pension Funds" are being implemented.

Among other things, the Working Paper looks at:

- existing regulation which is designed to manage the potential risk exposures that alternative investments and derivatives present;
- implementation issues faced by a number of pension schemes in attempting to implement their investment strategies with the inclusion of alternative and derivative instruments;
- the potential risks that pension funds face when investing in alternative investments and derivatives; and
- current risk management practices observed by pension funds in managing these risk exposures.

NATIONAL ASSOCIATION OF PENSION FUNDS

Quantitative Easing: TPR called upon for emergency meeting

Following the recent announcement by the Bank of England that it would introduce a second round of quantitative easing, pension funds have called for an emergency meeting with TPR to discuss ways of protecting UK pensions from the negative effects of the process.

Joanne Segars, Chief Executive at the National Association of Pension Funds (NAPF), said that "A strong and growing economy is essential for the long-term sustainability of UK pensions. Quantitative Easing is a price worth paying, but only if it is successful in delivering the growth that businesses and pension funds need. But this measure has adverse consequences for pension funds in the short-term. Quantitative Easing makes it more expensive for employers to provide pensions, and will weaken the funding of schemes as their deficits increase. All this will put additional pressure on employers at a time when they are facing a bleak economic situation."

Segars explains that the NAPF has written to TPR to request a meeting to discuss the implications of Quantitative Easing on pension funds and what can be done to protect them and added that: "It is crucial that the Pensions Regulator takes into account the negative impact of Quantitative Easing on pension schemes. Lower interest rates will increase pension deficits, making them look artificially large. This is even more worrying as the Bank of England is intending to extend its gilt purchases into longer term maturities, which will have a larger impact on pension fund deficits."

NAPF Press Release

PENSION PROTECTION FUND

PPF Bulletin: Issue 9

The PPF has published issue 9 of its regular bulletin. This edition concentrates on the proposed changes to the Pension Protection Levy for 2012/13, setting out the developments that are in the pipeline and the likely impact for pension schemes. It also points out some key areas of focus for trustees and their advisers to ensure that they are charged the right amount.

Further information on the PPF's consultation on the pension protection levy can be found in 7 Days dated 26 September 2011.

Valuation summary templates revised

The PPF has announced that it has revised its valuation summary templates following feedback from the recent Assess & Pay pilot project, which is designed to speed up the process of winding-up schemes in assessment.

The PPF is keen to highlight the optional paragraphs included in the templates, which need to be adapted to include specific information relating to each scheme.