Sackers extra

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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
FSA: Financial Services Authority
GMP: Guaranteed Minimum Pension
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

LEGISLATION

The Occupational and Personal Pension Schemes (Prescribed Bodies) Regulations 2012

These regulations, which come into force on 9 August 2012, update references to the prescribed body in a number of occupational and personal pension schemes regulations as a consequence of the dissolution of the Board for Actuarial Standards (a former operating body of the Financial Reporting Council), and the Financial Reporting Council becoming directly responsible for issuing and maintaining technical actuarial standards and related functions.

Explanatory memorandum

The Employers' Duties (Implementation) (Amendment) Regulations 2012

These regulations, which come into force on 1 October 2012, amend the Employers' Duties (Implementation) Regulations 2010 so that employers with fewer than 50 workers are not subject to the duties in the Pensions Act 2008 to automatically enrol qualifying workers into a workplace pension until June 2015 at the earliest.

For further details, see paragraph below, "Revised implementation proposals for workplace pension reform".

Explanatory memorandum

The Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations 2012

These regulations, which come into force on 1 October 2012, bring the Occupational Pension Schemes (Disclosure of Information) Regulations into line with the requirements of the workplace pension reforms and specifically the requirement of automatic enrolment. They cover the timescales for basic scheme information to be issued to jobholders and make a minor amendment to the information which should be included in the basic scheme information in relation to the ways that a member can be admitted to a scheme.

For further details, please see paragraph below, "Disclosure: Response to consultation on draft regulations".

Explanatory memorandum

The Pensions Schemes (Application of UK Provisions to Relevant Non-UK Schemes) (Amendment) Regulations 2012

The Finance Act 2011 ("FA11") amended the Finance Act 2004 to remove the restrictions on paying lump sums and drawdown pensions that previously applied from the age of 75. Further reforms permit an individual, with a minimum secure pension income of at least £20,000 a year, to draw unlimited amounts from their drawdown pension fund (known as "flexible drawdown"), if certain conditions are met.

These regulations, which come into force on 1 August 2012, aim to ensure that the FA11 reforms work properly in connection with members of foreign pension schemes which contain funds that have received UK tax relief. These changes have retrospective effect to 6 April 2011 (when the FA11 reforms came into force).

Explanatory memorandum

DEPARTMENT FOR WORK AND PENSIONS

Revised implementation proposals for workplace pension reform

On 23 March 2012, the DWP published a consultation which sought views on changes to the automatic enrolment implementation timetable for employers with less than 250 workers in their PAYE scheme and to the arrangements for phasing in minimum contributions affecting all employers.

The DWP issued its response to this consultation on 13 July 2012.

As a result of the consultation, the DWP has amended the description of small employers by removing the full time equivalent provision. These employers will now be required to establish the number of workers in their PAYE scheme as at 1 April 2012, rather than the number of full time equivalent workers they employ at that time. This change aims to allow genuine small employers who share a PAYE scheme with a larger employer, and who cannot be separately identified in PAYE data, to move their staging date to another designated staging date in the next Parliament. It will also allow any employer whose PAYE scheme contains 50 or more persons, rather than workers, to similarly move their staging date.

In addition, the first transitional period for DC schemes has been extended to ensure that all existing employers are staged in before the minimum one per cent employer contribution increases to two per cent. To provide parity for employers using DB or hybrid schemes, the transitional period for DB or hybrid schemes has also been extended and aligned.[1]

Ministerial statement on state pension reform

In the Budget 2012[2], the Chancellor confirmed that a new flat rate state pension will be introduced in the next Parliament and that the Government will introduce a mechanism to allow future increases in state pension age to take account changes in longevity.

On 12 July 2012, Steve Webb, the Minister for Pensions issued a written ministerial statement to inform Parliament about the progress the Government is making with its plans for state pensions reform.

[1] Please see our News: "On your marks: Will your scheme qualify for auto-enrolment" dated March 2012

[2] Please see our Alert: "Budget 2012: the pensions story" dated 22 March 2012

Steve Webb explained that the DWP is still working on the details of the changes and will publish further information on both the single tier reform and the State Pension age review mechanism in a white paper in the autumn.

Disclosure: Response to consultation on draft regulations

On 12 July 2012, the DWP issued its response to the consultation on the draft Occupational Pension Schemes (Disclosure of Information) (Amendment) regulations 2012.

The consultation sought views and evidence on proposals to ensure that disclosure requirements for occupational schemes dovetail with the automatic enrolment provisions to be introduced in October 2012. The amendments have two purposes:

- to provide for a one month timescale for pension schemes to issue basic scheme information to jobholders, ensuring that prospective and new members of occupational pension schemes receive basic scheme information before the end of the automatic enrolment opt-out period, as far as this is possible; and
- to ensure that disclosure regulations relating to the contents of basic scheme information cover the full range of scenarios by which workers may join or be enrolled into occupational schemes.

NATIONAL AUDIT OFFICE (NAO)

Report on regulating DC pension schemes

On 11 July 2012, the NAO published a report on the regulation of DC pensions (with TPR publishing its response on the same day).

The report concluded that there is insufficient accountability to ensure that the regulatory system delivers value for money. It made the following recommendations:

- TPR should:
  - develop new approaches to specifically address those segments of the market it finds more difficult to reach;
  - in due course, conduct an independent, comprehensive review of capabilities to examine what skills it may need to meet its objectives;
  - strengthen its framework for measuring performance.
- the DWP and the Treasury should work with TPR and the FSA to:
  - establish overarching objectives for the regulation of DC pensions;
  - develop a more integrated evidence based framework for assessing risks to member outcomes; and
- TPR, the DWP and the FSA should develop an integrated framework for measuring performance against objectives across the whole regulatory system.

SOCIETY OF PENSION CONSULTANTS (SPC)

White Paper: Vision 2020

SPC has launched its Vision 2020 White Paper which examines the implications of the shift of DB pension fund investment from equities to less volatile investments.

THE PENSIONS REGULATOR

GP Noble investigation details revealed

In July 2008, TPR and the PPF became concerned about GP Noble Trustee's (GPNT) investments of pension scheme assets. The central feature was the disinvestment of £52 million of assets belonging to nine pension schemes overseen by GPNT.

TPR suspended GPNT and trustee Graham Pitcher and appointed an independent trustee to administer the nine schemes. It also reported its concerns to the Serious Fraud Office (SFO), which initiated an investigation.

The appointed trustee, working with their legal advisers, undertook to recover the funds via the civil courts. So far £36m has been recouped, with further action ongoing. GPNT, Graham Pitcher and Gary Cordell were subsequently prohibited by TPR's Determination Panel from acting as trustees of trust schemes in general.

Following the outcome of the latest criminal prosecution by the SFO, TPR has published a report detailing the action it took in this case, together with the Panel's determinations.

Press release

Updated guidance on multi-employer schemes and employer departures

On 16 July 2012, TPR published revised guidance on multi-employer schemes and employer departures.

The guidance includes updates on the amendments to the Occupational Pension Scheme (Employer Debt) Regulations 2005 which came into force on 27 January 2012. These include:

- the introduction of flexible apportionment arrangements[3] (which allow an employer to depart from a multi-employer scheme without triggering a section 75 debt); and
- changes to the "period of grace" conditions.

Also included is further guidance on the factors trustees should take into account when assessing who is responsible for supporting their multi-employer scheme, including the potential implications of recent court cases.

[3] Please see our Alert: "Flexible Apportionment Arrangements" dated 16 December 2011