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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

FAS: Financial Assistance Scheme

HMRC: HM Revenue & Customs

PPF: Pension Protection Fund

TPR: The Pensions Regulator

Legislation

The Registered Pension Schemes (Modification of the Rules of Existing Schemes) Regulations 2009 (the Regulations)

First announced in December 2006, HMRC have finally laid the [Registered Pension Schemes \(Modification of the Rules of Existing Schemes\) Regulations 2009](#) to deal with the difficulty faced by those pension schemes whose rules contain a condition that no amendment to the rules may be made unless “approved” by HMRC.

As “approval” is now an obsolete process, new provisions will provide an override to any provision in scheme rules that makes alteration of those rules subject to HMRC approval.

The regulations will apply to former approved schemes, including both occupational schemes and personal pension schemes.

For more information about their effect, please see the [Explanatory Memorandum](#) published with the Regulations.

Accounting Standards

Proposals for a future financial reporting standard on pensions

The Accounting Standards Board (ASB) has issued a report, “[The Financial reporting of pensions: Feedback and Redeliberations](#)”, with the aim of providing recommendations to the International Accounting Standards Board (IASB), on matters it might consider in developing a future financial reporting standard on pensions.

The report follows the ASB’s January 2008 discussion paper on “The Financial Reporting of Pensions” and sets out the ASB’s “redeliberations and recommendations” in the light of comments received during the consultation process.

The report broadly affirms the views set out in the earlier discussion paper, while acknowledging that a number of them “cover difficult issues and are controversial”.

One such example relates to the measurement of liabilities, for which the ASB affirms that the discount rate used should reflect the time value of money, and therefore should be a risk-free rate. The ASB has also reiterated its view that “it is not possible to make a reliable estimate of the risk arising from the size and variability of the liability to pay pension benefits. In its view users of financial statements are better served by disclosures regarding the risk rather than through adjustment of the underlying liability.”

[ASB Press Release](#)

Association of British Insurers (ABI)

SIPP Good Practice Guide published

The ABI, together with the Association of Member Directed Pension Schemes, has launched a new [good practice guide](#) aimed at the providers of Self Invested Personal Pension Schemes (SIPPs).

The guidance gives examples of best practice in writing customer and adviser literature, to ensure that the types of SIPP, their features and their charging structures are described clearly and accurately.

[ABI Press Release](#)

European Union (EU)

EU Council adopts Solvency II

The EU Council has adopted a [Directive](#) setting out new solvency rules for insurance companies, known as the “Solvency II” Directive. The Directive has been introduced to reflect the latest developments in prudential supervision, actuarial science and risk management and to allow for updates in the future.

The Directive is aimed at strengthening the supervision of insurance companies and prudential regulation. It also establishes a new framework for EU regulation, bringing fourteen existing insurance directives into a single text.

The new rules are designed to:

- increase the integration of the EU insurance market;
- strengthen protection of policyholders and beneficiaries;
- enhance the competitiveness of EU insurers and re-insurers; and
- encourage improved legislation in this sector.

The Directive was approved by the European Parliament in April 2009. However, while the Parliament accepted that the Directive should not change the legal framework for occupational pension schemes, recital 138 of the Directive states that the Commission (in conjunction with the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS)) should:

“develop a proper system of solvency rules concerning institutions for occupational retirement provision, whilst fully reflecting the essential distinctiveness of insurance and, therefore, should not prejudge the application of this Directive to be imposed upon those institutions.”

The impact of the new Directive on occupational pension schemes therefore remains to be seen.

[EU Council Press Release](#)

HM Revenue & Customs

Accounting for Tax (AFT) return guidance updated

HMRC has published [updated guidance](#) for Pension Scheme Administrators and Practitioners who complete AFT returns on behalf of registered pension schemes.

Institutional Shareholders' Committee (ISC)

Code on the Responsibilities of Institutional Investors

As part of the ISC's continuing efforts to help investors become more effective in dealing with the companies in which they invest, it has now published a new [code of responsibility](#) for investors.

The code sets out best practice with regard to monitoring companies, dialogue with company boards and voting at general meetings. It also sets new standards for disclosure and verification.

The code is voluntary, and operates on a "comply-or-explain" basis. Firms which do comply or explain against the code and provide a link to their policy statement will be listed on the ISC website. It is the ISC's intention that this list will become an important tool for pension scheme trustees, helping them assess different managers' approaches to engagement.

[ISC Press Release](#)

Pension Protection Fund (PPF)

Financial Assistance Scheme statistics

The PPF has published [key FAS statistics](#) as at the end of October 2009. These show that 10 new schemes qualified for FAS in October and that the total number of schemes which have qualified for FAS now stands at 903.

To date, 13,717 pension scheme members have received benefits from FAS.