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At a glance

ASSOCIATION OF BRITISH INSURERS

- ABI announces action plan on clearer pension charges and costs

BANK OF ENGLAND

- Report on quantitative easing

DEPARTMENT FOR WORK AND PENSIONS

- DWP data reveals significant variation in pension payments

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY

- Annual report 2011

PENSION PROTECTION FUND

- New non-executive board member appointed

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

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

ASSOCIATION OF BRITISH INSURERS (ABI)**ABI announces action plan on clearer pension charges and costs**

The ABI has written an open [letter](#) to TPR and the Financial Conduct Unit of the FSA setting out an action plan for clearer pension charges and costs. The ABI hopes that its move will help to improve transparency across the whole of the pensions industry and raise consumer confidence ahead of the introduction of auto-enrolment from this October.

The letter sets out a number of priorities for action towards developing an industry protocol by the end of the year that are designed to ensure:

- consistent and simple disclosures of charges to employees across contract and trust-based pension schemes;
- transaction costs, such as broking fees, are made available to employees in all contract and trust-based schemes;
- all employees receive regular, clear and meaningful information on charges and transaction costs as their funds build up; and
- existing workplace pension schemes provide employees with clear and comprehensive information on their charges.

[ABI Press Release](#)

BANK OF ENGLAND**Report on quantitative easing**

On 23 August 2012, the Bank of England published a [paper](#) in which it sets out an initial analysis of the distributional effects of its asset purchase programme (quantitative easing or "QE"). The paper forms part of the Bank's response to a request by the Treasury Committee for the Bank to explain the costs and benefits of its policy actions, in particular to groups that are perceived as having been negatively affected.

In terms of occupational pensions, the Bank notes that QE has "a broadly neutral impact on a fully funded [DB] scheme" and that the pension incomes of people coming up to retirement in a DB scheme, whether fully funded or not, will have been unaffected by QE. However, it goes on to say that "schemes that were already in substantial deficit before the financial crisis are likely to have seen those deficits increased".

As regards DC, QE is "estimated to have had a broadly neutral impact on the value of the annuity income". This is because, although lower gilt yields resulting from QE have

reduced annuity rates, the Bank suggests that QE has raised the value of pension fund assets.

[Bank of England Press Release](#)

DEPARTMENT FOR WORK AND PENSIONS

DWP data reveals significant variation in pension payments

Following the publication of its latest [administrative data](#) (on 21 August 2012), the DWP notes that the amount of state pension money paid out to pensioners can differ by more than £200 a week (or £10,000 a year). This is due to the significant variation in the current levels of basic and additional state pension.

According to the DWP figures, around 130,000 people get £7 or less a week and the same number of people get £230 or more a week.

The DWP notes that "state pension regulations have multiplied so much over recent decades and made the system so complex that people have no way of working out what they will get a week, and can't budget properly for their needs".

The current state pension is made up of the basic state pension and various additional state pension entitlements. It is due to be replaced by a simple flat-rate state pension for new pensioners set above the level of the means test, currently estimated at around £140 a week. A White Paper setting out further details of the Government's proposals is due later this year.

[DWP Press Release](#)

EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA)

Annual report 2011

EIOPA has published its [Annual Report](#) for 2011, in which it outlines the work undertaken in its first year of operation as a European Supervisory Authority.

In relation to occupational pensions, the main focus of EIOPA's work in 2011 was the development of EIOPA's Call for Advice on the review of the EU Pensions Directive.¹ EIOPA also completed a number of survey-based reports on reporting requirements, risks in relation to DC schemes and pre-enrolment information. These surveys were designed to provide a common technical basis for responding to the Call for Advice.

[Summary of EIOPA Annual Report \(2011\)](#)

PENSION PROTECTION FUND

New non-executive board member appointed

The PPF announced on 20 August 2012 that Sharmila Nebhrajani will be joining its Board as a non-executive director.

Sharmila is currently Chief Executive of the Association of Medical Research Charities which represents the 125 medical research charities in the UK who between them fund

¹ Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision (IORP)

more than £1 billion of medical research. As well as being a Board member, Sharmila will also sit on the PPF's Audit Committee.

PPF Press Release