

31 May 2010

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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)

DWP: Department for Work and Pensions

FAS: Financial Assistance Scheme

FRC: Financial Reporting Council

HMRC: HM Revenue & Customs

NAPF: National Association of Pension Funds

PPF: Pension Protection Fund

TPR: The Pensions Regulator

ACTUARIAL PROFESSION

Actuarial Profession votes for merger of Faculty and Institute

Members of the Faculty of Actuaries in Scotland and the Institute of Actuaries have voted in favour of resolutions to merge the two organisations to form the Institute and Faculty of Actuaries.

Ronnie Bowie, Fellow of the Faculty of Actuaries, will be the first President of the Institute and Faculty of Actuaries and Jane Curtis, Fellow of the Institute of Actuaries, will be the first President elect.

[Actuarial Profession Press Release](#)

DEPARTMENT FOR WORK AND PENSIONS

Agenda for Pensions Reform

In a [speech](#) on 27 May 2010, the new Secretary of State for Work and Pensions, Iain Duncan Smith set out the Government's vision on "Welfare for the 21st Century".

Key objectives for pensions reform which were highlighted by Mr Duncan Smith included:

- the phasing-out of the default retirement age of 65;
- ending the requirement for compulsory annuitisation at age 75;
- "triple-locking" the value of the Basic State Pension from April 2011 so that it will rise by the minimum of prices, earnings or 2.5%, whichever is higher; and
- encouraging employers to provide high quality pensions for all their employees. Mr Duncan Smith said that he looked forward "to working with employers, consumers and the industry to make automatic enrolment and increased pension saving a reality".

For more on the Coalition Government's Pension Plan, please see our [May 2010 News](#).

[DWP Press Release](#)

FINANCIAL REPORTING COUNCIL

New Governance Standards issued for Listed Companies

On 28 May 2010, the FRC introduced changes to the [UK Corporate Governance Code](#) (the Code) which are designed to help company boards become more effective and more accountable to their shareholders. Formerly known as the Combined Code, the Code sets out standards of governance for listed companies. Companies are required either to follow the Code or explain how else they are acting to promote good governance.

Changes to the Code include the following:

- To improve risk management, the company's business model should be explained and the board should be responsible for determining the nature and extent of the significant risks it is willing to take.
- Performance-related pay should be aligned to the long-term interests of the company and its risk policy and systems.
- To increase accountability, all directors of FTSE 350 companies should be put forward for re-election every year.
- To promote proper debate in the boardroom, there are new principles on the leadership of the chairman, the responsibility of the non-executive directors to provide constructive challenge, and the time commitment expected of all directors.
- To encourage boards to be well balanced and avoid "group think" there are new principles on the composition and selection of the board, including the need to appoint members on merit, against objective criteria, and with due regard for the benefits of diversity, including gender diversity.
- To help enhance the board's performance and awareness of its strengths and weaknesses, the chairman should hold regular development reviews with each director and FTSE 350 companies should have externally facilitated board effectiveness reviews at least every three years.

The changes are set out in more detail in the FRC's [response to consultation](#).

The new edition of the Code will apply to financial years beginning on or after 29 June 2010.

[FRC Press Release](#)

HM REVENUE & CUSTOMS

Pensions statistics updated

On 28 May 2010, HMRC published updated [statistics](#) relating to personal and stakeholder pensions.

Among other things, the statistics cover the number of individuals contributing, average contributions and fund values by:

- status and earned income;
- region; and
- employment status and earnings.

HM TREASURY

Government confirms commitment to payment scheme for Equitable Life policyholders

On 25 May 2010, Financial Secretary to the Treasury, Mark Hoban MP, confirmed the Government's commitment to establishing an independently designed payment scheme for Equitable Life policyholders that is "swift, simple, transparent and fair".

As announced in the Queen's Speech to Parliament, the Government plans to take forward a Bill to enable payments to be made in relation to Equitable Life. The Government also announced that the final report from Sir John Chadwick in relation to Equitable Life will be received by mid-July.

The Government agreed to Sir John's request for a short extension to the stated timetable. The Treasury notes that the delay will enable Sir John to respond to issues raised by the independent actuarial panel which was appointed to examine the assumptions and methodology used by Sir John's actuaries in their provisional advice to him.

[HM Treasury Press Release](#)

NATIONAL ASSOCIATION OF PENSION FUNDS

Engagement Survey 2010

The NAPF has published the findings of its [sixth annual survey](#) of pension funds' engagement with companies. Thirty-eight NAPF fund members responded to the survey, representing combined assets under management of over £200 billion.

The report indicates that assessment of the effectiveness of engagement has improved in the last year. Two-thirds of respondents said that the dialogue with investee companies was "very effective" or "quite effective", compared with 50% in 2009.

Other key findings from the NAPF survey are that:

- 64% of schemes plan to devote more time to scrutinising the actions of investment managers on engagement issues;
- most pension schemes (79%) delegate engagement to an investment manager;
- schemes were broadly satisfied with the standard of reporting from investment managers (11% being "very satisfied" and 54% being "quite satisfied");
- it is not yet common for pension schemes to request that their investment managers review how voting instructions are being implemented. However, this position is expected to change, with 30% of respondents indicating that they have asked for a review; and
- while two-thirds of schemes disclose their approach to their responsibilities as shareholders, there is no evidence of an accepted best practice developing as yet. 42% of schemes surveyed do not disclose any information on voting to their members and 55% do not disclose anything to the general public.

PENSION PROTECTION FUND

New “FAQs” available on the Financial Assistance Scheme

The PPF has uploaded around twenty-five [new FAQs](#) on the FAS to its website.

These are primarily aimed at trustees and administrators of FAS schemes and are based around the kind of questions which the PPF finds it gets asked most often.

THE PENSIONS REGULATOR

TPR publishes consultation report on Trustee Register review

The Occupational Pension Schemes (Independent Trustee) Regulations 2005 require TPR to compile and maintain a register of trustees that satisfy certain conditions (the Trustee Register). The Trustee Register is used by TPR for appointing independent trustees to pension schemes.

The Trustee Register was established in 2005 and, after four years of operating it, TPR proposed certain changes to the way in which it assesses some of the “judgment-based conditions” for acceptance onto the Trustee Register. TPR undertook a [consultation](#) on these proposals between December 2009 and March 2010.

TPR has now published its [response](#) to this consultation. The final judgment-based decisions are set out at Appendix A to the response.

TPR plans to release a new Trustee Register section on its website, which will include guidance on how it will assess the judgment-based conditions, together with the new application form and guidance on completing the new form.

Updates to the Trustee Toolkit

As part of the 2012 reforms to workplace pensions, TPR has a new statutory objective under the Pensions Act 2008, to maximise compliance with the new employer duties relating to the automatic enrolment of staff into qualifying workplace pension schemes.

Ahead of these duties coming into force, TPR has updated its online tutorial “What is a pension scheme?” to reflect this new statutory objective. The tutorial can be found in the Toolkit module “Introducing pension schemes”, which can be accessed at www.trusteetoolkit.com.

In addition, TPR has added further information on the 2012 reforms to its main [website](#).