

Regulatory update

Nov 2011	Action
Employer asset-backed pension contributions ('ABC')	<i>For monitoring</i>
<p>As part of the Autumn Statement, draft legislation for the Finance Bill 2012 will be published on 6 December 2011. One of the provisions to be included is to have immediate effect and will change the tax rules for giving relief for employer asset-backed pension contributions. In particular, groups that currently have such arrangements in place should note that the rules introduced on 29 November 2011 may have a retrospective effect and could have an impact on existing arrangements.</p>	
<p>http://www.hmrc.gov.uk/tiin/employer-asset.pdf</p>	
EU review of IOPR Directive	<i>For information</i>
<p>There is a new European supervisory authority for pensions called the European Insurance and Occupational Pensions Authority (EIOPA) which has more powers and resources than its predecessor.</p>	
<p>This body is considering the IORP pensions directive and has indicated that it is looking to use the insurance industry's Solvency II regime as its start point for a review of defined benefit funding rules. The NAPF hopes that EIOPA will realise the unsuitability of Solvency II rules for funding defined benefit pensions and will make that clear to the European Commission.</p>	
<p>The NAPF believes that its members will play a leading role in explaining why Solvency II is not appropriate for UK pension schemes and will undermine defined benefit pensions.</p>	
<p>For more information regarding Solvency II, click: CII - Solvency II</p>	
<p>http://www.napf.co.uk/PolicyandResearch/DocumentLibrary/~media/Policy/Document/0185_EIOPA_on_IORP_tranche_1_NAPF_response_120811.ashx</p>	
Auto-enrolment	<i>Employer to refer to auto-enrolment guidance and formulate action plan</i>
<p>From October 2012, auto-enrolment rules will affect larger employers. TPR has produced a checklist of action points for employers and more detailed guidance.</p>	
<p>http://www.thepensionsregulator.gov.uk/pensions-reform/detailed-guidance.aspx</p>	
<p>http://www.thepensionsregulator.gov.uk/docs/pensions-reform-employer-action-checklist.pdf</p>	
PPF Levy	<i>Agenda item for DC Trustees</i>
<p>The PPF has finalised its new levy framework for 2012/13 to 2014/15 and has also consulted on draft guidance on the calculation of investment risk.</p>	
<p>Trustees will have to certify each year that any guarantors for their scheme can be expected to meet their commitments under the guarantee.</p>	
<p>Investment risk will be taken into account in the risk-based levy for the first time based on the assets and liabilities included in the annual return. The largest schemes with assets of more than £1.5 billion will need to provide the PPF with more details about their assets, assigning them to prescribed categories. Smaller schemes can do so as well if they wish.</p>	
<p>http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/levy_policy_statement_May11.pdf</p>	

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http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/investment_risk_consultation_May11.pdf

Pensions Bill 2011 receives Royal Assent

For information

The Pensions Bill 2011 received Royal Assent on 3 November 2011 bringing into force changes including:

- change in the lifetime allowance from £1.8 million to £1.5 million
- reduction of the annual allowance to £50,000
- removal of the requirement to purchase an annuity
- introduction of the new income drawdown and flexible drawdown rules including the increase in State Pensions Age (SPA)
- changes following the switch from RPI to CPI for increases to pensions
- changes to the definition of “money purchase benefits” following the Bridge Trustees decision.

<http://www.dwp.gov.uk/docs/pensions-bill-2011-summary-of-impacts.pdf>

PPF confirms GMP treatment method and announces pilot project

Discuss with Administrator or Admin Manager to ensure relevant changes to processes made

On 10 November, the Pension Protection Fund (PPF) published guidance on calculating compensation for men and women being assessed for entry into the PPF - or those who are already members - to ensure equal treatment between the sexes.

Differences in compensation or assistance payments for men and women can arise because of differences in the calculation of guaranteed minimum pensions (GMPs), primarily brought about by the former difference in retirement ages.

http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/GMP_Statement_November_2011.pdf

October 2011

Action

Understanding and managing hybrid schemes

For information

TPR has issued a statement to help trustees and their advisers understand the structure of their hybrid scheme, i.e. schemes with both a defined benefit (DB) and defined contribution (DC) element, and to take action to address these risks.

Agenda item for Hybrid schemes

<http://www.thepensionsregulator.gov.uk/docs/understanding-and-managing-your-hybrid-scheme-statement-oct-2011.pdf>

Regulator clarifies the role of DC Trustees

For information

TPR has published a statement - The role of trustees in DC schemes - for trustees to clarify the key differences between DB and DC schemes, and the behaviours that DC trustees should demonstrate.

Agenda item for DC Trustees

<http://www.thepensionsregulator.gov.uk/docs/role-of-trustees-in-dc-schemes-statement-oct-2011.pdf>

Find out your staging date

For information

TPR has added an interactive tool to its website that allows employers to identify when they will need to automatically enrol staff into a pension scheme for the first time – the “staging date”

<http://www.thepensionsregulator.gov.uk/employers/tools/staging-date.aspx>

Regulatory update

Nortel/Lehman Court of Appeal judgement

For information

The Court of Appeal has upheld the High Court's decision in the Nortel and Lehman financial support directions cases. This has significant implications for the effect of the moral hazard powers of the Pensions Regulator under the Pensions Act 2004 when imposed on a company that is in administration or insolvent liquidation.

<http://www.linklaters.com/publications/Publication1405Newsletter/Court-Appeal-confirms-moral-hazard-liabilities-insolvency-expense/Pages/Index.aspx>

September 2011

Action

Identifying the statutory employer

Review Deeds of adherence and consult legal advisers if necessary

The Pensions Regulator has launched an online 'bite-sized' module to help trustees accurately identify their scheme's statutory employer ahead of the new requirement to report this on their scheme return form from November.

<http://www.thepensionsregulator.gov.uk/press/pn11-25.aspx>

Abolition of contracting-out on a DC basis

For information

HMRC has published the latest edition of its Countdown Bulletin about the abolition of contracting-out on a defined contribution basis. This edition notes that all contracting-out certificates held by DC schemes will be cancelled automatically as at 6 April 2012. This includes certificates issued in respect of the money purchase sections of contracted-out mixed benefit (COMB) schemes.

<http://www.hmrc.gov.uk/nic/countdown-bulletin4.pdf>

Pension Scheme newsletter 49

Discuss with Admin Manager to ensure relevant changes to processes made

HMRC's latest newsletter includes details of updates to the Registered Pension Schemes Manual to include all changes arising from the Finance Act 2011 and news that they intend to significantly improve their guidance on trivial commutation to make it more understandable.

<http://www.hmrc.gov.uk/pensionschemes/newsletter49.pdf>

PPF Levy

For information

The Pensions Protection Fund have issued an announcement confirming that:

- Pension protection levy for 2012/13 will be £550m, the lowest ever set
- Rules governing new levy framework for next three years
- Levy rules deliver stability and predictability called for by levy payers
- PPF remains on course to reach self-sufficiency by its 2030 target

<http://www.pensionprotectionfund.org.uk/news/pages/details.aspx?itemID=234>