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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

**GMP:** Guaranteed Minimum Pension

**HMRC:** HM Revenue & Customs

**NEST:** National Employment Savings Trust

**PPF:** Pension Protection Fund

**TPAS:** The Pensions Advisory Service

**TPR:** The Pensions Regulator

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## DEPARTMENT FOR WORK AND PENSIONS

### State Pension: Greater numbers to benefit

The DWP has issued a [press release](#) announcing that the Government's proposed changes to the welfare system will mean that more of the low paid will qualify for a state pension. In particular, those with multiple low paid jobs who earn below the National Insurance (NI) thresholds (and their partners) will be able to qualify for credits towards the new State Pension.

Individuals who earn less than the Lower Earnings Limit of £5,668 from a particular job, and who may have other similarly low paid jobs, are currently excluded from the basic State Pension. They are not liable to pay NI contributions and, unless they qualify for NI credits for another reason or make the contributions themselves, miss out on the state pension.

Once the state pension reforms are implemented and the new Universal Credit is fully rolled out, 800,000 households are expected to benefit, with low paid women in particular set to gain credits towards the flat rate state pension.

### Contracted-out pension calculations after 5 April 2016

The introduction of the new flat rate State Pension (due in April 2016) will mark the end of contracting-out on a DB basis.<sup>1</sup>

On 29 May 2013, the DWP published its [response](#) to a question regarding increases to contracted-out pensions after a person reaches state pension age and retires after 5 April 2016. The DWP explains that there will be no facility to increase contracted-out pensions through the State Second Pension (Additional Pension) because it will no longer exist. However, contracted-out pension schemes will continue to increase their pensions in line with the current rules.

### Attitudes to pension saving: DWP research

On 30 May 2013, the DWP published the [findings](#) of research<sup>2</sup> which is designed to enable it to track attitudes and behaviours in relation to pensions and later life, both in general and in relation to automatic enrolment.

Key findings from the research include:

- the new "I'm in" campaign for automatic enrolment contributed to the highest levels of campaign awareness and recognition recorded in November 2012. Increases in awareness and recognition between July and November were largely driven by TV

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<sup>1</sup> The Pensions Bill 2013 will implement the single tier state pension when it becomes law. Please see our [Alert: Pensions Bill 2013](#) (dated 15 May 2013) for more details

<sup>2</sup> Pensions Portfolio: Communications tracking research

advertising. The DWP notes that the campaign appears to be working well as an integrated programme;

- awareness of the benefits of saving in a workplace pension have increased significantly since the campaign launch; and
- an increasing proportion feel that automatic enrolment is a good thing.

However, there have been no changes in the proportion of people recognising that they need to find out more about saving for retirement, or who have made enquiries into the subject or started saving. Similarly, no changes were observed in reported barriers to private pension saving, with day-to-day expenses the most commonly mentioned.

## PENSION PROTECTION FUND

### GMP Equalisation Factors and Template

The Pensions Act 2004 requires PPF compensation to be paid on a basis that is no more or less favourable to a woman (or man) than it would be to a comparable man (or woman), in respect of pensionable service on or after 17 May 1990.

To meet this requirement, the calculation of compensation payments must take into account any differences in scheme benefits that have arisen due to differences in the calculation of GMPs for men and women. The PPF has devised [methodology](#) to achieve this.

Schemes in assessment that transfer to the PPF after 31 May 2013 are required to equalise for effect of GMPs, in accordance with the PPF's methodology, before they transfer to the PPF.

The PPF are aware that some schemes have gaps in the historic information relating to the methodology and factors used to calculate early and late retirement pensions. This information is required in order to calculate the GMP equalisation adjustment to PPF compensation for pensioners. The PPF has therefore now published details of appropriate default early and late retirement factors that can be used by scheme trustees in these circumstances. These are available on the [GMP page](#) of the PPF's website.

The PPF has also published a GMP equalisation and underpin calculation [template](#) which trustees or their advisers will need to complete and submit to the PPF when calculations have been completed for implementation of the PPF's methodology during an assessment period. Completion of this template should be included in project plans and timing agreed with the Scheme Delivery Associate.

### Lady Barbara Judge reappointed Chair of the Pension Protection Fund

The DWP has [announced](#) that Lady Barbara Judge has been reappointed as Chair of the PPF with effect from 1 July 2013, after three years in the post.

Lady Judge has held senior executive and advisory appointments in law, finance, industry, public service, the arts and academic life in the UK, US and Asia. Lady Judge was recently voted amongst the 100 most powerful women in Britain by Radio 4 Woman's Hour.

## THE PENSIONS ADVISORY SERVICE

### TPAS volunteers contribute £10 million worth of services for the public

To coincide with National Volunteer Week, which is taking place between 1-9 June 2013, TPAS is calling on pensions professionals and providers to "pledge their support and help the service continue to provide free help and guidance on pension matters to the public".

TPAS [notes](#) that in the past year it has helped over 80,000 people with their pension problems and complaints, and recovered £7 million worth of additional pension payments and compensation. The organisation is supported by over 300 individual volunteers and many corporate partners. It is estimated that the contribution of volunteers in running this service is estimated to be in the region of almost £10 million.

## THE PENSIONS REGULATOR

### Scheme Governance Survey

TPR has published a [report](#) detailing the key findings of its seventh annual scheme governance survey.

The research was conducted among 454 trust based DC, DB and hybrid schemes with twelve or more members in September 2012 and early 2013.

Key findings include:

- large schemes and DB / hybrid schemes tend to have higher levels of governance activity and formal reporting;
- internal controls are increasingly documented;
- administration standards also tend to be formally documented, however one in five schemes say that this is not the case;
- most schemes have engaged external advisers;
- schemes generally consider that their trustee boards provide effective governance;
- although a legal requirement, not all DC schemes have reviewed their statement of investment principles within the last three years; and
- while the majority of schemes are aware of TPR's "six principles for good workplace DC", just under a third say that their scheme currently meets all the principles.

[Accompanying technical report](#)