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At a glance

ASSOCIATION OF BRITISH INSURERS (ABI)

- New code of conduct for annuity purchase

DEPARTMENT FOR WORK AND PENSIONS

- Employer Debt amending regulations delayed

EUROPEAN COMMISSION

- Proposal for a Council Directive on a common system of financial transaction tax

HM REVENUE & CUSTOMS

- Pensions statistics
- Contracted-out Guidance booklets

THE PENSIONS REGULATOR

- TPR to work with Capita to deliver employer education drive

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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
FAS: Financial Assistance Scheme
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

ASSOCIATION OF BRITISH INSURERS (ABI)

New code of conduct for annuity purchase

The ABI has announced that it will introduce a compulsory code of practice for insurers. Under the new code, ABI members will be required to remove the annuity application form from the communications they send to their customers. This will stop consumers from automatically rolling over their pension savings to an annuity with their current provider.

The new code will also ensure that customers receive all the information they need to shop around in one easily accessible place. The ABI will also continue to work with Government, consumer groups, and others, to make it easier to shop around for an annuity.

The code is due to be introduced in the first quarter of 2012.

Press release

DEPARTMENT FOR WORK AND PENSIONS

Employer Debt amending regulations delayed

In June 2011, the DWP published a consultation on draft legislation to amend the Employer Debt regulations.

A new option was proposed for dealing with an employer debt, the “Flexible Apportionment Arrangement”, together with changes to the current “period of grace” (which, broadly, allows employers who temporarily cease to employ active members of a DB scheme not to trigger a debt).

These regulations were expected to come into force on 1 October 2011 but, according to a statement from the DWP (issued on 26 September 2011), they will now take effect in December 2011.

The statement notes that, from Autumn 2010, the Government introduced a “One-in, One-out” system. This requires each department to:

- assess the net cost to business ("IN") of complying with any proposed regulation;
- find a deregulatory measure (an "OUT"), which relieves business of the same net cost as any "IN"; and

[1] For further details, please see our Alert: “Employer Debt Revisited” dated 30 June 2011

- ensure that the net cost to business is validated by the independent Regulatory Policy Committee.

The Government estimates that business will save a total of £3,369 million per year as a result of the changes to the indexation requirements for private pensions and the amendments to the employer debt regulations. Some of these savings will be offset by changes to be made in 2012 which are expected to add regulatory costs to business. However, the DWP's aim is to ensure that the cumulative One-in, One-out balance remains in credit.

EUROPEAN COMMISSION

Proposal for a Council Directive on a common system of financial transaction tax

The Commission has published a proposal for a directive on a common system of financial transaction tax (FTT) in the EU.

Under the proposal, in order for a financial transaction to be taxable in the EU, one of the parties to the transaction would need to be established in the territory of a Member State. Taxation would take place in the Member State in the territory of which the establishment of a financial institution is located, on condition that this institution is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of party to the transaction.

"Financial institution" is given a wide definition and includes, amongst other entities, investment firms and pension funds and investment managers of such funds. Financial transactions means any of:

- the purchase and sale of a financial instrument before netting and settlement, including repurchase and reverse repurchase and securities lending and borrowing agreements;

- the transfer between entities of a group of the right to dispose of a financial instrument as owner and any equivalent operation implying the transfer of the risk associated with the financial instrument; and

- the conclusion or modification of derivatives agreements.

The Commission envisages that an FTT should "concentrate on the financial sector". Therefore, these institutions would be liable to pay the tax to the tax authorities. However, it considers that Member States should have the possibility to hold other persons jointly and severally liable for payment of the tax, including in cases where a party to a transaction has its headquarters located outside the European Union.

HM REVENUE & CUSTOMS

Pensions statistics

HMRC has published national statistics on pensions, including:

- contributions by employees to personal pension schemes;

- number of personal pension arrangements; and

- method of reduction of pension fund surpluses (between 1994 and 2006).

Contracted-out Guidance booklets

HMRC have revised the following Contracting-out Guidance Booklets:

- CA14C (Contracted-out Guidance for Salary Related Pension Schemes and Salary Related Overseas Schemes); and
- CA14E (Contracted-out Guidance for Mixed Benefit Pension Schemes and Mixed Benefit Overseas Schemes).

FINANCIAL REPORTING COUNCIL

Annual report

The Financial Reporting Review Panel is charged with examining the annual accounts of public and large private companies to see whether they comply with the requirements of the Companies Act 2006 including applicable accounting standards.

On 28 September 2011, the Panel published its annual report, based on findings from its review of reports and accounts in the year to 31 March 2011.

THE PENSIONS REGULATOR

TPR to work with Capita to deliver employer education drive

On 29 September 2011, TPR announced that the job of supporting its direct communications with employers concerning changes in pension law has been awarded to Capita Group Plc.

TPR will communicate with over 1 million employers as part of its role to maximise compliance with new requirements to automatically enrol staff into a workplace pension scheme. The changes are introduced gradually, on a 'staged' basis from October 2012 to September 2016, depending on employer size. Under its agreement, Capita will take on the responsibility for delivering high-volume employer communications and transactional processes which TPR does not have the scale to manage entirely in-house. These include:

- distributing campaign messages to employers, intermediaries and advisers;
- notifying employers 12 and 3 months ahead of their automatic enrolment duty dates;
- managing the process whereby employers register with TPR;
- operating a customer contact centre; and
- limited enforcement activities including administering compliance notices and, where non-compliance persists, fixed penalties. More complex enforcement activity, strategic communications decisions remain under the control of TPR.

The seven-year contract has an option for TPR to extend it for a further three years, and has an estimated value of £105 million. It commenced on 1 October 2011.

Press release