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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

ECJ: European Court of Justice

FAS: Financial Assistance Scheme

GMP: Guaranteed Minimum Pension

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

LEGISLATION

Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment No. 3) Regulations 2012

Regulations came into force on 1 November 2012 amending the prescribed features of an average salary (CARE) scheme which would otherwise exclude it from being a qualifying workplace pension scheme for auto-enrolment purposes.

A pension scheme which provides for average salary benefits is excluded from being a qualifying scheme if the scheme does not revalue the benefits of members whilst in pensionable service by a minimum rate. The regulations are designed to give schemes greater flexibility as to the ways in which they can provide for the minimum level of revaluation and so not be excluded from qualifying. In particular, the regulations allow CARE schemes which provide for discretionary increases or a mix of guaranteed and discretionary increases to qualify, provided that the revaluation is funded for and included in the statement of funding principles.

Further information can be found in the explanatory memorandum that accompanies the regulations.

Public Service Pensions Bill: Second Reading

The Public Service Pensions Bill received its second reading in the House of Commons on 29 October 2012. The Bill is due to implement agreements reached on public service pensions, following the publication, in March 2011, of the Hutton Report. Key changes on the horizon include:

- a move from DB to career average pension schemes;
- the linking of normal pension age to State Pension Age, except for the armed forces, police and fire fighters;
- a cap on employer costs to ensure that public service pensions remain affordable and sustainable; and
- a common legislative framework and improved governance arrangements.

Those closest to retirement (those within ten years of their normal pension age on 1 April 2012) will be protected and have no change to their existing retirement date or the amount of pension they will receive when they retire.

The Bill will now be considered by a Public Bill Committee.

Parliament Press Release

ACTUARIAL PROFESSION

Review of the Continuous Mortality Investigation (CMI)

The CMI is a research organisation, supported by the Actuarial Profession, that carries out independent research into mortality and morbidity experience. The CMI produces tables of data that are primarily used by the actuarial profession and insurance companies and pension funds.

The Actuarial Profession has recently reviewed the structure and processes of the CMI, to ensure that it remains fit for purpose in the 21st century. The review sought to address vulnerabilities in the CMI's structure and funding and to strengthen its processes and governance. The resulting changes to the CMI's funding and publications will impact directly on all users of the CMI's work.

The Actuarial Profession notes that the key vulnerability in the current arrangements is that the majority of the CMI's funding is on a voluntary basis and, if a life office or consultancy chose not to contribute, it could still use most of the CMI reports, software and tables as they are freely available. The review concluded that the current voluntary funding regime is not sustainable in the longer term and, in future, the full outputs of the CMI will only be available to those organisations and individuals who register as CMI users, and who contribute the appropriate amount for their organisation.

The changes are due to take effect from 1 March 2013 and are intended to create a stronger and fairer organisation that will continue to be regarded as "a jewel in the crown" of the UK Actuarial Profession.

[Actuarial Profession Press Release](#)

DEPARTMENT FOR WORK AND PENSIONS

Consultation on proposed amendments to the NEST Order

The DWP is [consulting](#) on proposals to make a range of amendments to the NEST Order 2010, to ensure that NEST operates efficiently and to align the statutory framework for NEST with recent changes to automatic enrolment legislation.

The proposals cover a range of minor, technical and consequential amendments to the NEST Order that are designed to provide clarity and certainty to NEST and the employers and members who will use NEST. They include:

- changes to the definition of minimum contributions;
- removal the requirement for self-enrolling members to sign the NEST Member Terms and Conditions;
- amendments to the definition of "self-employed";
- updated entry dates for some enrolments;
- amendments to the rules governing how NEST determine a member's default retirement age;
- the introduction of some flexibility for members to take their money out of NEST after age 75;

- simplified processes when a member dies before taking their money out; and
- the ability for members to stop their contributions through their employers as well as directly through their NEST online account.

The consultation closes on 26 November 2012.

DWP Press Release

Research report: Household financial decision making: Qualitative research couples' attitudes to financial planning

The DWP has published a [report](#) of research into the way in which couples make financial decisions, both in general and specifically regarding pensions and their retirement.

Some of the key findings from the research indicate that:

- couples saw pensions as long-term, intangible and individual rather than joint or household assets;
- there were few examples of active decision making around pensions and retirement planning;
- there was no evidence of partners within couples actively planning to compensate for a shortfall in the other's pension; and
- there was little evidence generally of joint planning through most financial decision making processes.

DWP Press Release

Research Summary

FINANCIAL SERVICES AUTHORITY (FSA)

Policy statement: Product projections and transfer value analysis

The FSA has published a [Policy Statement](#) which, among other things, changes the assumed rate of investment return that can be used on personal pension statements (from an intermediate rate of 7% down to 5%). Personal pension statements issued to members after that date are therefore likely to show a substantial reduction in the projected pension that the member might get.

The new projection rates will come into force on 6 April 2014 but firms will be able to comply with them at any time from 6 April 2013.

FSA Press Release

NAPF Comment

NATIONAL ASSOCIATION OF PENSION FUNDS (NAPF)

NAPF reshapes Council structure

The NAPF has overhauled the structure of its two main policy making councils to reflect changes in the pensions landscape and to create a clearer focus on DC pensions. The councils set the policy direction of the NAPF and help shape debate around major issues.

The two new forums – the Defined Benefit Council (DBC) and the Defined Contribution Council (DCC) – will replace the existing Retirement Policy Council and Investment Council.

The changes will come into effect after the NAPF's annual general meeting in October 2013.

[NAPF Press Release](#)

NATIONAL EMPLOYMENT SAVINGS TRUST

NEST urges employers to "act now" on automatic enrolment

NEST is calling on employers to start thinking about how they will meet their auto-enrolment duties as soon as possible.

At an event for employers and advisers on 30 October 2012, NEST shared its expertise and insights to date on getting to grips with the duties, compliant investment solutions, working communications and scheme management. According to Helen Dean, managing director of scheme development at NEST, NEST's experience has shown that it can take 18 months for employers to get to grips with preparations for auto-enrolment.

[NEST Press Release](#)

Consultation on changes to NEST rules

In tandem with the DWP consultation on proposed changes to the NEST scheme order (see above), NEST has issued a [consultation](#) on changes to its scheme rules.

The consultation covers various minor and technical items relating to the NEST rules, including:

- changes to reflect the proposed DWP amendments to the NEST Order, including changing the definition of "minimum contributions", removing the requirement for a self-enrolling member to sign terms and conditions and amending the definition of "self-employed";
- updated entry dates for some enrolments to reflect changes to regulations around pay reference periods;
- amendments to the rules governing the determination of default benefit age, in line with recent changes to State Pension Age, aligning with the flexibility introduced by HMRC in the Finance Act 2011 to allow members to take benefits after age 75;
- the ability for NEST to simplify its processes around death benefits, to allow benefits to be paid promptly;

- introducing flexibility for employers over the way in which a member's request to cease contributions is notified to the Trustee; and
- the reordering of certain definitions for clarity.

[NEST Press Release](#)

PENSION PROTECTION FUND

Technical News Bulletin: November 2012

The PPF has published the latest edition of [Technical News](#), which includes details of:

- July 2012 changes to PPF regulations, taking in funding determinations and reconsideration applications;
- FAS underpin schemes; and
- the "To Watch" list, which includes the consolidation of all existing FAS regulations, the anticipated changes to the definition of "money purchase benefits" and GMP equalisation.

[PPF Press Release](#)