Sackers extra

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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
FAS: Financial Assistance Scheme
HMRC: HM Revenue & Customs
PPF: Pension Protection Fund
TPR: The Pensions Regulator

LEGISLATION

The Occupational Pension Schemes (Investment) (Amendment) Regulations 2010

In December 2008, the then Government consulted on draft Occupational, Personal and Stakeholder Pensions (Miscellaneous Amendments) Regulations 2009 (the Miscellaneous Amendment Regulations). These proposed, among other things, amendments to the Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations) which were designed to ensure the full transposition of the investment rules contained in the Pensions (or "IORP") Directive[1].

The Investment Regulations contain a 5% limit on the amount which an occupational pension scheme can invest its resources in the sponsoring employer. They also included an exception relating to investments by a collective investment scheme and a transitional provision allowing schemes to retain certain investments in excess of the 5% limit required by the IORP Directive.

The Miscellaneous Amendment Regulations proposed the removal of this exemption by 23 September 2010, to secure compliance with the IORP Directive.

As noted in the DWP's response to the 2008 consultation, following representations made by a number of respondents to the consultation (including Sackers), the Government removed some of the proposed amendments to the Investment Regulations. This was in order to consider further whether or not the relevant provisions of the IORP Directive could be transposed differently to the way which had been proposed in the consultation.

However, following further consideration of the proposals, the Government has concluded that the changes proposed in the original consultation are necessary to ensure the compliance of UK domestic law with the IORP Directive. The changes will now be introduced via the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 which were laid before Parliament on 2 September 2010. The regulations will come into force on 23 September 2010.

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

DEPARTMENT FOR WORK AND PENSIONS

DWP assessment of the impact of the decision to withdraw the payment of tax credits on UK dividends on UK pension funds

The DWP has published a number of documents under the Freedom of Information Act containing assessments made by DWP or its predecessor DSS on the impact on UK pension funds of the decision to withdraw the payment of tax credits on UK dividends in 1997.

[1] Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision

HM TREASURY

Independent Commission on Equitable Life Payments

On 3 September 2010, HM Treasury published a letter by Brian Pomeroy, Chairman of the Independent Commission on Equitable Life Payments, calling for initial views from interested parties.

The Commission was set up to advise the Government on how to allocate funds provided for the Equitable Life Payments Scheme. At this stage, the Commission says that it will particularly welcome views on:

- the principles to be applied in fairly allocating funds, whatever the level of funding provided by the Government, to those who have suffered relative losses as a result of accepted Government maladministration; and
- the principles that should underpin any prioritisation of payments to particular groups or classes.

The deadline for submitting comments is 30 September 2010.

INSTITUTE FOR FISCAL STUDIES (IFS)

Briefing Note on the Coalition Government's Emergency Budget

The IFS has published a briefing note which looks at the effect of the Budget in June 2010. In particular it attempts to reflect the impact of all the tax and benefit changes which the Budget announced.

Overall, the IFS finds the Budget to have been "regressive" rather than progressive, as it had been described by the Government.

In terms of pensions, the IFS examines the Government's proposal to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the measure for applying increases to pensions (both in deferment and to pensions in payment) from April 2011.[2] The briefing note looks at the differences between the indices and evaluates the Government's claim that CPI provides a more appropriate measure of inflation for benefit recipients.

IFS Press Release

PENSIONS INSTITUTE

Pensions Institute publishes discussion paper on longevity hedging

Longevity risk has recently been at the forefront of many discussions concerning DB pension provision as well as for life insurers with large annuity portfolios.

The Pensions Institute has recently published a discussion paper on "Longevity hedging: A framework for longevity basis risk analysis and hedge effectiveness which:

- proposes a framework for longevity basis risk and hedge effectiveness; and
- presents two practical examples (one for the UK and one for the US) which illustrate this framework and demonstrate the effectiveness of index-based hedges.

[2] For more information, see our Alert: "Pension Increases – the change from RPI to CPI" dated 13 July 2010