11 February 2013

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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
GMP: Guaranteed Minimum Pension
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

CONTINUOUS MORTALITY INVESTIGATION

Revised mortality projections model

The CMI has published CMI 2012, an updated version of the Mortality Projections Model.

It is accompanied by Working paper 63, which illustrates the impact of incorporating the latest England and Wales population mortality dataset into the model. On this occasion there are two elements to updating the dataset:

- incorporating revised population estimates for mid-2002 to mid-2010 following the 2011 Census; and
- the usual extension of the dataset to include the latest year's data (2011).

DEPARTMENT FOR BUSINESS, INNOVATION & SKILLS

Shared parental leave and flexible working

The reforms to the way parents can share maternity leave are part of the Children and Families Bill, published on 5 February 2013. The Bill will also extend the right to request flexible working to all employees.

Under the new system:

- employed mothers will still be entitled to 52 weeks of maternity leave as a day one right;
- mothers will be able to choose to end their maternity leave after the initial two week recovery period; working parents may then decide how they want to share the remaining leave;
- fathers will gain a new right to take unpaid leave to attend two antenatal appointments;
- there will be new statutory payment for parents on shared parental leave with the same qualifying requirements that currently apply to statutory maternity and paternity pay; and

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- those who have adopted a child will be entitled to the same pay and leave as birth parents.

DEPARTMENT FOR WORK & PENSIONS

Government confirms it will consult on technical changes to automatic enrolment

The Government has confirmed it will consult on proposals to make the process of automatic enrolment simpler. The consultation, which will be launched next month, will provide an opportunity for employers and the pensions industry to comment on a number of proposed changes.

Based on the feedback received since implementation, a shortlist of areas which could benefit from practical or technical improvements has been drawn up. These include:

- Making assessment of the workforce easier.
- Making it easier for money purchase schemes to show they meet the scheme quality requirements.
- Removing the duty to enrol particular groups such as those who benefit from protection because they have already exceeded the lifetime allowance for tax purposes.

Any changes that are made as a result of the consultation will recognise the need to give enough notice to allow employers and providers to update their systems.

EQUITABLE LIFE PAYMENT SCHEME

January 2013 progress report

The Equitable Life Payment Scheme has published its January 2013 progress report.

Key points include:

- as at 31 January 2013, the scheme had made payments totalling £535m to 370,867 policyholders;
- the scheme has now informed nearly 80% of all eligible individual policyholders of the value of any payment due;
- payments to all the individual policyholders that the Scheme can trace are on track to be completed by April 2013; and
- the scheme has established a "Policychecker" service through which a policyholder can check the eligibility status of a policy.

Over the coming quarter the focus of the scheme will be on:

- completing payments to the remaining eligible individual policyholders;
- making payments to the eligible individual policyholders who identify themselves to the scheme;

- making payments to those policyholders who bought their policy through a group or company scheme;
- continuing the process of contacting the estates of deceased policyholders, and making payments to those estates as appropriate; and
- planning the process of scheme closedown so that the scheme can be closed as planned in 2014.

HM REVENUE & CUSTOMS

Draft statutory instrument: The Registered Pension Schemes (Authorised Payments) (Amendment) Regulations 2013

HMRC has published for external comment a draft Statutory Instrument (and draft Explanatory Memorandum) that makes a number of amendments to existing regulations in connection with the abolition of the State Second Pension for DC pension schemes.

The changes aim to ensure that the abolition of DC contracting out works as intended. They include clarification that age-related rebates paid by HMRC and "minimum payments" made by employers to registered pension schemes and recovered from employees are "member's contributions" for the purpose of the limit on part-refund payments relating to short service.

Any questions or comments on this draft Statutory Instrument should be sent by email to Pensions Policy by 1 March 2013.

NATIONAL ASSOCIATION OF PENSION FUNDS (NAPF)

Discussion document: Executive pay

On 7 February 2013, Hermes Equity Ownership Services, the NAPF, BT Pension Scheme, RPMI Railpen and USS Investment Management published a discussion document setting out guidance on remuneration.

The report sets out four principles to encourage companies to change their reward structures as they begin to think ahead to the introduction of the binding vote on remuneration policy next year:

- Management should make a material long-term investment in shares of the businesses they manage. For example, shares granted to executive directors should ideally be owned for at least ten years, whether or not the executive is still in post. This would encourage succession planning and reduce the need for "golden hellos" for new directors.
- Pay should be aligned to long-term success and the desired corporate culture throughout the organisation. Pay awards and pensions arrangements should be consistent throughout the organisation and, if not, there should be a justifiable explanation.
- Pay schemes should be simple, understandable for both investors and executives, and ensure that rewards reflect long-term returns to shareholders. For example,

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large awards should not be paid where returns to shareholders are below the cost of capital.

- Remuneration committees should justify how their decisions will help deliver long-term business success. They should consider scaling back or eliminating awards where targets have been met by, for example, aggressive accounting or high leverage, or if the company has suffered reputational damage.

Press release

PENSIONS EUROPE

Position paper on the Quantitative Impact Study on IORPs

In autumn 2012 several European Institutions for Occupational Retirement Provision (IORPSs), supervisors and actuarial firms performed a Quantitative Impact Study (QIS) in order to investigate a range of possible impacts of a new solvency regime under a revised IORP Directive.

A central element in this possible revised IORP Directive is the Holistic Balance Sheet approach, which has been described as having many purposes, but which seems to be settling towards a new tool for the supervision of second pillar (supplementary works-based) pensions. This approach is intended to enable IORPs to value their security mechanisms (sponsor support, pension protection funds) and benefit adjustment mechanisms (conditional, mixed and discretionary benefits and benefit reductions) and incorporate these in the so-called Holistic Balance Sheet.

In this paper, PensionsEurope shares the experiences and the opinion of its members arising from the QIS and expresses its concerns about the Holistic Balance Sheet Approach for IORP supervision.

Press release

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