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)
AA: Annual Allowance
DB: Defined benefit
DC: Defined contribution
DWP: Department for Work and Pensions
FAS: Financial Assistance Scheme
HMRC: HM Revenue & Customs
HMT: HM Treasury
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

LEGISLATION

Changes to HMRC reporting requirements

HMRC's Pension Schemes Online system is being redesigned in order to improve data security (by reducing the amount of information it holds). It will no longer be necessary to provide an individual's date of birth and address, but it will be obligatory to provide their National Insurance (NI) number. Where a scheme administrator was previously only required to provide HMRC with the individual's NI number if it was known to them, from 6 April 2011 onwards HMRC will require the individual's NI number to be included on all reports and returns (subject to limited exceptions).

The Registered Pension Schemes (Accounting and Assessment) (Amendment) Regulations 2011 and The Registered Pension Schemes (Provisions of Information (Amendment) Regulations 2011 make amendments to effect this change in the reporting requirements.

Further information can be found in the Explanatory Memorandum which accompanies the two sets of regulations.

BOARD FOR ACTUARIAL STANDARDS (BAS)

BAS guidance revised to reflect new disclosure standards

Since 6 April 2003, there has been a requirement to provide members of certain DC schemes with a Statutory Money Purchase Illustration (SMPI).

SMPIs are produced in accordance with "Technical Memorandum 1: Statutory Money Purchase Illustrations" (TM1), issued by BAS (part of the Financial Reporting Council).

TM1 has been revised in the light of changes to the disclosure requirements for personal, occupational and stakeholder pension schemes which came into force on 1 December 2010 The changes included a reduction in the amount of information required to be shown on SMPIs, and the option to provide some information electronically.

For more information on the changes to the disclosure requirements, please see our News: "Disclosure requirements enter the electronic age!" dated November 2010).

BAS Press Release

DEPARTMENT FOR WORK AND PENSIONS

The switch from RPI to CPI: Response to consultation on changes to PPF and FAS rules

In the June 2010 Emergency Budget, the Coalition Government announced that it intended to use the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) as the measure for applying increases (both in deferment and to pensions in payment) to public sector pensions from April 2011. It subsequently announced that the change would also apply to private sector occupational pension schemes and to relevant payments made by the PPF and FAS.

On 7 February 2011, the DWP published the response to its consultation on the Financial Assistance Scheme (Revaluation and Indexation Amendments) Regulations 2011 (which were laid before Parliament in draft on 31 January 2011) on implementing the change from RPI to CPI for PPF and FAS purposes.

The DWP has confirmed that the regulations have not changed significantly since the consultation draft. However, the original draft covered both FAS and PPF compensation payments, whereas the PPF changes will now be included in separate regulations.

It is anticipated that both sets of regulations will come into force on 31 March 2011, for increases to FAS and PPF compensation from 1 April 2011.

The Switch from RPI to CPI: DWP publishes revised impact assessment

On 11 February 2011, the DWP published a revised assessment of the impact of the move to CPI for occupational pensions.

Originally published in December 2010, the revised figures suggest that the overall the effect of the move from RPI to CPI is to reduce the value of benefits over the next 15 years by £83bn - not £76.6bn as previously envisaged.

As the impact assessment notes, "[t]he main cost of this policy is to members of private sector Defined Benefit pension schemes who will see the anticipated value of their pension rights reduced and the value of their total remuneration package reduced in the short term."

In a statement on 11 February 2011, Pensions Minister, Steve Webb, noted that the revised impact assessment was produced after discovery of an error in the original calculations. The calculations underpinning the impact assessment were also reviewed by the Regulatory Policy Committee (RPC). Acting on the feedback from the RPC, the Government made a change to the method used to calculate the net present value (the value expressed in today's money) of the reductions to scheme liabilities. The revised impact assessment takes account of these two changes.

The Government are currently undertaking research into private pension scheme rules and the likely reaction of employers to the decision to use the CPI, which will extend its evidence base for calculating the impact on scheme liabilities. The outcome of this analysis is to feature in the next edition of the impact assessment.

HM REVENUE & CUSTOMS

Pensions Schemes Newsletter No. 45

HMRC's latest Newsletter includes:

- a reminder that the end of the A-Day transitional period is imminent (on 5 April 2011);
- details of the Scotland Bill and its implications for HMRC and pension schemes. (The Scotland Bill contains provisions to devolve to the Scottish Parliament the power to set a Scottish rate of income tax for Scottish taxpayers, with effect from the tax year 2016/17); and
- an update on changes to HMRC's Pension Schemes Online service (in line with the reporting requirements referred to above).

Annual Allowance information requirements

In its response to the joint HMRC/HMT discussion document on "Restricting pensions tax relief through existing allowances", the Government announced that there would be new information obligations on pension schemes and some employers.

Regulations setting out these new requirements were published in draft for comment on 10 February 2011.

Among other things, the draft regulations require the scheme administrator of a registered pension scheme to provide, annually, to an active member whose savings in the scheme exceed the AA for a tax year, the information that they will need to work out whether or not the AA charge will be payable for the tax year and if so, the amount of the charge. The information ("pension savings statement") will need to be provided by 6 October following the end of the tax year, but in the 2011/12 tax year the pension savings statement will need to be provided by 6 October 2013. Other members and former members will be able to request a pension savings statement.

Under the regulations as currently drafted, the sponsoring employer of a registered pension scheme will be required to supply the scheme administrator with the information required to calculate the pension input amount relating to an employee or director for each tax year, no later than 6 July following the end of that tax year. For the 2011/12 tax year the deadline for providing information will be 6 July 2013. In addition, if the scheme administrator makes a written request to an employer, the draft regulations require that employer to supply the scheme administrator with the information required to calculate the pension input amount for the periods ending in the tax years 2008/09 to 2010/11, within three months of receipt of the written request.

The consultation closes on 31 March 2011.

HMRC update

NATIONAL EMPLOYMENT SAVINGS TRUST

Applications open for NEST's Employer and Member Panels

NEST is the new national pension savings scheme which will be available for employers to use for automatic enrolment purposes, when this duty starts to apply from 2012. NEST Corporation, the trustee body responsible for running NEST, is required (under the Pensions Act 2008) to establish an Employers' Panel and a Scheme Members' Panel to help it take account of the views of scheme members and participating employers, and assess whether NEST is meeting their needs.

It is intended that the Member Panel will help ensure that the views of scheme members and future scheme members are represented to the Trustee. Similarly, the aim of the Employer Panel will be to provide a communication channel between the business world and views of employers who will participate in the scheme, and the Trustee.

NEST Corporation is currently looking for a Chair for each Panel, as well as Panel Members from a broad range of backgrounds, including employers and potential NEST members.

Applications close at 10am on 28 February 2011. See: http://www.nestpanels.org.uk/ for more details.

THE PENSIONS REGULATOR

TPR campaign for good administration

On 8 February 2011, TPR launched its 2011 campaign to raise standards of administration, highlighting the positive impact that good administration can have on schemes, and ultimately on members' benefits.

Over the coming weeks, TPR will issue a number of publications aimed at increasing understanding amongst trustees and administrators of their accountabilities and responsibilities for achieving high standards.

The current campaign is designed to build TPR's 2010 programme of communications on governance and administration, which set out its expectations in relation to records and data.

Publications on the horizon include:

- a guide to assist trustees when talking to their administrators about achieving good quality data;
- a statement detailing what trustees should expect of their auditors around record-keeping;
- research on how TPR's record-keeping guidance has been taken up, and the implications for record-keeping and administration;
- a further statement from TPR reiterating its expectations for schemes that are winding-up and setting out new examples of best practice which show that the process can be completed within two years; and
- details for trustees and administrators on how engaging with NISPI can help them complete work around winding-up and contracting-out more effectively.

TPR Press Release

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