15 July 2013

At a glance

DEPARTMENT FOR WORK & PENSIONS

- **Response to consultation on NEST restrictions**
- **Workplace Pension Reform: Multiple Jobholders**

NATIONAL ASSOCIATION OF PENSION FUNDS

- **Chief Executive to Chair Shadow LGPS Advisory Board**

OFFICE OF FAIR TRADING

- **Defined contribution workplace pension market study**

PENSIONS POLICY INSTITUTE (PPI)

- **Tax Relief for Pension Saving in the UK**

PENSION PROTECTION FUND

- **Statement - UK Coal and the Pension Protection Fund**
- **'Making a Recovery'**

THE PENSIONS REGULATOR

- **Code of practice for trust based DC schemes published**

S07

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
LGPS: Local Government Pension Scheme
NAPF: National Association of Pension Funds
NEST: National Employment Savings Trust
OFT: Office of Fair Trading
PPI: Pensions Policy Institute
PPF: Pension Protection Fund
TPR: The Pensions Regulator

DEPARTMENT FOR WORK & PENSIONS

Response to consultation on NEST restrictions

On 6 November 2012, the DWP published a call for evidence on the impact of the annual contribution limit and transfer restrictions on NEST.[1] On 9 July 2013, the DWP published a summary of the replies received together with its response.

The Government believes that the constraints on NEST are working to ensure that it focuses on low to moderate earners and smaller employers, and getting these employers and workers into the scheme during roll-out. However, in order to provide employers with certainty that the constraints will not have any bearing on them or their workers in the longer term, if their circumstances change, the Government proposes to legislate:

- to remove the individual transfer restrictions to coincide with the launch of automatic transfers; and
- lift the other constraints from April 2017.

The DWP also intends to work closely with NEST, the pensions industry and employer groups to manage the perception that the constraints are a barrier to employer choice. This is to ensure that employers are clear about the actual impact the annual contribution limit and the transfer restrictions will have on them and their workers. The DWP will also work with TPR to consider how to improve the call to action letters sent out to employers in advance of their staging date.

Press release

Workplace Pension Reform: Multiple Jobholders

The DWP has published a new paper, Workplace Pension Reform: Multiple Jobholders, which attempts to determine the number of workers who may be eligible for automatic enrolment if the income from both their main and second job were taken into account. The paper updates estimates published in July 2011 in light of the increase in the automatic enrolment earnings trigger to £9,440 for the year 2013/14.

NATIONAL ASSOCIATION OF PENSION FUNDS

Chief Executive to Chair Shadow LGPS Advisory Board

[1] See 7days dated 12 November 2012

Joanne Segars, Chief Executive of the NAPF, has been elected Chair of the Shadow Local Government Pension Scheme Advisory Board.

She takes the role up at the Board's first meeting on 15 July 2013 and will hold the post until the full Scheme Advisory Board for the Local Government Pension Scheme ("LGPS") is established in 2014.

The Shadow Board will advise the Government on the running of the LGPS, and will also assist schemes. The main aims of the Board and its five sub-committees are to:

- encourage best practice;
- increase transparency; and
- coordinate technical and standards issues.

OFFICE OF FAIR TRADING

Defined contribution workplace pension market study

The OFT launched a study in January 2013 to examine whether the DC workplace pension market is working well for consumers.

In the OFT's opinion, the way in which the market develops in the early stages of automatic enrolment could determine the range of options available to pension savers and the risks to which they are exposed. The OFT has now collected and reviewed evidence on the sector and provided a progress update.

In the next phase of its work, the OFT wishes to explore concerns that it has identified about the way that certain parts of the sector function and the implications for savers. These include:

- the current level of governance over the performance of some schemes may not be sufficient to ensure that scheme members are getting the best possible investment outcomes;
- a number of schemes have been set up with two-tier charging structures, where those members who have stopped making contributions pay a higher annual management charge percentage;
- there are a number of schemes that do not have a realistic prospect of reaching sufficient scale to generate value for their members;
- the way that different providers currently present their charges may mean that they are not easily comparable; and
- there may be some schemes (primarily, but not exclusively those sold prior to 2011) that have charges that may not represent the best value for money, or that may not reflect current standards of scheme design.

Over the next month, the OFT intends to hold discussions about these concerns with the industry, the Government and regulators. The purpose of these discussions will be to discuss the scope and scale of its concerns and to consider what action, if any, might be appropriate to address them.

PENSIONS POLICY INSTITUTE

Tax Relief for Pension Saving in the UK

On 15 July 2013, the PPI published "Tax relief for pension saving in the UK".

The report provides an overview of the pensions tax relief system and examines the rationale for tax relief. It also considers the extent to which tax relief incentivises pension saving and considers some alternatives to the current system, including possible adjustments to the current system, changes to the tax free lump sum and the use of a single rate of tax relief.

Press release and executive summary

PENSION PROTECTION FUND

Statement - UK Coal and the Pension Protection Fund

On 9 July 2013, the PPF and UK Coal announced that they had reached an agreement on the restructuring of its mining operation and its pension scheme's entry to the PPF.

In return for taking on the pension scheme deficit, the PPF is due to receive regular payments from a new company which are expected, over time, to be materially higher than any sum it would have received had the company become insolvent.

The PPF will not own the new company. Instead the PPF's interest in the new company will consist of a series of debt instruments.

UK Coal's press release

'Making a Recovery'

The PPF has published a briefing note entitled "Making a Recovery" which explains the role of the PPF in more traditional company restructures.

THE PENSIONS REGULATOR

Code of practice for trust based DC schemes published

Following a consultation earlier this year,[2] on 11 July 2013 TPR published its code of practice for trust based DC schemes (the "Code"), together with its response to the consultation and an introductory guide for trustees.

The Code sets out practical guidance which aims to help trustees to meet the legislative requirements for running occupational trust based DC schemes. Subject to parliamentary process, it is expected to come into force in November 2013.

For further details, please see our Alert: "TPR Publishes New Code of Practice for DC Schemes" dated 11 July 2013.

[2] See our Alert: "TPR "sets the standard" for DC schemes" dated 16 January 2013