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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

FSA: Financial Services Authority

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

EUROPEAN UNION

Responses to the EU Pensions Green Paper published

As we reported in 7 Days on [15 November 2011](#), the Europe-wide consultation on the Pensions Green Paper “towards adequate, sustainable and safe European pension systems” closed last week. Since then, the website set up to provide information on the Green Paper ([EU pension debate.eu](#)) has published a number of the responses submitted to the consultation as well as some commentary and general reaction.

Now that the deadline for responses has passed, it is expected that the Commission will publish a “Feedback Statement” summarising the different responses received. Following such a consultation, the next formal stage for the European Commission is generally to publish a White Paper setting out its views. The White Paper is then used by the Commission to develop policy and issue legislative proposals.

The Commission has not yet announced when it will publish its response.

FINANCIAL SERVICES AUTHORITY

FSA consults on platform proposals

On 17 November 2010, the FSA published a [consultation paper](#): “Platforms: Delivering the RDR and other issues for platforms and nominee-related services”, to ensure that the platform services used to buy and manage investments after January 2013 are fully aligned with standards required by the Retail Distribution Review.

The FSA describes platforms as “online services, used by intermediaries (and sometimes consumers directly) to view and administer their investment portfolios. As well as providing facilities for investments to be bought and sold, platforms are often used to aggregate, and arrange custody for, customers’ assets”. The core function of a platform is generally described as providing access to a wide range of investments but with consolidated administration.

From January 2013, the cost of advice will be decided by the client and adviser - not the adviser and product provider, as was the case - and can no longer be hidden from the customer in the cost of the product. In addition, advisers will offer either independent advice which is free from restrictions or bias and which reviews the market comprehensively - or alternatively, restricted advice, having to explain the nature of the restriction to their customer.

The FSA explains that its proposals are designed to reflect the important role that platforms already play in the retail investment market, and a potentially important role in helping advisers to deliver advice to consumers in a post-commission world.

The main proposals set out in the FSA’s consultation are intended to:

- prevent product providers from making payments that advisers could use to disguise the charge the customer is paying for advice, and which could influence advisers in recommending one product over another;
- ensure platforms allow their customers to transfer their investments elsewhere without having to cash them in first - a practice which can result in losses;
- require platforms to be upfront about the income they receive from fund managers or product providers, in order to make it easier for advisers and consumers to compare different types of platform and the services provided; and
- make sure that customers who invest in funds through platforms are provided with information about the fund from their fund managers, and maintain their voting rights.

Following the consultation, the FSA plans to publish a policy statement as soon as possible in 2011. The FSA Handbook rules being consulted on would come into force on 31 December 2012.

The consultation closes on 17 February 2011. Further information on the consultation is available from the [FSA website](#).

NATIONAL EMPLOYMENT SAVINGS TRUST

Consultation on minor changes to NEST rules

NEST is governed by a scheme order and rules which were published in March 2010. The scheme order establishes the scheme, appoints the trustees (a trustee corporation) and sets out the criteria for eligibility, and member/employer participation. The rules deal with more of the detail and set out how NEST will operate in practice, including administrative provisions, and the requirements for member and employer contributions.

Article 15 of the NEST order gives NEST Corporation power to make, cancel, change or re-introduce any rules made by it or the Secretary of State. The procedure for publishing and consulting on proposed changes to the rules, which this consultation is to follow, is set out in Section 72 of the Pensions Act 2008. That section requires the NEST Corporation to consult its Members' Panel and Employers' Panel before making, cancelling, changing or re-introducing any rules made by it or the Secretary of State. However, because these panels are not yet in place, this provision cannot be applied in the way it will be once the panels are established.

NEST is currently [consulting](#) on two amendments to the rules:

- *Changes to the rules around nominal pension age*

An automatic adjustment is proposed to the Benefit Age of members who decide not to take their benefits at a pre-arranged date. This change is designed to deal with situations where people join NEST over age 65 or State Pension Age and do not indicate when they intend to take their benefits.

It is proposed that in this situation a member's Nominal Benefit Age should be reset at age 65 or State Pension Age, depending on whether they were born before or after 5 April 1955, as the NEST Corporation believes that many members will want to take their benefits from NEST at those ages.

Members will still be able to choose to take their benefits at any age between 55 and 75 if they wish.

- *Changes to the rules around employer participation*

It is also proposed that employers who stop using NEST be formally classed as former participating employers.

As the rules currently stand, employers can stop using NEST whenever they choose, but will still be classed as participating employers. The proposed rule change means that employers who formally stop using NEST will stop being participating employers and will instead be classed as former participating employers. The idea is to give employers clarity and certainty, as well as the ability to end their participation formally if they so wish.

The consultation closes on 24 December 2010.

PENSION PROTECTION FUND

Administration levies for 2010/11

In a [Written Ministerial Statement](#) on 15 November 2010, the Pensions Minister, Steve Webb announced that the rates for both the PPF administration levy and the general levy will remain at the same levels set for 2010/11.

The statement notes that levy rates are set to avoid frequent changes and do not directly reflect forecast future costs, but take into account accumulated deficits or surpluses in expected levy collection. In holding these rates stable, the Government aims to avoid additional cost pressures on pension schemes. The rates have remained unchanged since 2008.

PPF transfers first scheme through “Assess & Pay” Programme

On 11 November 2010, the PPF successfully transferred its first pension scheme through the new “Assess & Pay” Programme, just under 18 months after the company went insolvent.

The programme, which was launched in May 2010, was set up to help the PPF get schemes through assessment more quickly.

The PPF appointed Punter Southall to help manage and carry out the valuations on more than 50 schemes. During the pilot, the PPF will work with the pensions industry to gather feedback and develop the assessment process further.

The first stage of the pilot will be reviewed in spring 2011.

[PPF Press Release](#)

THE PENSIONS REGULATOR

TPR backs NISPI initiative

TPR is backing an initiative which is designed to speed up the reconciliation of data in contracted-out pensions by up to two years through collaborative working practices.

TPR notes that the reconciliation process can take up to seven years to complete, but statistics show that the procedure can be completed 30% more quickly if administrators use the Shared Workspace tool provided by the National Insurance and Services to the Pensions Industry (NISPI), reducing it by up to two years. (NISPI is part of HMRC and

deals with occupational pension schemes and Appropriate Personal Pension Schemes that are contracted-out.)

The free web-based system, Shared Workspace, enables data to be shared securely, automatically reconciles records, identifies mismatches of information between HMRC and scheme administrators, provides an overview of what progress has been made, and an audit trail of all action taken.

[TPR Press Release](#)