

## **Pensions law – the week in review**

24 August 2009

### **AT A GLANCE**

#### **LEGISLATION**

- Reissued: The Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008
- The Social Security (State Pension and National Insurance Credits) Regulations 2009

#### **ACCOUNTING STANDARDS BOARD**

- Consultation on future reporting requirements for UK and Irish entities

#### **DEPARTMENT FOR WORK AND PENSIONS**

- Consultation on the Occupational and Personal Pension Schemes (Authorised Payments) Amendment Regulations 2009

#### **HM REVENUE & CUSTOMS**

- New address for Pension Schemes Services

#### **HM TREASURY**

- Equitable Life: Interim report published

#### **INTERNATIONAL ACCOUNTING STANDARDS BOARD**

- Proposals to amend the discount rate for measuring employee benefits

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**1 LEGISLATION**

**1.1 Reissued: The Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008**

The Department for Work and Pensions has reissued the employer debt amending regulations (which came into force on 6 April 2008) so as to correct a number of minor typographical errors.

The revised regulations and accompanying memorandum can be accessed by clicking on the links below:

[http://www.opsi.gov.uk/si/si2008/pdf/uksi\\_20080731\\_en.pdf](http://www.opsi.gov.uk/si/si2008/pdf/uksi_20080731_en.pdf)

[http://www.opsi.gov.uk/si/si2008/em/uksiem\\_20080731\\_en.pdf](http://www.opsi.gov.uk/si/si2008/em/uksiem_20080731_en.pdf)

**1.2 The Social Security (State Pension and National Insurance Credits) Regulations 2009**

These regulations make a number of consequential amendments to existing legislation in the light of forthcoming changes to the state pension which will begin to take effect from 6 April 2010.

By way of brief background, the 2010 changes will:

- streamline the contribution conditions and lower the qualifying threshold to 30 years (from 44 for a man and 39 for a woman) for people reaching state pension age on or after that date;
- enable a married person or civil partner to make an independent choice about whether to claim a pension based on the National Insurance record of their spouse or civil partner; and
- simplify the way in which the state second pension builds up.

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Among other things, the consequential amendments made by these regulations:

- specify the amount of basic state pension a person is entitled to if he or she does not satisfy the new contribution condition in full;
- provide for the gradual phasing out of automatic National Insurance credits for men who are within five years of state pension age; and
- provide for men and women to be treated equally with respect to the calculation and inheritance of graduated retirement benefit.

The regulations (and accompanying explanatory memorandum), which will for the most part come into force from 6 April 2010, can be accessed by clicking on the links below.

[http://www.opsi.gov.uk/si/si2009/pdf/uksi\\_20092206\\_en.pdf](http://www.opsi.gov.uk/si/si2009/pdf/uksi_20092206_en.pdf)

[http://www.opsi.gov.uk/si/si2009/em/uksiem\\_20092206\\_en.pdf](http://www.opsi.gov.uk/si/si2009/em/uksiem_20092206_en.pdf)

## **2 ACCOUNTING STANDARDS BOARD (ASB)**

### **2.1 Consultation on future reporting requirements for UK and Irish entities**

The ASB has issued a consultation paper - “Policy Proposal on the future of UK GAAP<sup>1</sup>” - in which it sets out its proposals for the future reporting requirements for UK and Irish entities.

The proposals (developed in conjunction with the Department for Business Innovation and Skills (BIS)) envisage a different reporting regime for those entities which have “public accountability”. An entity will have public accountability if it:

- (a) trades its debt or equity instruments in a public market; or

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<sup>1</sup> Generally Accepted Accounting Principles

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- (b) holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The Board is also proposing a three-tier approach to developing UK GAAP in line with International Financial Reporting Standards (IFRS).

The ASB's press release and policy proposal can be accessed by clicking on the links below:

<http://www.frc.org.uk/asb/press/pub2054.html>

[Policy Proposal on the future of UK GAAP](#)

### **3 DEPARTMENT FOR WORK AND PENSIONS (DWP)**

#### **3.1 Consultation on the Occupational and Personal Pension Schemes (Authorised Payments) Amendment Regulations 2009**

The DWP has published a consultation on draft regulations which propose minor amendments in the light of changes made earlier this year to the tax rules for registered pension schemes under the Registered Pension Schemes (Authorised Payments) Regulations 2009 (the Authorised Payments Regulations).<sup>2</sup>

The Authorised Payments Regulations came into force on 1 June 2009. They create additional categories of authorised payment, for example, by allowing the commutation of certain small benefits on or after 1 December 2009.

The DWP regulations are therefore aimed at ensuring that the administrative easement measures of the Authorised Payments regulations are reflected in DWP legislation.

These provisions are also intended to come into force on 1 December 2009. The consultation will run until 29 September 2009.

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<sup>2</sup> For more information, please see our Alert: Trivial Commutation Regulations Published! (dated 18 May 2009)

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The consultation document can be accessed by clicking on the link below:

<http://www.dwp.gov.uk/docs/opps-auth-pyt-regs-consultation.pdf>

### **4 HM REVENUE & CUSTOMS (HMRC)**

#### **4.1 New address for Pension Schemes Services**

On 20 August 2009, HMRC announced that its Pension Schemes Services division has moved. All correspondence should now be sent to:

Pension Scheme Services  
FitzRoy House  
Castle Meadow Road  
Nottingham  
NG2 1BD

For more contact information, please click on the link below:

<http://www.hmrc.gov.uk/pensionschemes/contacts.htm>

### **5 HM TREASURY**

#### **5.1 Equitable Life: Interim report published**

We reported in 7 Days on 22 June 2009 that Sir John Chadwick (appointed by HM Treasury to advise on matters arising from the Government's Response to the Parliamentary Ombudsman's investigation into the prudential regulation of the Equitable Life Assurance Society - "Equitable Life: a decade of regulatory failure"<sup>3</sup>) had published his provisional views on the issues to be addressed as part of his investigation.

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<sup>3</sup> Report published on 16 July 2008, Government response published on 15 January 2009. For background information please refer to 7 Days dated: 21 July 2008 and 19 January, 11 May and 1 June 2009

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Sir John has now published an interim report<sup>4</sup> in which he sets out:

- an approach for assessing relative loss, so that an ex gratia payment scheme (for those hardest hit by the maladministration of Equitable Life) can be delivered fairly, quickly and with minimal burden placed on policyholders;
- the definitive questions he proposes to address; and
- the principles he proposes to adopt to determine the appropriate proportion of losses to apportion to the various public bodies concerned.

The interim report develops the proposals set out in Sir John's June 2009 paper, in the light of representations received from a number of organisations (including Equitable Life, the Government, the Equitable Life Trapped Annuitants group), and a range of individual policyholders.

In tandem with Sir John's work, his appointed actuarial advisers, Towers Perrin, are in the process of reviewing and analysing more than 1.5 million policies that have been provided by Equitable Life which are relevant to the present review.

Representations should be submitted in writing by 2 October 2009, with an update to follow in the autumn.

The Treasury's press release, Sir John's interim report and a document containing representations and correspondence regarding the June 2009 proposals, can be accessed by clicking on the links below:

<http://www.hm-treasury.gov.uk/7492.htm>

[http://www.hm-treasury.gov.uk/d/equitable\\_life\\_interim\\_report\\_of\\_sir\\_john\\_chadwick.pdf](http://www.hm-treasury.gov.uk/d/equitable_life_interim_report_of_sir_john_chadwick.pdf)

[http://www.hm-treasury.gov.uk/d/interim\\_report\\_responses\\_and\\_correspondence\\_on\\_proposals.pdf](http://www.hm-treasury.gov.uk/d/interim_report_responses_and_correspondence_on_proposals.pdf)

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<sup>4</sup> On 18 August 2009

## **6 INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)**

### **6.1 Proposals to amend the discount rate for measuring employee benefits**

The IASB has published for consultation proposals to amend the discount rate used for measuring post-retirement benefits. The proposals amend International Accounting Standard 19 (IAS 19) *Employee Benefits* and have been issued in response to concerns raised by stakeholders that the current system of measuring pensions liabilities against a corporate bonds related discount rate may not be appropriate for all pension funds.

IAS 19 requires an entity to determine the rate used to discount employee benefits with reference to market yields on high quality corporate bonds. However, as the IASB explains, when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds instead. The current global financial crisis has led to a widening of the spread between yields on corporate bonds and yields on government bonds. Consequently, entities with similar employee benefits may report them at very different amounts.

The IASB therefore proposes to eliminate the requirement to use yields on government bonds. Instead, entities would estimate the yield on high quality corporate bonds. If adopted, the amendments would ensure that the comparability of financial statements is maintained across jurisdictions, regardless of whether there is a deep market for high quality corporate bonds.

The consultation on the IASB's exposure draft "Discount rate for Employee Benefits - Proposed amendments to IAS 19" will close on 30 September 2009.

The IASB's press release and exposure draft can be accessed by clicking on the links below:

[IASB Press Release: 19 August 2009](#)

[IASB Exposure Draft: Discount Rate for Employee Benefits - Proposed amendments to IAS 19](#)



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