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)
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

DEPARTMENT FOR BUSINESS, INNOVATION & SKILLS

Consultation on the administration of shared parental leave and pay

On 5 February 2013, the Government published the Children and Families Bill which will reform parental leave.[1]

On 25 February 2013, BIS published a consultation on its proposals for how shared parental leave and pay will work in practice. The consultation closes on 20 May 2013.

DEPARTMENT FOR WORK AND PENSIONS

The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013

On 18 February 2013, the DWP issued a consultation to seek views on draft regulations which propose consolidation and harmonisation of the principal disclosure of information regulations for occupational and personal pension schemes.

The main aims of the present proposals are to:

- support the "reinvigorating workplace pensions strategy";
- streamline the regulations on disclosure, harmonising the terminology used and updating outdated references;
- simplify certain requirements, for example, making it easier for schemes to deal with flexible retirement by using the most appropriate retirement date when preparing the statement rather than prescribing that a specific pension scheme age must be used; and
- clarify the rules on electronic communications.

For further details, please see our Alert: "Disclosure Consultation 2013 - Third time Lucky?" dated 20 February 2013.

[1] See 7days dated 11 February 2013

Consultation – The Transfer of Employment (Pension Protection) (Amendment) Regulations 2013

The Transfer of Employment (Pension Protection) Regulations 2005, came into force on 6 April 2005. They were intended to ensure that where an individual becomes the employee of a new employer as a result of a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended) apply, and had rights in relation to an occupational pension scheme immediately before the transfer, the new employer (transferee) will ensure that the employee is, or is eligible to become, an active member of an occupational pension scheme.

This consultation asks for views on changes to the Transfer of Employment (Pension Protection) Regulations 2005 which affect pension protection arrangements following a Transfer of Employment. These are:

- to clarify the policy intention in relation to pension protection following a transfer of employment subject to the Transfer of Undertakings (Protection of Employment) Regulations 1981, and

- to more closely align the pension protection requirements following a transfer of employment with the Automatic Enrolment legislation.

The consultation closes on 5 April 2013.

EUROPEAN COMMISSION

Financial Transaction Tax

On 14 February 2013 the European Commission adopted a proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax (FTT).

Eleven EU countries (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain) are to introduce the FTT.

The FTT aims to ensure the financial industry makes a fair contribution to the public purse. (The sector currently pays fewer taxes compared to other sectors.) It would cover all financial transactions involving a party located in one or more of the 11 countries. The minimum rate would be 0.01% for derivatives, and 0.1% for every other transaction, including purchases of shares and bonds. Participating countries are free to apply a higher rate.

The FTT would not be applied to everyday financial activities by people and businesses, such as getting insured, taking out a mortgage, credit card purchases and business lending.

The estimated revenue from the FTT is €30-35 billion a year. Some of that could go to the EU's budget. Each participating country's contribution would be reduced by the same amount. The rest of the revenues would go to national budgets, to be used like other tax revenues.

Pension funds have not been exempted from the scope of the Directive. According to the impact assessment this is because:

- it is expected to have a limited impact on pension funds and their beneficiaries;

- an exemption would undermine the level playing field between various savings and retirement products; and
- pension funds enjoy a favourable tax treatment in numerous member states.

Press release

HM REVENUE & CUSTOMS

Pension savings annual allowance calculator

From 6 April 2011 the annual allowance for tax relief on pension savings in a registered pension scheme was reduced to £50,000. If an individual's pension savings exceed this amount they will have to pay a tax charge and give details of this on a Self Assessment tax return.

To offset this change, it is possible to carry forward any unused annual allowance from the three previous tax years.

HMRC has changed its annual allowance calculator so that it will work out the carry forward amount when the pension input amount is known. In addition, a separate calculator has been created to work out the pension input amount when this is not known.

PENSION PROTECTION FUND

New Version of Data Interface Layout Launched

On 19 February 2013, the PPF launched an updated version of the Data Interface Layout (DIL), a template that trustees must populate with member information as schemes pass through the Assessment Period.

Learning from the successes of its Assess and Pay model, the PPF has developed the existing DIL to capture the necessary information while improving the user experience.

Schemes which have already submitted data are not expected to convert to the new DIL.

All schemes transferring with effect from 1 June 2013 should use version 6; in the interim period options should be discussed with the Scheme Delivery Associate.

Reminder of Key Dates for 2013/14 PPF Levy and Note on Type A Contingent Assets

On 22 February 2013, the PPF published a reminder of the key dates for this year's levy:

- monthly D&B Failure Scores - between 30 April 2012 and 28 March 2013;
- submit scheme returns on Exchange - by 5pm, 28 March 2013;
- reference period over which funding is smoothed - 5 yr period to 29 March 2013;2
- certification of contingent assets - by 5pm, 28 March 2013;
- certification of deficit-reduction contributions - by 5pm, 30 April 2013;

[2] The smoothing period ends on Good Friday, 29 March 2013, as the last week-day before the start of levy year 2013/14, but data on exchange must be completed by Thursday 28 March, as this is the last working day. This difference is intentional

[3] Please see our Alert: "Contingent Assets 2013/14: Revised guidance on certification of guarantor strength" dated 10 January 2013

- certification of block transfers - by 5pm, 28 June 2013; and
- invoicing starts - autumn 2013.

Type A contingent assets

Since the levy year 2012/13, trustees of schemes with Type A contingent assets (parent or group company guarantees) must certify that they "have no reason to believe that each certified guarantor, as at the date of the certificate, could not meet its full commitment under the contingent asset as certified".

The PPF has issued a summary of its observations on the assessment of guarantor strength and revised its FAQs on the subject.