Sackers extra

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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
FAS: Financial Assistance Scheme
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

ACTUARIAL PROFESSION

New framework for use of discount rates in actuarial work

Discount rates are central to the calculation of some of the key numbers in pensions, including:

- reserves in company accounts for pensions liabilities;
- pension scheme deficits and contributions to be paid in to pension schemes; and
- pension scheme transfer values.

The Actuarial Profession has conducted a two year research and consultation project into the use, construction and communication of discount rates which was aimed at developing a new framework that would help actuaries, their clients and all those affected by actuarial calculations. On 23 September 2011, it published a document which sets out its "final recommendations and the way forward" together with a final update on the project which includes feedback from the consultation process.

DEPARTMENT FOR BUSINESS, INNOVATION & SKILLS

Greater transparency in company pay and reporting

On 26 September 2011, BIS published two documents aimed at improving the corporate governance framework in the UK:

- a consultation on the future of narrative reporting, which seeks views on Government plans to make narrative reporting simpler, clearer and more focused. The consultation also includes proposals to make the reporting of executive remuneration clearer and more relevant to investors; and
- a discussion paper on executive remuneration which puts forward wide-ranging proposals on how to link executive pay more closely to company performance.

HM REVENUE & CUSTOMS

Pension Schemes Newsletter No.49

On 19 September 2011, HMRC published Pension Schemes Newsletter no.49. It covers:

- changes to the Pension Schemes website;
- updates to the Registered Pension Schemes Manual in respect of changes made by the Finance Act 2011 and accompanying regulations;
- trivial commutation – HMRC are intending to improve their current guidance and will be liaising with the pensions industry to ensure it meets customer needs;
- drawdown pension tables – Under 23's;
- flexible drawdown pension – scheme administrator responsibilities; and
- an update on the Pension Schemes Anti Fraud Unit.

Draft Electronic Communication of Returns and Information (Amendment) Regulations 2011

On September 22 2011, HMRC published, for comment, the Registered Pension Schemes and Overseas Pension Schemes (Electronic Communication of Returns and Information) (Amendment) Regulations 2011.

These draft regulations amend the existing Electronic Communication of Returns and Information Regulations so that a scheme manager of a currently-relieved non-UK pension scheme does not have to send an Accounting for Tax Return electronically to HMRC. This amendment is required as scheme managers will need to report to HMRC any annual allowance charge that they are liable for. However, they cannot use the existing Pension Schemes Online service to submit returns as this relates only to registered pension schemes.

HMRC has also made some minor amendments to tidy up the existing regulations.

Comments should be submitted to the Pensions Policy Team by 28 October 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IAS19 Employee Benefits – Mark-up

On 21 September 2011, the International Financial Reporting Standards published a mark-up of IAS19 which illustrates the amendments made in order to comply with the latest requirements of the standard (as issued in June 2011).

PENSION PROTECTION FUND

Consultation on pension protection levy

On 21 September 2011, the PPF published its consultation on the draft determination for 2012/13, the year in which the new levy framework will come into effect.

The consultation (which closes on 2 November) includes details of the rules for the next three years, which include:

- setting a levy estimate at £550 million for 2012/13 (the lowest levy the PPF has set);

- setting the risk-based levy scaling factor at 0.89 and the scheme-based levy multiplier at 0.000085; and
- capping the risk-based levy at 0.75 per cent of liabilities.

Key features of the PPF's new levy framework include:

- fixing levy rules for three years to provide certainty for levy payers;
- smoothing funding levels by using averages of market data so that short-term volatility in financial markets is not reflected in the measure of underfunding risk,
- reflecting investment risk in the levy calculation for the first time, and
- a system of ten insolvency rating bands, an increase from the six originally proposed. This responds to industry concerns that six bands would create cliff-edges where schemes could possibly face large levy rises.

Draft determination for 2012/13

Draft guidance on the bespoke calculation of investment risk

Press release

THE PENSIONS REGULATOR

New e-learning module on identifying a scheme's statutory employer

Following its recent statement, TPR has launched a new "bite-sized" e-learning module to help trustees accurately identify their scheme's statutory employer.[1] From November 2011, trustees will have to provide information about the scheme's statutory employers on the Scheme Return.

Press release

[1] For further information, please see our News: "Who's Who? Identifying your statutory employer" dated 25 August 2011