

28 January 2013

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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

GMP: Guaranteed Minimum Pension

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

LEGISLATION

The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2013

This [Order](#) increases:

- the compensation cap, which helps control PPF expenditure by limiting the amount of compensation payable by the Board; and
- the levy ceiling, which controls the maximum amount of levy the PPF can charge pension schemes.

From 1 April 2013, the compensation cap will be £34,867.04 (up from £34,049.84) and the levy ceiling will be £933,556,533 (£918,854,855).

[Explanatory memorandum](#)

THE ACTUARIAL PROFESSION

No improvement in mortality rates in 2012

The Actuarial Profession has carried out analysis of the latest figures from the Office for National Statistics and found no overall improvement in longevity in England and Wales, in 2012.

For the combined male and female population, mortality worsened by 1% over the year. This compares with a 3.8% improvement in 2011. Observers, including policy makers and actuaries, will be interested to see if this trend continues in 2013 or if 2012 proves to be an anomaly year.

Another trend that has continued is that relatively, men continue to experience greater improvements in mortality than women. However, although the mortality 'gender gap' has reduced again, it is still significant, and despite the recent data women continue to have higher life expectancy than men.

[Press release](#)

DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS

Transfer of Undertakings (Protection of Employment) Regulations (TUPE) 2006: consultation on proposed changes

TUPE legislation protects employee rights when the business or undertaking for which they work transfers to a new employer.

The Government has reviewed TUPE as part of its wider review of employment law. The review has also been conducted under the Red Tape Challenge. Some businesses believe the regulations are "gold-plated" (i.e. they go beyond the requirements of EU law) and overly bureaucratic. The Government has examined these concerns and the effectiveness of the regulations to see whether they should be changed.

Following a [Call for Evidence](#) which concluded in 2012, the Government is now proposing changes to TUPE which they believe will improve and simplify the regulations for all parties involved. This [consultation](#), which closes on 11 April 2012, is seeking views on these changes.

Although responses to the call for evidence indicated that greater clarity on pensions liability is required (there is uncertainty as to how TUPE applies to occupational pensions and guidance on the benefits that do transfer under TUPE would be welcomed), pensions are not included in the consultation. However, BIS does note that it will continue working with the DWP to identify ways to improve the information available to employers and scheme members.

DEPARTMENT FOR WORK AND PENSIONS

Call for evidence on impact of DB pensions on growth

On 25 January 2013, the DWP issued a [call for evidence](#) on the impact of funding DB pensions on investment and growth.

The call for evidence consists of two key questions:

- whether companies undergoing valuations of their DB pension deficits should be allowed to smooth the calculation of their asset and liabilities; and
- whether TPR should be given a new statutory objective to consider the long-term affordability of deficit recovery plans to sponsoring employers.

The call is being made in response to concerns that a recent period of historically low gilt yields has affected the discounting applied in the calculation of long-term pension liabilities. Rising deficits are said to be forcing some employers to make substantial additional contributions to schemes, which is diverting funds away from business investment and, ultimately, economic growth. However, flexibilities already exist within the pensions regulatory framework, which can help companies manage the funding of their deficits over time.

The call for evidence on the new statutory objective closes on 21 February 2013. The call for evidence in relation to smoothing closes on 7 March 2013.

We will be publishing an Alert on this shortly.

[Press release](#)

FINANCIAL REPORTING COUNCIL (FRC)

Draft plan and budget for 2013/14

On 22 January 2013, the FRC issued its [draft plan and budget](#) for 2013/14. It is consulting on its strategic priorities and funding to pursue its mission of promoting high quality corporate governance and reporting to foster investment.

The draft plan identifies six priority projects to deliver more effective regulation, better corporate reporting, better audit quality and value, effective actuarial oversight and better links to the economic and market context.

The draft plan describes the significant challenges facing accounting, audit, corporate governance and the actuarial profession in the UK over the coming year and sets out the FRC response. That response requires more resources. To fund its activities next year the FRC will require an average 8.5% increase in the levy rates. The additional funding is intended to strengthen its ability to respond to international demands, to scrutinise emerging issues and to conduct research into the economic and business environment in which we operate.

The consultation closes on 28 March 2013.

[Press release](#)

HM REVENUE & CUSTOMS

Error on GMP statements - DC schemes closure scan

HMRC has issued a [statement](#) in relation to a closure scan which took place in December 2012.

Unfortunately there was a technical problem with the issue of GMP statements (form CA1625) and some were issued in error. It advises if schemes have received any forms CA1625 which show a nil value GMP these should be ignored.

HMRC expects that the problem will be fixed by the end of March 2013 and the GMP statements will then be issued / re-issued.

PENSION PROTECTION FUND

Chief Financial Officer appointed to the PPF Board

On 23 January 2013, the PPF [announced](#) that Chief Financial Officer, Andy McKinnon, has been appointed as an Executive Director to the PPF Board.

Three new panels to be set up to further speed up assessment and wind-up processes

As part of its drive to provide certainty to its members as soon as possible, on 24 January 2013 the PPF [signalled](#) its intention to expand the range of professional panels it uses to manage schemes through its assessment and wind-up processes. The three new panels will be: trustee advisory panel, assessment process legal panel and auditors panel.

This is the latest development in a programme which is designed to push pension schemes through PPF assessment and Financial Assistance Scheme (FAS) wind-up more quickly and efficiently.

THE PENSIONS REGULATOR

DC Trust 2013

On 23 January 2013, TPR published a [snapshot](#) of the current landscape of occupational trust-based DC pension provision in the UK.

To enable comparisons over time, this year's release includes data spanning four years, 2009 to 2012, with all figures as of 31 December in the relevant year.

Its headline findings include:

- DC memberships now account for 27% of the workplace pension memberships;
- 30% of active DC members are in trust-based schemes and 70% of active DC members are in contract-based schemes;
- the number of schemes has dropped by over 40% since 1997. However, although the number of schemes has declined significantly, the number of memberships has declined considerably less – just 6%;
- over the last four years, the number of "micro schemes" has declined by nearly 9,000 (or 20%) compared to a smaller decrease of about 1,300 in the number of small and medium schemes and a relatively consistent volume of large schemes;
- the number of small and medium schemes reduced from 4,180 in 2009 to 2,870 in 2012, a drop of 31%;
- the mean average assets per member in schemes with more than 12 members has increased year on year for the last four years, from £14,400 at the end 2009 to £18,900 at end 2012 (not index-linked); and
- the proportion of members aged 50 or above has increased from 18% in 2009 to 24% in 2012.

[Press release](#)

Revised Determinations Panel and Case Team procedures published

Following a period of consultation, on 24 January 2013 TPR [published](#) revisions to the current Determinations Panel procedure, together with a separate Case Team procedure.

These procedures detail the processes used by the Determinations Panel and TPR's case teams in cases where the final decision rests with the Panel.

Revisions to the current Determinations Panel procedure include:

- further clarity on the point at which cases are referred to the Panel by TPR's case teams who have responsibility for the management of a case at a particular point in time;
- a fuller explanation of the differences between the "standard procedure" and "special procedure" and
- further clarity on the Panel's ability to request and consider certain additional material.

The Case Team procedure covers a range of matters, including issuing and the contents of a 'warning notice' inviting parties potentially subject to TPR's powers to respond to its case and subsequent steps culminating in a decision whether or not to put the case to the Panel to make a 'determination'.

Revisions to the Case Team procedure which went out to consultation include:

- how TPR's case teams will approach the disclosure of material to affected parties; and
- further information on when and how the "special procedure" will be used by TPR's case teams.