



Consultants
& Actuaries



The
workplace pensions
experts

BBS trustees agenda

July 2012

Inducement rules in force

New laws effective from 1 July 2012 prevent employers from inducing workers to opt out of pension schemes ahead of auto-enrolment.

Employers that breach these rules could face compliance notices from The Pensions Regulator, penalties of up to £50,000, plus escalating penalty notices of up to £10,000 a day.

The Pensions Regulator has published detailed guidance on the new rules, which apply to existing and new staff and will stop employers making a job offer or higher salary conditional on an employee not joining the company pension scheme.

DWP publishes further AE guidance

The DWP has published guidance for employers on certifying defined benefit and hybrid schemes, guidance for actuaries on certifying defined benefit and hybrid schemes, and the Hybrid Schemes Quality Requirements Rules 2012.

Guidance on certifying money purchase schemes has also been updated.

ACA comments on EIOPA consultation

The Association of Consulting Actuaries (ACA) has expressed its concern about the content of the European Insurance and Occupational Pensions Authority's (EIOPA) consultation on new solvency rules for European pension funds.

The ACA suggested that the European authorities have displayed a lack of understanding by attempting to apply rigid EU rules to "an area where professional input is vital".

Higher-rate taxpayers not claiming pensions tax relief

A survey commissioned by Prudential has found that 59% of higher-rate taxpayers are failing to claim their full entitlement of tax relief on their pension contributions. A further 19% of respondents were not sure whether they had claimed tax relief or not.

Labour publishes pension policy review results

The Labour Party has published its pension policy review document "Pensions people can trust".

The review found that private pensions are too expensive, and there are limitations to the National Employment Savings Trust (NEST).

Shadow Work and Pensions Secretary, Liam Byrne, commented that "Right now, a worst-case scenario could see a pension saver lose up to half of their pension thanks to hidden costs and charges."

Industry response to Labour's policy review

The pensions industry has responded to the Labour Party's policy review document on private pensions.

Otto Thoresen, Director General of the Association of British Insurers (ABI), disputed Labour's claim that high fees erode private pensions, stating that the average annual management charge is just 0.77%.

However, Tom McPhail, Head of Pensions Research at Hargreaves Lansdown, has come out in support of many of the pension policy proposals set out in the document, including the proposal to put investors in control of their retirement savings, the removal of the constraints placed on the NEST, and the creation of an annuities clearing house.

Aon Hewitt publishes Benefits Administration Survey 2012

The Aon Hewitt Benefits Administration Survey 2012 has found that 35% of respondents are still uncertain about their staging date for auto-enrolment.

However, the survey also found that only 13% of organisations have yet to start planning for auto-enrolment, compared with 40% in 2011.



Report reveals changing private sector pensions landscape

A report by the Pensions Policy Institute and sponsored by MetLife Assurance, has revealed only 1.6 million of the estimated 9.5 million active members in private sector workplace pensions are accruing new defined benefits. This is expected to fall to under 1 million by 2020.

In contrast, membership of private sector defined contribution schemes is projected to more than double from 6.6 million to 16 million following the introduction of auto-enrolment.

FTSE 100 scheme deficits double

Research by JLT Capital Strategies has revealed that the total deficit across FTSE 100 defined benefit pension schemes has grown by £38bn over the last 12 months and stood at £73bn on 31 March 2012.

Workplace pensions reform law comes into effect

Workplace pensions reform law comes into effect from 1 July 2012, marking the start of the new automatic enrolment duties. The new law requires that employers do not:

- induce workers to opt out or cease their membership of the qualifying pension scheme
- indicate during a recruitment process that a worker's decision to opt out of auto enrolment will affect the outcome
- do, or fail to do something which results in the worker ceasing to be in active membership whilst still employed by the employer.

Such behaviour could lead to enforcement action resulting in monetary penalties being imposed.

FSA advice on AE could harm small businesses

New guidance from the FSA states that base level contributions must be calculated as net rather than gross, meaning that any charges incurred by the scheme must be paid for through extra contributions so that it does not eat into the 8% minimum.

Employers paying for consultancy through annual management charges will therefore be forced to increase contributions by up to 2%.

The pensions industry is especially concerned about small business, for which contributions totalling 10% rather than 8% could mean a struggle to afford the extra payout.

DWP shifts AE staging dates

The DWP has amended the auto-enrolment staging dates for smaller employers.

Such schemes can now define their size based on the number of workers in the PAYE scheme, rather than the size of the PAYE scheme, which could include retired workers.

Employers confirm increased cost and burden of AE

A survey by Eversheds about employers' preparation for auto-enrolment has revealed that the majority are confident they will be ready by their staging date.

Half of employers who responded to the survey predicted that the cost of compliance will be up to 10% of their payroll and similar numbers expressed concern over the administrative burden of auto-enrolment.

Over half of respondents admitted to not having taken steps to prepare for the new worker protection provisions which came into effect from 1 July.

BBS Consultants & Actuaries Ltd

Canard Court
23-25 St George's Road
Bristol, BS1 5UU

Tel: 0117 937 8700

Fax: 0117 937 8701

Email: info@bbs-actuaries.co.uk

Website: www.bbs-actuaries.co.uk