

MAL EBC Regulatory Update

10 March 2010 – 6 April 2010

What's My View? Dan DeKeizer

April 2010

With the opening of the General Election campaign highlighting political divisions, it is interesting to note where rare areas of political consensus may exist. Though Labour may be at odds with the Conservatives and business leaders on National Insurance rises, one area where they appear to be in harmony is around the need for people to work longer.

Following a review that kicked off last autumn, last month's Budget saw the Government confirm its intention to consult on either removing or increasing the default retirement age. This came close on the heels of a Conservative commitment to accelerate the speed at which the state pension age is increased to 66 and was swiftly followed by a CBI briefing exhorting urgent public sector pension reforms, including increasing public sector pension ages to align them with the state pension age. In a recent article in 'Pensions Management', Steve Webb, the Liberal Democrat Pensions Spokesman suggested a 'second Turner Commission' to look at pensions issues including the possibility of raising the retirement age.

The fact that this political consensus has emerged is perhaps unsurprising given that most people of working age are already expecting to have to work longer. A study published by the Employee Benefit Research Institute (EBRI) in March 2010 in the United States showed that the median retirement age of current retirees was about 62 while the median age at which those over 40 but currently working expect to retire was over age 65. If voters are already comfortable with the idea of a longer working life, then why not build policy on the basis that retirement will happen later?

Unfortunately the political equation might not be such a no-brainer in the long run. The positive view of postponing retirement is predicated on an assumption that people will be able to work longer, save more and enjoy a higher standard of living when they do retire. The problem is that not everyone will be able to work longer. In the Retirement Confidence Surveys conducted by EBRI / Greenwald, found that in 2010 about 41% of retirees left the workforce earlier than they had planned compared to only 4% who worked longer than expected. Ill health, caretaker responsibilities, changing needs in the workplace and business failures can all lead to people retiring sooner than they would like.

The consequences of this gap between popular expectations around retirement age and what appears to be the reality could store up big problems for the future. If state and private pensions excessively penalise those who are unable to find work in their 50's and 60's, they may simply create a spill over effect on other benefit payments such as Jobseekers' Allowance which can still be claimed up to the age of 65 for some people. As a result, rather than improving the lot of retirees, the policy consensus around increasing pensions ages may actually be in danger of creating a new underclass of the "under-retired".

While encouraging people to work longer is a rational response to the financial reality that most have not saved enough, and will be a good decision for many of us, it's my view that our societal debate about pension reform cannot ignore the implications for those unable to work.

Budget, 25 March 2010

The Chancellor of the Exchequer delivered the final Budget of the Parliament on 24 March. The key points were:

- Inheritance Tax threshold will remain at £325,000 for the next four years
- Income tax bands frozen for 2010/11
- Additional 50% Income tax rate for earnings over £150,000 will apply from April 2010
- Personal allowances will reduce for those earning more than £100,000 by £1 for every £2 of income above the £100,000 limit from April 2010
- Consultation on Default Retirement Age announced but no changes will be made before April 2011
- Highlights international discussions on a 'Systemic Risk Tax' for financial institutions. (It is not clear if insurers could be drawn into this, although it seems to be primarily aimed at banks.)

Commenting on the Budget, Joanne Segars, Chief Executive of NAPF said: "This is a Budget which is a glass half full and a glass half empty for workplace pensions. We are pleased the Government has responded to NAPF pressure to skew gilt issuance to the long-dated and index-linked end. This will help pension funds reduce their deficits, scheme sponsors reduce their liabilities and is good news for all those saving into a pension. However, the Government should have gone further and abandoned its damaging pensions tax plans for higher earners which will only serve to weaken pension provision for all."

CBI argues that Public Sector Pensions 'must be overhauled'

The CBI issued a report on 6th April entitled 'Getting a grip: the route to reform of public sector pensions'. This argued that final salary pensions in the public sector are unsustainable and that there must be a shift towards a more sustainable system. The press release says that 'Public sector pension benefits are on average worth 26% of salary every year, which is far higher than private sector norms - and the total cost will increase as people live longer. To compound the situation, the state workforce has grown by almost 1m in the past decade to hit 6.1m, or one in five workers. The CBI is today urging the next government to set up an independent commission within weeks of taking office to fully investigate pensions costs.'

The press release may be read at the following address, which also contains a link to the report:

<http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/d1c3c285facecb5a802576f6002fd3c8?OpenDocument>

Steve Webb (Liberal Democrat Pensions Spokesman) suggests a ‘second Turner Commission’ to look at pensions issues including the possibility of raising the retirement age

In a recent article in ‘Pensions Management’, Steve Webb, the Liberal Democrat Pensions Spokesman suggested a ‘second Turner Commission’ to look at pensions issues including the possibility of raising the retirement age. For the link to the article please click here:
http://www.pensions-management.co.uk/news/fullstory.php/aid/5304/LibDem_pensions_manifesto.html

Jon Pain (Managing Director, Supervision, FSA) speech to Insurance Sector Conference

Jon Pain delivered a speech at the Insurance Sector Conference on 18 March in which he stated that insurance companies are not banks, and they differ from banks fundamentally in respect of liquidity risks, which have played such a central role in this banking crisis. Nevertheless, he said the whole financial services industry faces a challenging situation and the insurance section is no exception.

Referring to Solvency II he stated that the FSA anticipates that most firms will need to make substantial changes as a result of this directive and added that there is a risk that if firms do not engage early enough or apply sufficient resources, they will “simply not be ready to be operating in line with the directive.” Pain also stated that there is a need to increase consumer confidence and engagement in the insurance market, adding that the FSA will seek to be more proactive and to intervene earlier in the product chain to anticipate consumer detriment and cut it off before it occurs.

The full speech can be read here:

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2010/0318_jp.shtml

Ken Hogg (Director, Insurance Sector, FSA) speech to Insurance Sector Conference

Ken Hogg also delivered a speech to the Insurance Sector Conference on 18 March. He noted that under Solvency II, a key issue is the extent to which annuity writers are able to reflect the illiquid nature of their liabilities in their valuation. He referenced the recent industry/CEIOPS joint task-force report, which suggests it should be possible to find prudentially sound approaches to incorporating an allowance for illiquidity into the Solvency II framework and said this is a “positive step” and gives the European Commission a good basis on which to put forward proposals that will ensure future retirees receive a fair deal.

The full speech can be found here

http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2010/0318_kh.shtml

NAO report on public sector pensions

The National Audit Office this month issued a new report entitled ‘The cost of public sector pensions’, which found that payments in 2009 were £25 billion and this will rise to £79 billion by 2059. However,

this represents an increase in GDP terms of just 0.2 per cent – from 1.7 per cent to 1.9 per cent. The report also argued that the biggest increase in costs for the unfunded public sector pensions in the increasing number of retirees with pension entitlements, rather than increased longevity.

Further details can be found here:

http://www.nao.org.uk/publications/0910/public_service_pensions.aspx

Pensions Advisory Service - UK expats lose pension freeze appeal

On 16 March the European Court of Human Rights rejected an appeal from a group of expatriate pensioners now living in Australia and Canada who wanted to receive increases to their state pension in line with inflation. The appeal was rejected by an 11 to 6 majority and it has been estimated that the ruling will save the government at least £500m a year.

Further details can be found here

<http://www.pensionsadvisoryservice.org.uk/news/2010/march/uk-expats-lose-pension-freeze-appeal>

Conservatives set out key objectives for pensions reform

In a *Politeia* paper published on 18 March, Theresa May MP (Shadow Work and Pensions Secretary) set out the Conservative Party's key objectives in relation to occupational pensions. The paper, entitled "Providing for Pensions: Principles and Practice for Success", argued that the collapse of the UK pensions system was focusing attention on the "totally inadequate" levels of saving in Britain's ageing society.

May stated that the three key principles at the heart of the Conservative pensions policy would be: to ensure an adequate level of security for all in retirement; to restore the health of occupational pensions; and to encourage responsible saving for the future through a culture that rewards, rather than penalises, saving.

She confirmed that the specific actions a Conservative Government would take on pensions are:

- The 2012 reforms for auto-enrolment and the National Employment Savings Trust (NEST) will be addressed; auto-enrolment may be brought forward from 2012 on a voluntary basis, allowing employers to plan for implementation. Concerns about the need to ensure sufficient saving in the new NEST by lower and middle earners will also be tackled.
- New approaches to defined benefit schemes will be explored so companies can retain such schemes, and hybrid schemes with elements of defined benefits and defined contribution benefits will be explored. The regulations which make such schemes harder for companies to operate will be reviewed.
- The obligation to buy an annuity by 75 will be removed and people will be given more flexibility once retired.
- The link with earnings would be restored for the state pension, paid for by increasing the state pension age to 66 (by 2016 for men and 2020 for women) - in line with the consensus in the UK and Western Europe on the need to raise the retirement age.

- The current default retirement age of 65 would be reviewed to allow for greater flexibility in working beyond that age and encouraging it where it is practical to do so.
- Practical measures to encourage savings will be considered, including early access to pensions savings, as already happens in countries as New Zealand and the US.

The full report can be read here: <http://www.politeia.co.uk/p114.pdf>

NEST Corporation - Membership and Order and Rules

On 25 March the Department for Work and Pensions announced the appointment of Jeannie Drake as Deputy Chair of the NEST Corporation. Her appointment took effect from 1 April 2010, initially as Deputy Chair Designate until the NEST Corporation is established on 5 July, at which point Ms Drake will take on the full duties of Deputy Chair. The following members were also appointed this month: Tom Boardman; Laurie Edmans; Dr Dianne Hayter; Chris Hitchen; Julius Pursaill; and Sue Slipman

The Government also published details of the Order which will establish NEST as well as the Rules which set out the scope and parameters for its operation.

The Order can be found here:

http://www.opsi.gov.uk/si/si2010/uksi_20100917_en_1

Responding to the publication of the NEST Order and Rules, Tim Jones, PADA Chief Executive, said: "The publication of the order and rules – the foundations of NEST – is an exciting development which means the trustee body will have a solid framework with which to implement NEST."

Lindsay Tomlinson Speech to ICGN Conference

Lindsay Tomlinson (Chairman, National Association Pension Funds) delivered a speech at the International Corporate Governance Network Conference on 25 March. The speech focused on corporate governance within the pensions industry and Tomlinson stated that NAPF expects that it will be an FSA requirement that all investment management firms authorised to do business in the UK will be required to make a statement about the way in which they comply with the Financial Reporting Code.

Tomlinson also announced that an NAPF summit on pensions accounting will be held at the NAPF on 29 April.

The speech can be found here:

http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100326_26-03-2010%20-%20Lindsay%20Tomlinson%20Speech%20to%20ICGN%20Conference%2025th%20March%202010.pdf

HM Treasury consultation on strengthening the administration regime for insurers

The Government this month launched a consultation on proposals to improve the protection and payment of benefits for holders of insurance contracts with an insurer facing financial difficulties, in particular to address gaps within administration regime for insurers in comparison to the liquidation regime. The Government proposals include changing the law to require administrators to provide assistance to the FSCS to enable it to administer the compensation scheme and secure continuity of contracts of insurance. The consultation closes on 25 June 2010.

The full consultation document can be found here: http://www.hm-treasury.gov.uk/consult_adminregime_insurers.htm

PPI briefing note - Retirement income and assets: outlook for the future

On 30 March the Pensions Policy Institute published its report 'Retirement income and assets: outlook for the future' which considered the income and assets that a future generation, reaching state pension age in 2030, may have to support retirement. The report found that some "moderate to high" earners who contribute to DC pensions at average levels of 10 per cent of salary are unlikely to have sufficient state and private pension income to achieve a desired standard of living in retirement. It added that to achieve this, "moderate to high" earners reaching state pension age may need to have around 15 per cent of their salary contributed to a private pension.

The full briefing note can be found here:

https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/2010/PPI_fourth_Retirement_income_and_assets_report_Feb_2010.pdf

The Pensions Regulator - Corporate Plan

The Pensions Regulator (TPR) latest corporate plan for 2010-2013 was published on 30 March. It set out how the regulator will work to protect members' benefits "in a climate of financial uncertainty that has impacted both pension schemes and sponsoring employers."

Of particular note, TPR has stated that it will support employers to get to grips with their new duties to auto-enrol staff into workplace pension schemes, and the regulator will design and build an effective compliance regime. It will also focus on standards of delivery of DC schemes – looking to trustees and providers to ensure they are effectively run and suited to members' needs. In addition, TPR has stated that it will look to continue to direct its resources in the areas of greatest risk to members, educate and enable the industry to respond, and reduce the risk of calls on the Pension Protection Fund.

The full corporate plan can be viewed here: <http://www.thepensionsregulator.gov.uk/docs/corporate-plan-2010-2013.pdf>

HMRC - Investigation into more trivial commutation options

The Government this month announced an investigation into the trivial commutation rules governing smaller pension pots. According to the Pensions Advisory Service, "A HMRC note released to coincide with the Budget said: 'The government remains open to proposals for further simplification, provided that the simplification won't increase Exchequer costs; or add significant costs for HMRC and would not be open to manipulation.' HMRC will be looking at a couple of proposals - the commutation of personal pension pots up to £2,000 and allowing couples to pool pension pots to get better value on a joint life annuity"

Further information can be found here:

<http://www.pensionsadvisoryservice.org.uk/news/2010/march/investigation-into-more-trivial-commutation-options?textSize=small>

PwC research - Employers delay pension decisions until Budget

According to figures released in March from PricewaterhouseCoopers LLP's (PwC), "48 per cent of around 200 UK employers put off decisions over changes to pension provision for high earners until after the Budget, in case there were any further pension alterations. The survey also revealed that 30 per cent of UK employers are also deferring intended changes to pensions for the wider workforce."

Further information can be found here: <http://www.ukmediacentre.pwc.com/News-Releases/Budget-2010-Pensions-e55.aspx>

The Pensions Advisory Service, Simplification would lead to fraud

"Malcolm McLean, Chief Executive of The Pensions Advisory Service (TPAS), has warned that simplifying the UK's state pension system could leave it open to fraudulent claims. Mr McLean's comments came in response to proposals for the UK state pension to be allocated based on residency rather than national insurance contributions.

The full research can be found here:

<http://www.pensionsadvisoryservice.org.uk/news/2010/march/simplification-would-lead-to-fraud>

ACA Pensions Manifesto

The Association of Consulting Actuaries (ACA) this month published a manifesto recommending changes to pensions legislation. This was timed ahead of the General Election to encourage the eventual winning party into making pension reforms a priority. The six point plan included suggestions such as:

- establishing an Independent Retirement Income Commission
- encouraging occupational provision by allowing employers to set up "middle way" schemes
- encourage retirement saving by providing more early access to schemes
- reforming annuity purchase rules

The full manifesto can be viewed here:

http://www.aca.org.uk/files/ACA_launches_Retirement_Income_Manifesto_-_time_to_get_positive-16_March_2010-20100315172928.pdf

ACA - Only 22 per cent of women seek retirement advice

According to research published this month by Defaqto, only 22 per cent of women have sought retirement advice. The results further revealed that a mere 21 per cent of women are saving for retirement and only 13 per cent claim they are confident their retirement income will meet their needs. 78 per cent of women said they will be relying on a state pension, whereas 22 per cent of women said they would be dependent on their spouse's pension.

Further information can be found here: <http://www.defaqto.com/news/just-22-women-seeking-advice-retirement-planning-country-it%E2%80%99s-time-give-your-mum-financial-make>

PADA – Key facts and Mythbuster

PADA this month published the latest version of its 'Key facts and Mythbuster' documents. Latest additions include new facts about how the scheme will work and information about NEST and its likely future members.

Further details can be found here: <http://www.padeliveryauthority.org.uk/documents/Key-Fact-Myths.pdf>

PPF updates

PPF- Seven more schemes enter the PPF

The PPF announced in March, that in February, seven more pension schemes entered into the Pension Protection Fund (PPF). Motor Industry Plan, Pittards Closed Scheme and five Gaskell Pension Schemes are the latest to transfer to the PPF. This brings the total number of schemes to 120. The PPF also noted that 36,799 people are now receiving, or will receive, compensation in the future and the PPF paid out around £8 million in compensation during February 2010.

Further details can be found here: <http://www.pensionprotectionfund.org.uk/News/Pages/details.aspx?itemID=161>

Revised commutation factors

Last month, the Pension Protection Fund published revised Commutation factors, Compensation Cap factors and Early Retirement factors. The Compensation Cap ~~factors~~ factors should be used for all calculations with an effective date on or after 1 April, and the Commutation and Early Retirement factors should be on or after 6 April.

The Compensation Cap from 1 April will be £33,054.09 at age 65. This equates to £29,748.68 once the 90% is applied.

Further details on these new factors can be found here:

<http://www.pensionprotectionfund.org.uk/News/Pages/details.aspx?itemID=164>

PPF - Recruits Seven Private Equity Secondary Managers

Last month, the Pension Protection Fund (PPF) appointed seven Private Equity Secondary Managers to a panel for potential future investment. The new managers are Goldman Sachs; Hamilton Lane; Lexington Partners; LGT Capital; Partners Group. Pantheon Ventures and RREEF “These managers will allow the PPF flexibility to take advantage of secondary market opportunities as they arise” according to the PPF press release.

Further details can be found here:

<http://www.pensionprotectionfund.org.uk/News/Pages/details.aspx?itemID=165>

Pension Protection Fund and CBI information on how to reduce a scheme’s levy

On 17 March the Pension Protection Fund and the CBI jointly published information for pension schemes, advisors and trustees on ways that a scheme’s levy can be reduced. Further details can be found here: <http://www.pensionprotectionfund.org.uk/News/Pages/details.aspx?itemID=162>

Pension Protection Levy Steering Group Publishes Paper

The Independent Pension Protection Levy Steering Group set up by the Pension Protection Fund (PPF) last year to help develop proposals for the long-term future of the pension protection levy published a paper on 18 March setting out the principles that it considers might be applied to designing a new levy. The paper said “Critical to the Steering Group’s thinking is the proposition that changes in a scheme’s bill ought to derive primarily from changes in its risk, not from others’ risk, and that it should be possible, therefore, to estimate a scheme’s levy for a number of years.”

The PPF will now consider the ideas put forward by the steering group as part of its work to develop detailed proposals for the levy.

An additional paper setting out the analysis provided by the PPF supporting the steering group’s work has also been published.

Details of both papers can be found here:

<http://www.pensionprotectionfund.org.uk/News/pages/details.aspx?itemID=163>

NAPF update

NAPF Investment Conference 2010, 10-12 March

The Annual NAPF Investment Conference took place in Edinburgh on 10-12 March, providing an opportunity for pensions managers and trustees to discuss current investment topics. Of particular note, Ray Martin (NAPF Investment Council Chairman) gave his inaugural address and recommended six steps to fix pensions for the next Government. This included reversing the Government's decision to withdraw full tax relief on pension contribution for those on higher earnings, putting "simplicity" at the heart of pensions policy and changing the objectives of the Pensions Regulator so that it has a duty to encourage an environment in which pension provision can "flourish".

The full speech can be found here: http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100310_10-03-2010%20-%20Ray%20Martin%20Investment%20Conference%20Speech%202010.pdf

NAPF pension tax changes update

On 1 March 2010, NAPF submitted its consultation response to "Implementing the restriction of pensions tax relief" which rejects the Government's current proposals as complex, expensive, difficult to implement and potentially damaging to the future of workplace pension provision in the UK.

A full copy of the consultation response can be found here:

http://www.napf.co.uk/DocumentArchive/Policy/Reports%20and%20Responses%20to%20Consultations/07_2010/20100303_03-03-2010%20-%20NAPF%20Response%20to%20HMT-%20HMRC%20Consultation%20on%20Pensions%20Tax%20Relief%20-%20March%202010.pdf

NAPF workplace pensions survey

NAPF issued in March the results of its sixth biannual Workplace Pensions Survey. The survey found that people consider pensions to be the best way to save, with 44 per cent of respondents choosing pensions in response to this question. However, just 34 per cent of working people believe that the pension they have now will give them enough money in retirement.

Further details can be found here:

http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100308_08-03-2010%20-%20Only%20One%20in%20Three%20Confident%20in%20Pension%20Income.pdf

NAPF 'Regulation Rendez-vous'

NAPF's annual 'Regulation Rendez-vous' will take place on 20 April. The event will provide an opportunity for industry experts to share their analysis of recent developments in taxation and regulation. Issues under discussion include:

- A 'Trustee survival kit' session on DB funding and DC issues with Clifford Sims from Hammonds
- A speech from the PPI on what to expect from the political parties after the election

NAPF happiness in retirement survey

NAPF research published in March found that employees value wealth over health in their retirement. 71 per cent of employees say that being financially secure would make them happy in retirement. Financial security was voted above all other essential ingredients for happiness in retirement, meanwhile 69 per cent chose good health.

Further details can be found here:

http://www.napf.co.uk/DocumentArchive/Policy/Reports%20and%20Responses%20to%20Consultations/07_2010/20100312_NAPF%20Happiness%20in%20Retirement%20Survey.pdf

NAPF – Be a Friend of Pension Quality Mark

NAPF launched a new initiative in March to recognise the advisers and providers who are helping to make the award such a success. The initiative allows pension consultants, advisers, providers and IFAs who raise awareness of the Pension Quality Mark or help clients with applications, to become a 'Friend of Pension Quality Mark'. The initiative has been launched to recognise the welcome support that Pension Quality Mark is receiving from the pensions industry and encourage a further boost to applications for awards.

Further details can be found here:

http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100325_25-03-2010%20-%20Be%20A%20Friend%20of%20Pension%20Quality%20Mark.pdf

NAPF Blueprint

The National Association of Pension Funds (NAPF) launched 'Fit for the future – NAPF's vision for pensions' on 29 March which set out a blueprint for the pensions system in the UK. The proposals included creating a new simpler state pension called the Foundation Pension which would be worth £8,000 a year, developing new pension designs to help employers run workplace pension schemes and establishing a permanent, independent Retirement Savings Commission to ensure an enduring political settlement.

Further information can be found here:

http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100329_29-03-2010%20-%20%20Pensions%20Fit%20for%20the%20Future.pdf

New film from the NAPF to encourage pension saving

The NAPF released a new film to help employees understand how important it is to save for their future, and how their company pension scheme can be part of that. The film is aimed at the millions of employees who either have no pension saving or who might need to save more.

Further details can be found here:

http://www.napf.co.uk/DocumentArchive/Press%20Releases/00_2010/20100312_12-03-2010%20-%20The%20Long%20Weekend.%20%20New%20film%20from%20the%20NAPF%20to%20encourage%20pension%20saving.pdf

DWP updates

DWP research report

The Department for Work and Pensions this month published a research paper on 'Charging levels and structures in money-purchase pension schemes: Report of a quantitative survey'. The paper looked at the current charging levels and structures in DC schemes and found that 73 per cent of trust-based schemes have an overall charge. The median charge level in trust-based schemes is 1 per cent, with larger schemes more likely to charge less. In 77 per cent of cases, the employer pays the charge in trust-based schemes. In terms of contract-based schemes, 36 per cent charge an Annual Management Charge of between 0.4 per cent and 0.59 per cent.

The full report is available here: <http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep630.pdf>

DWP announces expected charges for NEST

The Department for Work and Pensions set out details of the expected charges for NEST on 16 March. The Department announced that NEST will meet the Pension Commission's ambition for a low cost scheme with an anticipated 0.3 per cent annual management charge over the longer term. To meet the costs of establishing the scheme, the initial level of charges will also include a small additional charge on contributions of around 2 per cent. DWP has also noted that until NEST is fully established, it faces an inevitable gap between costs and revenues. The Government has therefore announced that it will make a loan to NEST to cover those costs, ensuring it is delivered at no overall cost to the taxpayer.

The press release announcing details of the charges can be found here:

<http://www.dwp.gov.uk/newsroom/press-releases/2010/march-2010/dwp046-10-160310.shtml>

Later in the month, the Government estimated that the National Employment Savings Trust (NEST) two per cent contribution charge could remain in place for 20 years. Responding to a question in Parliament, Pensions Minister Angela Eagle said: "The period in which the loan to the NEST Corporation will be repaid will ultimately depend on a variety of factors, including the final costs of NEST and the size and the nature of its membership. We anticipate that the total loan period, including the years in which NEST borrows from Government and the subsequent repayments, will last in the region of 20 years."

DWP: Workplace Pension Reform

The Department for Work and Pensions published the Government's response to the consultation on "The use of Default Options in workplace personal pensions and the use of group self invested personal pensions for automatic enrolment" on 23 March.

In its response, the Government announced its intention to propose to remove the reference to the stakeholder pension price cap. It has stated that it will continue working with all stakeholders on rewording the affordability principle so that consumers are protected whilst not stifling innovation within the industry nor being overly prescriptive. In addition, although many stakeholders felt that it was unnecessary to define common industry benchmarks more closely the Government proposes to continue stakeholder dialogue in this area to ensure there are sufficient safeguards in place for members in response to the potential use of benchmarks with excessive risk.

The Department will now carry out further research in order to inform the extension of the guidance to include occupational schemes. It will also continue to engage with stakeholders on redrafting key areas of the WPP guidance and intends to consult on the amended guidance in late 2010, with a revised publication date of spring 2011.

The full response can be found here:

<http://www.dwp.gov.uk/docs/wpr-default-options-govt-res.pdf>

DWP publication - Employer Debt (section 75 of the Pensions Act 1995) - Government response to consultation on draft regulations

The Department for Work and Pensions published the Government's response to its consultation on draft regulations to introduce two new arrangements to the existing Employer Debt Regulations on 16 March. The response notes that "the consultation raised a large number of comments about the general easement. Many respondents welcomed the Government's willingness to consider further easements to the employer debt rules. However, some expressed concern that the new regulations were overly complex... and only applied to one-to-one company restructurings."

Full details of the Government's response can be found here:

<http://www.dwp.gov.uk/docs/employer-debt-draft-regs-response.pdf>

DWP - Abolition of contracting out

TPAs reported that the DWP has confirmed that the option to contract out of the additional State Pension (i.e. the State Second Pension) will be abolished from 6 April 2012. Individuals who are still actively contracted out by way of a Defined Contribution pension scheme, such as a defined contribution occupational pension scheme or personal pension/stakeholder pension scheme will be automatically brought back into the additional State Pension from this date. This will only apply to future additional state pension and individuals will still retain their existing contracted out rights.

Further information can be found here: <http://www.dwp.gov.uk/docs/emp-contracting-out-factsheet.pdf>

DWP consultation: Pension compensation sharing on divorce etc

The Department for Work and Pensions launched a consultation on 31 March on draft regulations relating to the PPF. The draft regulations will enable pension compensation provided by the PPF to be shared when a person seeks a divorce, dissolution of their civil partnership or an annulment of their marriage or civil partnership. This would mean that the former spouse or civil partner of person who is a member of the PPF will be able to receive a share of that person's pension compensation. This consultation is primarily aimed at PPF members, potential members of the PPF, pension professionals; particularly those who may be involved in divorce, dissolution of civil partnerships and annulment; and the legal profession; including those involved in divorce, dissolution of civil partnerships and annulment.

The consultation will close on 22 June 2010 and the full consultation document can be found here:

<http://www.dwp.gov.uk/docs/ppf-pension-compensation-sharing-and-charges-divorce.pdf>