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## PPF news

### 2014/15 Levies

The Pension Protection Fund (PPF) is [consulting](#) on its approach to calculating the 2014/15 levy. As expected, the PPF is proposing that the framework will remain broadly unchanged, with just a few tweaks in relation to contingent assets:

- The PPF is proposing that it will be possible to recertify a contingent asset that was last certified up to five levy years ago, as long as the underlying agreement remained in place throughout the period. Until now, it has only been possible to recertify if the last certification was within 12 months. This change will avoid schemes having to recertify contingent assets that offer no benefit for 2014/15, just to ensure that they can be recertified the following year if needed.
- The wording for trustee certification of "Type A" contingent assets (parent or group company guarantees) has been amended to make it clear that trustees need to be "comfortable" (rather than certain) that the guarantor could meet the guarantee if required. The PPF says that "this is not expected to materially alter the substantive standard for certification, but is designed to tackle an unintended difficulty reported by some trustees".

2014/15 will be the third and final year of the current levy framework. The PPF are currently [discussing](#) changes to the levy rules for the three year period from 2015/16, including the introduction of Experian's bespoke insolvency score model, to replace the Dun & Bradstreet (D&B) failure score.

The PPF has [estimated](#) that it will collect £695 million in levies for 2014/15 – an increase of 10% on the previous levy year. The PPF primarily attributes the rise to market movements. It had already warned that the aggregate levy would need to rise (see [News on... Pensions – July 2013](#)) due to the increased risk posed by historically high deficits.

The PPF also estimates that:

- around half of schemes will see a levy increase of 15% or less;
- about a fifth of schemes will see increases of over 25%; and
- around 4% of schemes should see a reduction in their levy.

Schemes that will see the greatest proportionate increase in their levy are those who were close to 100% funded in 2013/14 and for whom a decline in funding is expected during 2014/15.

Finally, the PPF have confirmed that [invoicing of the 2013/14 levy has begun](#).

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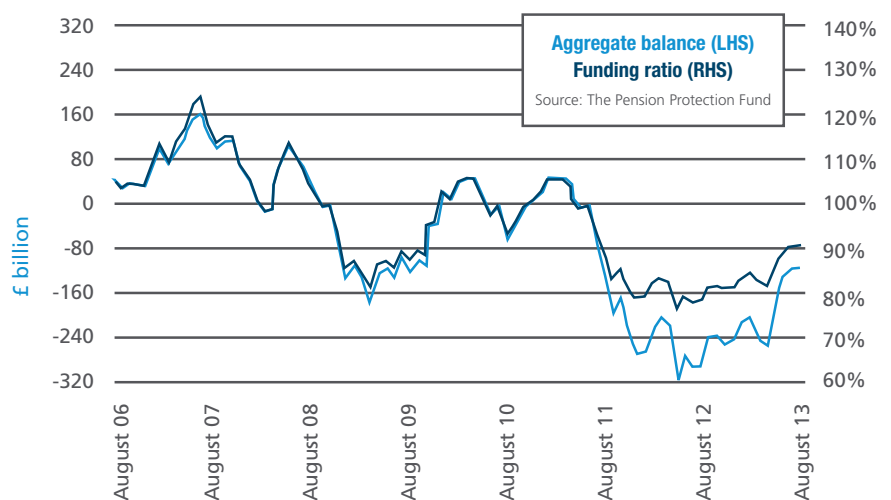
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### PPF: 7800 Index

The [latest update](#) of the PPF's 7800 Index of schemes' funding (on the s179 basis) has been published.

The aggregate deficit of the 6,316 schemes in the index is estimated to have decreased slightly over the month to £112.4 billion at the end of August 2013 (there was an aggregate deficit of £115.7 billion at the end of July 2013).

The funding ratio rose slightly from 90.7 per cent to 90.8 per cent. There were 4,553 schemes in deficit and 1,763 schemes in surplus.



## Latest news from The Pensions Regulator

### New trustees

The Pensions Regulator (TPR) has [published a short guide](#) to help new trustees get to grips with their role. The guide is designed to help new trustees, or those considering becoming a trustee, understand their obligations and to give an overview of their duties as a trustee.

Meanwhile, TPR has also updated its [Trustee toolkit](#) to include a new module which covers defined benefit (DB) scheme wind-ups where the employer is insolvent.

For details of Barnett Waddingham's Trustee Training programme for the remainder of 2013, please visit [our website](#).

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## Pensions reforms

### DWP: Auto-enrolment certification

The Department for Work and Pensions (DWP) has updated its guidance for certifying that pension arrangements meet auto-enrolment requirements. In particular, it has published updates to:

- [Guidance on certifying money purchase pension schemes](#)
- [Guidance for employers on certifying defined benefits and hybrid pension schemes](#)

The changes include clarification that a contracted-out DB scheme satisfies the test scheme standard for any non-contracted-out members if their benefits are calculated in exactly the same way as for contracted-out members.

The DWP also confirms that career average schemes can take a "reasonable and practical approach" on the timing of revaluation for the purpose of the test. Finally, the guidance clarifies how certification is carried out for schemes with more than one benefit scale.

### DWP: The effect of future pension reforms

Following the introduction of auto-enrolment and the announcement of the single-tier state pension, the DWP has published a [framework for the analysis of future pension incomes](#) outlining the expected impact of these reforms. The document estimates that:

- The number of people facing inadequate retirement incomes will fall by 1 million.
- 73% of those facing inadequate retirement income will see their income increase.
- The proportion of future pensioners retiring with no private income will fall from 27% to 12% in 2050.

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### OFT: Workplace DC schemes

The Office of Fair Trading (OFT) has published its [Defined Contribution \(DC\) workplace pension market study](#) which examines whether, in the light of auto-enrolment, competition is capable of “driving good outcomes” for scheme members.

Overall, the OFT found that competition alone cannot be relied upon to ensure value for money for all, largely because of the complexity of pension products in general. However the OFT said that, as it is difficult to observe the costs and quality of DC workplace pensions, outcomes may not be apparent for some years making it hard for employers and employees to make the right choices.

The OFT also noted that “weaknesses” on the buyer side of the market mean that scheme members are reliant on employers to make most of the key decisions about their pensions for them, and many employers lack the capability or the incentives to ensure that members of their schemes receive value for money in the long term.

The OFT has already reached agreements with government and the industry which it hopes will lead to improvements:

- TPR is to assess which smaller trust-based schemes are not delivering value for money. The DWP will consider whether TPR needs new enforcement powers to tackle the problem.
- The Association of British Insurers (ABI) and its members have agreed to an immediate audit of the charges and benefits associated with legacy contract and bundled-trust schemes. The audit will be overseen by an independent project board.
- The ABI's members will establish independent governance committees for contract-based schemes to recommend changes to providers and escalate issues to regulators where necessary. The OFT would like the duties of these committees to be embedded in a standard applying to all pension schemes.

The OFT did not go as far as to recommend a cap on management charges. However, the OFT did propose that the DWP should consult with the pensions industry on a number of matters, including:

- improving the transparency of information about the cost and quality of pension arrangements to make employers' initial choice of arrangement for auto-enrolment easier.
- preventing the use of schemes for auto-enrolment which pay adviser commissions or which penalise members with higher charges when they stop contributing (known as “active member discounts”).

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### Other news

#### Public Sector Schemes: Governance

The Department for Business, Innovation and Skills (BIS) has published a [response](#) to its consultation on proposed changes to the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) 2006. Whilst the bulk of the consultation related to employment law, pensions was a common theme in the responses received and the BIS has said it will work with the DWP to find ways of improving the information available to employers and scheme members.

Furthermore, the Government intends to offer access to public service pension schemes for compulsorily transferred staff in future. It will announce details of the new policy and updated guidance later this year.

Meanwhile, from April 2015 TPR will set standards of governance in the Local Government, NHS, Teachers, Civil Service, Armed Forces, Police, Firefighters and Judicial pension schemes. Ahead of this it has issued a report on [governance and administration](#) in public service schemes, and launched a survey on current practice.

#### Equitable Life: Special payments

Following the announcement in the 2013 Budget (see [News on...Pensions – April 2013](#)), the Government has [confirmed](#) that it intends to make ex-gratia payments of £5,000 (plus a further £5,000 to individuals receiving Pensions Credit) in the 2013/14 financial year - a year earlier than planned.

Payments will be made to with-profits annuitants who purchased annuities before 1992 (and therefore did not qualify for the original compensation scheme). The accelerated timescale is subject to the passage of legislation which will be laid before Parliament when it returns from recess.

#### ONS: Occupational Pension Schemes Survey

The Office for National Statistics (ONS) has published its [Occupational Pension Schemes Survey 2012](#), which includes information about membership and contributions in occupational pension schemes in the UK. The report shows:

- Total membership of occupational pension schemes (with two or more members) was estimated at 27.6 million in 2012 - an increase of 400,000 from 2011.
- The total number of active members decreased from 8.2 million in 2011 to 7.8 million in 2012. 5.1 million of these were in public sector schemes and 2.7 million were in private sector schemes.
- For private sector DB schemes, the average employer contribution rate (excluding deficit reducing contributions) was 15.2% in 2012. This compares to 6.6% in private sector DC schemes.

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### Further information

#### [Barnett Waddingham Online Governance Health Check Survey](#)

We have launched a new [online tool](#) to help trustees and pension managers identify areas where their pension scheme governance arrangements could be improved. The free survey is intended to help trustees establish whether they have appropriate governance arrangements in place to meet TPR's expectations.

#### [Upcoming events](#)

##### **Annual Investment Outlook 2014 Conferences**

Barnett Waddingham's Annual Investment Outlook Conferences will take place in Birmingham on Wednesday 15 January and in London on Wednesday 22 January 2014.

These one day conferences will focus on the outlook for key markets and the implications for pension schemes in 2014. Further details will be released in due course, if you have any queries or would like to reserve a place, please contact our [Events Team](#).

#### [Information Sheets](#)

You may find our recent publications on the following topics useful:

- [The price is right - Gilt-y questions for UK pension funds](#)
- [Buy-outs, buy-ins and longevity swaps: Quarter 3, 2013](#)
- [Property investment in a pension scheme's portfolio](#)
- [Impact of Pension Schemes on UK Business - July 2013](#)
- [Pensions Options for High Earners](#)



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