

Pensions Bulletin

Fact Sheet 4

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Deregulatory Review

- I.1 A deregulatory review was announced in the White Paper “Security in retirement: towards a new pensions system”, released in May 2006. The aim is to simplify the regulatory framework while protecting members’ benefits.
- I.2 The review was conducted by Chris Lewin, former pensions manager at Unilever and Ed Sweeney, a senior official at Amicus. Chris Lewin serves as a co-opted member on The Pensions Trust’s Investment Committee.
- I.3 The report was published at the end of July 2007; Ministers considered the recommendations over the summer and responded in October 2007. The principal recommendations, and Government’s response to them (in italics), are:
- **Accrued rights** - no regulatory changes should be made which will adversely affect the position of pensioners or deferred pensioners or the past-service rights of active members.
Government agrees it is not appropriate to make changes that would affect pension rights that have already accrued.
 - **Revaluation** - no change in the statutory revaluation cap of 5% a year compound for early leavers from most defined benefit (DB) schemes. *The latest Pensions Bill allows for schemes to reduce the revaluation cap to 2.5% for pension rights accrued after a future date.*
 - **Return of surplus** - to employers should be allowed once the scheme has reached the scheme specific funding target and the Trustees give their agreement to payment being made (Note: The Pensions Trust’s Trust Deed and Rules do not allow any return of contributions to any employer).
Government disagrees that a return of surplus should be allowed as soon as a scheme’s funding target is reached, as investment markets are volatile and a surplus can very quickly turn into a deficit. However, over coming months it will explore with stakeholders the scope to address concerns about the very exacting legislative requirements which must be met before surplus funds can be returned to an employer.
 - **Employer debt** - where there is a group reconstruction of employers in a multi-employer scheme, the debt should not be triggered where the employers’ covenant is not adversely affected by the reconstruction. *Government is undertaking further work with the pensions industry to find a practical solution to the difficulties presented by the application of debt regulations in this area.*
 - Pension sharing on divorce should be simplified significantly.
Government agrees and will repeal legislative requirements on pension sharing that apply to safeguarded (i.e. contracted-out) rights in the Pensions Bill 2007, and will review remaining legislation applying to the payment of pension sharing benefits.
- I.4 Consultation closed in mid-November 2007 and Government aims to publish final details in due course.

Any further developments on the deregulatory review will be included in future issues of the Pensions Bulletin and also via a supplementary, more detailed, fact sheets.

While every effort has been made to ensure the accuracy of the information contained in this fact sheet, it should not be treated or relied upon as a statement of law. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances and/or refer to the original source material as appropriate.

