

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 28/06

Regulator Focuses on Defined Contribution (DC) Schemes

The Pensions Regulator has issued its consultative document on regulation of DC Schemes.

The Primary Regulator tools proposed are:-

1. Good practice.
2. Intervention that may result in naming and shaming.

The Regulator estimates there are 5.2m members of work based DC schemes broken down as follows:-

- 2.7m in Trust Based Occupational DC Schemes
- 1.9m in Group Personal Pensions
- 0.6m in Stakeholder Schemes.

The Regulator detects a trend away from the Trust Board to contract based DC schemes.

Key risk areas highlighted include:-

- poor administration practices
- poor investment practices
- unduly high charges
- poor decisions on retirement choices
- lack of member understanding.

As member's bear most of the risk in DC Schemes understanding of the issues is critical.

The Regulator proposes to focus on education and guidance via:-

- expansion of web-based material
- partnership working with the Government, Regulators and industry bodies
- intervening where there is consistent or systematic poor practice which may include public reporting.

Currently this is only consultation, it does show though that DC provision will fall under the Regulators scrutiny in the future and that robust procedures will be needed if parties are not to fall foul of the new Regulations.

PPF Admin Levy

A lot has been written about the risk related PPF level to the extent that many schemes did not realise there was a second levy for Administration purposes, based on scheme membership. Many Trustees are now receiving this years Administration levy.

The draft regulations indicate that this levy will rise by 50% in 2007/2008. This is meant to reflect increased activity as compensation payments come on stream.

Administration costs for the PPF were £7m in 2005/2006, a budget of £12m in the current financial year and forecast at £15m in 2007/2008.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email: paul.couchman@premierpensions.co.uk, if you require definitive advice