

Pensions Bulletin 2012/04

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GMP inequalities exercise looms large

A long-anticipated consultation (see [Pensions Bulletin 2011/04](#)) has been [launched](#) by the Department for Work and Pensions on GMP inequalities. But the Government has decided that every occupational pension scheme containing GMP liabilities must take action and so it is limiting the consultation to whether its [proposed legislation](#) delivers its policy intention and whether its [proposed guidance](#) is of assistance to schemes. For further details, see LCP's [News Alert](#).

Is the DWP preparing for a brave new pensions world?

There have been several reports recently of pensions minister Steve Webb considering some bold changes to the existing pensions landscape in an attempt to reinvigorate occupational pension provision. The changes considered are reported to include:

- **Scrapping indexation for defined benefit schemes** – potentially removing the requirement to uplift members' pensions broadly in line with inflation would be a return to the pre-April 1997 era. A move that would make schemes more affordable for employers and allow better matching of investments to liabilities, but members would have to be aware that the value of their pension payments would be eroded over time.
- **A “red tape challenge” to deregulate pension schemes** – this is a cross-government initiative intended to remove pieces of legislation that add little or no value. There is potentially an opportunity for industry to put forward suggested pieces of legislation that could be culled.
- **Scrapping NEST restrictions on contribution levels and transfers** – other providers entering NEST's marketplace have led to calls that the restrictions placed on NEST could make it uncompetitive. It is possible that the Government will consider lifting the limit on contributions that can be paid into NEST and also allowing members to transfer their pension pots in and out.
- **Capping pension charges** – if high administrative pension fund charges are seen to be stopping people saving into pension funds the Government will consider putting a cap on pension charges.

Comment

These may be no more than the pensions minister's musings on where the industry could go in future, but it is very encouraging he is aware major changes are required. Deregulation in particular has been mooted for some time with very little success. Pension schemes across the country will be delighted if some simplicity could be brought into the fiendishly complex world of pensions legislation.

Revised auto-enrolment start dates announced

As promised last November (see [Pensions Bulletin 2011/50](#)), the Department for Work and Pensions (DWP) has [issued](#) a revised timetable for auto-enrolment to apply to medium and small businesses. Businesses with between 250 and 3,000 employees will not see their start dates put back, but those with less than 250 employees will see a deferral of their responsibilities.

The following extract from the DWP's published table summarises the DWP's intentions:

Employer size – generally by PAYE scheme size	Earliest auto-enrolment duty date	Latest auto-enrolment duty date
250 or more members	1 October 2012	1 February 2014
50 to 249 members	1 April 2014	1 April 2015
Test tranche for less than 30 members	1 June 2015	30 June 2015
30 to 49 members	1 August 2015	1 October 2015
Less than 30 members	1 January 2016	1 April 2017
Employers without PAYE schemes	1 April 2017	

It is not a comprehensive statement of the proposed new staging dates.

The DWP also intends that those who become new employers from April 2012 to September 2017 (regardless of size) are staged in between 1 May 2017 and 1 February 2018. The auto-enrolment duty will only become immediate (for employers of all sizes) in October 2017.

In addition, the DWP proposes to delay the increase in the minimum rate of employer contributions from 1% to 2% by one year (from 1 October 2016 to 1 October 2017). The increase to the full 3% employer contribution is also delayed by a year until 1 October 2018. A consultation document providing details of the changes is expected shortly.

Comment

Arguments will rage as to whether small- and medium-sized businesses need extra breathing space in the current economic climate more than employees need to

address their insufficient pension provision. The DWP has decided that they do, and given the level of engagement smaller employers have shown with this process to date that is probably the safest call. But now that the start date for those with less than 50 employees is beyond the next General Election, the Coalition Government has lost control of auto-enrolment policy for this vital group.

New campaign to promote auto-enrolment

The Department for Work and Pensions has [launched](#) a new £11 million advertising campaign to raise public awareness of the forthcoming launch of auto-enrolment into workplace pensions from October. The campaign kicked off on 23 January with adverts in the national press and will be supplemented by radio, online and outdoor advertising.

Comment

The need for such a campaign is obvious – awareness of the auto-enrolment regime is low enough amongst employers (see the results of an ACA survey in [Pensions Bulletin 2011/37](#)) so it's fair to say the majority of individuals will currently be in the dark about the changes. Hopefully this campaign can change all that.

This Pensions Bulletin should not be relied upon for detailed advice or taken as an authoritative statement of the law. For further help, please contact David Everett at our London office or the partner who normally advises you.

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