

14 November 2012

Caroline Blackett
Occ Pen Schemes (Misc Amdts No. 2) Regs consultation
Private Pensions Policy and Analysis
Department for Work and Pensions
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Dear Ms. Blackett

The Occupations Pension Schemes (Miscellaneous Amendments No. 2) Regulations 2013

The NAPF is the voice of workplace pensions and represents 1,300 schemes with some 16 million members and assets of £900 billion. NAPF members also include over 400 businesses providing essential services to the pensions industry. The NAPF welcomes the opportunity to respond to the Department of Work and Pensions' (DWP) review of the Occupational Pension Schemes (Miscellaneous Amendments No. 2) Regulation 2013.

Transfer Rights

NAPF members that are defined benefit schemes on average had 8,578 deferred members in 2011. The NAPF is cautious about the proposed amendment on transfer rights that changes references for revaluation based on a rise in a general level of prices to the Consumer Price Index (CPI), as is the case where the Retail Price Index (RPI) is referenced in relevant legislation. Although this change applies to schemes with uncapped revaluations that were in place prior to 1 January 1986, it may leave some schemes which offered such revaluations, and those that still have deferred members, dealing with the costs associated with transfer requests for preserved benefits, and at least the one-time increase in the use of administrative resources to bring in the new changes, including changes to scheme systems for this particular group.

Pension credit

The NAPF welcomes the Government's initiative to clarify the indexation of pension credit, including clarifying in legislation that schemes that pay RPI based increases do not have to incur the additional costs of CPI valuations and underpins.

The NAPF agrees that the proposed amendment aligning pension credit benefits in cash balance schemes with general benefits in cash balance schemes reduces complexity in the current system. This in some cases may give employers an incentive to continue to keep cash balance schemes open and or offer these to their employees.

Bridging pension and State Pension age

In September 2011 the NAPF advised the DWP about our concerns on the effect changes to the State Pension age would have on Bridging Pensions, State Pension Offsets and Integrated Pensions. A survey of NAPF members at that time revealed that 40% of respondents offered bridging pensions to their members and would be affected by the Government's proposals. Our concerns related to the adverse effect these changes would have on scheme funding if trustees were not allowed to change scheme rules on a permissive basis. The NAPF therefore welcomes the proposed draft regulation as referred to in the consultation document which amends the Occupational Pension Schemes (Modification of Schemes) Regulations 2006, giving schemes limited powers and the option to amend rules in order to take account of changes to the State Pension age.

Proposals

The NAPF welcomes proposals that allow schemes to make the necessary adjustments to ensure that they can not only comply with new regulations, but also that they are not adversely affected when they do so. As pension reforms are implemented, and as the Government brings in new ones, it is important that the Government consider the impact these will have on schemes and their members and work to mitigate any adverse effects accordingly.

If you have any questions on this response, please feel free to contact me at 0207 601 1721.

Kind regards,

Alizeh Hussain
Policy Adviser: Strategy