Sackers extra

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SO7

Abbreviations commonly used in 7 Days

Alert/News: Sackers Extra publications (available from the client area of our website or from your usual contact)
BIS: Department for Business, Innovation & Skills
DB: Defined benefit
DC: Defined contribution
DWP: Department for Work and Pensions
HMRC: HM Revenue & Customs
PPF: Pension Protection Fund
TPR: The Pensions Regulator

LEGISLATION

Equality Act 2010

The majority of provisions of the Equality Act 2010 (the Act) came into force on 1 October 2010.

The Act is designed to harmonise discrimination law, and to strengthen the law to support progress on equality. It brings together and re-states a number of anti-discrimination laws, including:

- The Equal Pay Act 1970;
- The Sex Discrimination Act 1975;
- The Disability Discrimination Act 1995; and
- The Employment Equality (Age) Regulations 2006.

As we reported in 7 Days on 30 August 2010, the Equality Act (Age Exceptions for Pension Schemes) Order 2010 also came into force on 1 October 2010. This order is designed to replicate the non-discrimination provisions contained in the Employment Equality (Age) Regulations 2006 (the Age Regulations). They include exemptions setting out the rules, practices, actions and decisions which occupational pension schemes may use without breaching the non-discrimination rule, as well as those relating to contributions by an employer to a personal pension scheme, all of which were previously contained in the Age Regulations.

For more information, please see our News: "A new age of equality" dated June 2010 and Insight on the Act.

Finance (No. 2) Bill 2010-11

We reported in 7 Days on 20 September 2010 that the third Finance Bill of 2010 (the second under the Coalition Government) was presented to Parliament and received its first reading on 15 September 2010.

The Bill has now been published, (together with explanatory notes and lobby notes), and is due to be the subject of a Second Reading debate in the House of Commons on 11 October 2010.

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DEPARTMENT FOR BUSINESS INNOVATION & SKILLS

BIS announces corporate governance review

The Secretary of State for Business, Innovation and Skills, Vince Cable, has announced that the Government intends to carry out a comprehensive review into "corporate governance and economic short-termism". The consultation is expected to commence "in the autumn".

The announcement follows the Takeover Panel's decision to review the rules on takeovers and is part of a broader Government initiative, alongside ongoing work into the shape of regulation and narrative reporting.

BIS Press Release

BIS Corporate Governance Policy

DEPARTMENT FOR WORK AND PENSIONS

Automatic enrolment: Publication of the Government's findings delayed

Shortly after its formation in May this year, the Coalition Government announced plans to review the workplace pension reforms put in place by the former Labour Government. The reforms are due be phased in, starting in October 2012.

In June 2010, the DWP published the terms of reference for this review (reported in 7 Days on 28 June 2010) and announced that it would present its analysis, conclusions and recommendations by 30 September 2010.

The DWP has now announced that, following the presentation of the recommendations of the independent commission leading the review to Pensions Minister Steve Webb, the Government will "study these recommendations in detail before announcing its intentions later in the Autumn".

DWP updates its Structural Reform Plan

The DWP has published an update to its Structural Reform Plan, in which it sets out actions due to be started or completed by the end of September 2010.

The update shows that work is ongoing on a number of projects, including its consideration of the impact of the automatic enrolment review (see above). Other pensions projects in train include:

- plans for the DWP to "encourage employers to offer high quality pensions to all employees, removing unnecessary rules and regulations" - this work is due to be complete by the end of April 2012;
- the publication of conclusions on the timing of the increase in the State Pension Age to 66, following responses submitted to the Government's call for evidence in June 2010. This can be expected at the end of autumn 2010; and
- continuation of the DWP's work with BIS on the phasing out of the default retirement age (DRA) (consultation on this closes on 21 October 2010), with abolition due to be complete by the end of October 2011.

Older People's Day

1 October 2010 saw thousands of events take place around the country to mark "Older People's Day" in the UK. The celebrations were held to recognise the important contribution that older people make to society and were timed to coincide with the United Nations International Day of Older Persons.

Currently 16.5% of the UK's population is aged over 65 and the figure is set to rise to 22% within 20 years - almost one in four people.

As Pensions Minister Steve Webb said: "Older people are at the forefront of British society today - throughout business and industry, as well as in family life. We must harness the skills and experience of our older generations and Older People's Day provides an opportunity for us to celebrate the important roles that they play here and all over the world."

Events took place throughout the country, including exercise classes, dances, craft fairs, skills workshops and sporting competitions at a range of venues such as community centres, theatre groups, shopping malls and libraries.

Directgov Press Release

HM REVENUE & CUSTOMS

Taxation of Pension Schemes (Transitional Provisions) (Amendment) Order 2010: Draft Treasury Order

HMRC has published a draft Order relating to changes to the rules affecting the tax treatment of protected pension lump sums.

As HMRC explains, at present, where an individual was entitled, on 5 April 2006, under a particular pension scheme to a lump sum exceeding 25% of their uncrystallised rights (i.e. any rights still to come into payment) under paragraph 31 of Schedule 36 Finance Act 2004, one of the conditions that must be met for the lump sum to be paid tax free is that the individual must become entitled to all of their pensions (that were not in payment by 5 April 2006) under the scheme on the same day.

This gives rise to a number of practical difficulties for scheme administrators. HMRC gives the example of a DB scheme member who has paid additional voluntary contributions (AVCs) to a DC arrangement within the same scheme, with a view to purchasing an annuity later to supplement their scheme pension. In these circumstances it is usually impossible to start both these pensions on the same day, meaning that the transitional protection for lump sums of more than 25% is lost.

The draft Order is therefore designed allow a period of up to three months between the entitlements to the scheme pensions and annuities to arise before the transitional protection is lost. It also preserves the transitional protection where the member dies before the entitlement to the last of the pensions arises.

HMRC also notes that it has become aware that where a protected lump sum is paid but the member dies before the connected pension is paid, legislation currently does not protect the right to the full protected lump sum, even where there is only one connected pension. The Order addresses this anomaly.

Comments on the draft Order can be submitted to HMRC's Pensions Policy Team by 31 October 2010.

PENSION PROTECTION FUND

PPF announces levy estimate of £600 million

On 30 September 2010, the PPF announced that it will consult formally on plans to set a pension protection levy estimate of £600 million for 2011/12, representing a reduction of £120 million on the previous year.

The PPF describes this move as its "first response" to Government plans to increase PPF compensation in line with the Consumer Prices Index (CPI) in future, rather than the Retail Prices Index (RPI). This move is linked to the Government's plans to use CPI rather than RPI as the measure for applying increases (both in deferment and to pensions in payment) to pensions from April 2011. (For more information on the move to CPI, please see our Alert: "Pension Increases – the change from RPI to CPI" dated 13 July 2010.)

PPF Chief Executive, Alan Rubenstein, said: "We concluded that, if the Government CPI proposals are implemented, we could reduce the levy to £600 million – a move which will benefit levy payers during what are difficult times economically but still protect our own financial position."

He added that the PPF's consultation also addresses a number of technical issues for the 2011/12 levy, including:

- changes to the levy cap which protects the most vulnerable of schemes;
- the funding levels at which schemes will pay a reduced levy, or no levy at all; and
- the levy scaling factor which schemes use to calculate their individual levy bills.

The PPF explains that these issues need to be addressed because otherwise "improvements in pension scheme funding would mean an increasing number of schemes paying reduced levies, or no levies at all, and the burden of the levy shifting disproportionately towards schemes with weaker funding".

PPF Press Release

PUBLIC SECTOR PENSIONS

Hutton Commission to report on interim findings

It has been announced today (4 October 2010) that the Independent Public Service Pensions Commission, which is undertaking a fundamental structural review of public service pensions, will publish its interim report will be on 7 October 2010. The findings will be announced at the NAPF conference which taking place this week in Liverpool and published on the Treasury's website.

The interim report is expected to consider the case for short-term savings within the Spending Review 2010 period, consistent with the Government's commitment to protect those on low incomes. The final report is due in time for Budget 2011.

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