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)
DB: Defined benefit
DC: Defined contribution
DWP: Department for Work and Pensions
HMRC: HM Revenue & Customs
PPF: Pension Protection Fund
TPR: The Pensions Regulator

EQUALITY AND HUMAN RIGHTS COMMISSION (EHRC)

Equality Act Starter Kit

As we reported in 7 Days on 4 October 2010, the majority of the 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.

To help employers and service providers get to grips with the new Act, the EHRC has produced a "starter kit" which is designed to aid understanding of the key aspects of the new law. As the EHRC notes, the kit "assumes no prior knowledge and we hope everyone who uses it will find it helpful and straightforward."

The kit splits the Act into nine "bite-size" modules which, according to the EHRC, should take up to ten minutes to complete:

- Module 1 provides an overview of the Act;
- Modules 2-5 are designed for employers, covering day-to-day team management, dealing with people who start at or leave an organisation and flexible working / time off;
- Modules 6-9 outline the impact of the Act for service providers; and
- Module 10 sets out a number of "low cost and no cost" things which employers and service providers can do towards compliance with the Act.

HM REVENUE & CUSTOMS

Updates to the Registered Pension Schemes Manual

HMRC has published a number of updates to its registered pension schemes manual (RPSM). The main areas of change are:

- a new chapter 17 covering the interim rules for those reaching age 75 on or after 22 June 2010 (the date on which the interim provisions were announced in the Coalition Government's emergency budget);
- a new chapter 19 on the treatment of certain payments made by the Financial Assistance Scheme; and
- amendments to chapter 15 (on the special annual allowance) to cover the reduction of the relevant income limit to £130,000.

Full details of the latest updates can be found on the RPSM section of HMRC's website.

HM TREASURY

Public Sector Pensions: Hutton publishes Interim Report

On 7 October 2010, Lord Hutton published an interim report of the Independent Public Service Pensions Commission (the Commission), setting out the case for change in public service pensions. Lord Hutton, former Labour Secretary of State for Work and Pensions, was appointed by the Treasury in June 2010 as chair of the Commission.

The headline news is that there will be no structural change immediately but public sector workers will need to put their hands deeper into their pockets to pay for their benefits in the short term.

However, any welcome to this news is on hold until after the Spending Review on 20 October 2010, when the Chancellor, George Osborne, is likely to tell public sector workers how much more they will have to pay in member contributions in the short-term.

The Commission's long-term recommendations will be delivered in time for the 2011 budget.

For more information, please see our Alert, Hutton Report - the Future of Public Sector Pensions (dated 7 October 2010) and follow the links below:

- HM Treasury Press Release
- GAD summary of key points
- Lord Hutton's Speech to the NAPF conference on 7 October 2010

NATIONAL ASSOCIATION OF PENSION FUNDS (NAPF)

NAPF Annual Conference

The 2010 NAPF conference was held in Liverpool between 6-8 October, drawing a wide range of high calibre speakers, including: Lord Hutton, Chair of the Public Service Pensions Commission; Lord Lamont of Lerwick, former Chancellor of the Exchequer; Steve Webb, Pensions Minister; and Lord Coe, Chairman of the London Organising Committee of the Olympic Games in 2012.

New "Made Simple" guides

The NAPF used the opportunity of its annual conference to launch two new guides in its "Made Simple" range:

- *Defined Benefit Governance made simple*

  Designed to help pension trustees, company executives and pensions managers understand better the governance structures of DB schemes, this guide covers a wide range of tasks and decisions undertaken by trustee boards, and looks at some of the key issues, considerations and possible solutions for schemes. In particular it sets out how governance can help to reduce risk by increasing the control that trustees have over their schemes.

  NAPF Press Release

- *Transition management made simple*

  The NAPF's second new publication aims to guide trustees and pensions managers through the transition management process. As the NAPF notes, this process "is often characterised by a planned replacement of one or more fund managers in a timely, risk controlled and cost-effective way to preserve fund value". The guide sets out key information on planning, strategy development, execution and post-trade settlement.

  NAPF Press Release

PENSIONS INSTITUTE

Research Report: Ending Compulsory Annuitisation - Quantifying the consequences

The Pensions Institute has published a report for policymakers, financial advisers and pension scheme members, which is intended to provide a quantitative assessment of the Coalition Government's proposal to remove the requirement for compulsory annuitisation by age 75. This follows an earlier Pensions Institute report, "Ending compulsory annuitisation: What are the consequences?" (published in July 2010), which aimed to stimulate debate about the Government's proposal.

Key findings from the report indicate that:

- the level at which the proposed minimum income requirement ("MIR") would need to be set to stop individuals falling back on the state (and having a minimal effect on demand for the Pension Credit) would be £14,100 a year for an individual and around £20,000 for a couple;
- around 28% of retiring pensioners with private pension savings would have sufficient wealth to secure a MIR at these levels;
- annuities will continue to be the main way in which retirement income is secured for those with DC funds; and
- the proposals will have an effect on the long-term government bond market. If retiring pensioners access their DC lump sums, insurance companies will no longer need to hold as many government bonds to back their annuity products.

Pensions Institute Press Release

PENSION PROTECTION FUND

New pension protection levy formula unveiled

Alan Rubenstein, Chief Executive of the PPF (who also spoke at last week's NAPF conference), set out details of the new formula which will be used for calculating the pension protection levy from 2012/13 onwards.

The PPF's consultation document on a new framework for the pension protection levy sets out proposals which were developed in conjunction with a steering group of industry figures. Under these proposals, the PPF plans to:

- fix the levy rules for three years at a time to provide greater predictability (although these could be reviewed in exceptional circumstances); and

- use average measures for both underfunding and insolvency risk in order to increase stability. This would mean that any temporary changes in an employer's insolvency risk score, or pension scheme's funding position, would not disproportionately affect a pension scheme's levy bill.

The PPF also intends that the new levy formula will focus more on factors in the levy payers' control, rather than those which they have little influence over, so there will be greater emphasis on funding positions and investment risk.

The consultation closes on 20 December 2010.

THE PENSIONS ADVISORY SERVICE (TPAS)

New Board members appointed

Seven new members have been appointed to the TPAS board, which had its first meeting on 6 October 2010 under the chairmanship of Partha Dasgupta.

The new board members are Alex Balfour, Colette Bewley, David Clarke, Bill Galvin, Anthony Hodgkiss, Rt. Hon. Baroness Hollis of Heigham and Tilly Ross. The appointments include a current TPAS adviser and two existing board members.

The ministerial appointments complete the governance modernisation programme which TPAS began last year, which started with the appointment of Marta Phillips OBE as Chief Executive and a new senior management team.

The previous board stood down on 30 June 2010.

TPAS Press Release

THE PENSIONS REGULATOR

Determination Notice issued in connection with the ELCB Staff Pension Scheme

TPR's Determinations Panel (DP) has declared void a scheme amendment following a failure to apply the procedure under section 67 of the Pensions Act 1995 in connection with "regulated modifications".

Background

The ELCB Staff Pension Scheme (the Scheme) is a paid-up DB scheme which went into a PPF Assessment Period on 17 August 2007. The Scheme's sponsoring employer is in liquidation.

Before the Scheme entered the PPF Assessment Period, the scheme's accrual rate was reduced by a deed of amendment dated 31 May 2007 which sought to apply the change retrospectively to 6 April 2007. This had an adverse effect on members' subsisting rights.

In making the amendment, the procedure under section 67 of the Pensions Act 1995 relating to regulated (i.e. protected or detrimental) modifications had not been complied with. In this case, neither member consent had been sought, nor had the requirement for actuarial equivalence been met. As a result, the change was voidable under section 67G(2).

The DP's Decision

The part of the deed which attempted to make the regulated modification was declared void, to the extent that it applied retrospectively.

The reasons given by the DP for its decision were that:

- as the Scheme had been in a PPF Assessment Period since 17 August 2007, and during such period the Scheme was required to pay the lower of the benefits payable under the scheme rules and PPF level compensation, the DP's Order provided clarity as to whether or not the May 2007 amendment formed part of the Scheme's admissible rules for the PPF; and

- the amendment should have been treated as a regulated modification but was not.

Comment

This is the first use by the DP of its powers to declare an amendment void under section 67. It serves as a reminder to all parties who are contemplating amendments to scheme rules to ensure that the statutory requirements are met.