

12 September 2011

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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

ECJ: European Court of Justice

FAS: Financial Assistance Scheme

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

ACTUARIAL PROFESSION

New Management Board Chairman

The Institute and Faculty of Actuaries has appointed Alan Phillips to the role of Chairman of its Management Board with effect from 13 September 2011.

The Management Board is responsible for overseeing operational matters relating to the Actuarial Profession's strategy, corporate plan, policy and operational plans, as well as all matters relating to the Profession's resources.

Mr Phillips, who became a Fellow of the Institute and Faculty of Actuaries in 1984, succeeds Sally Bridgeland who recently stood down from the position.

[Actuarial Profession Press Release](#)

CENTRE FOR POLICY STUDIES

Public Sector Pensions: The £100 billion negotiations

On 9 September 2011, the Centre for Policy Studies (CPS) (an independent think tank) published a report on public sector pensions, "[The £100 Billion Negotiations](#)" by Michael Johnson.

The report, which considers the potential implementation of [Lord Hutton's recommendations](#) for public sector pensions, concludes that:

- the difference in pay between public and private sector workers is probably significantly underestimated - data from the office for national statistics (ONS) indicates that public sector workers receive pay packages which are 13% higher on average than those in the private sector, largely as a result of the difference in pension benefits;
- full implementation of Lord Hutton's proposals would not be sustainable, from both affordability and fairness perspectives; and
- cutting the cost of public sector pensions by 25% would save the taxpayer billions of pounds every year.

Johnson puts forward proposals on how the Coalition should pursue negotiations which will bring public and private sector pensions into balance, with results that would be sustainable, fair and affordable.

[CPS Press Release](#)

COMMUNITIES AND LOCAL GOVERNMENT

Consultation on reform of firefighters' pensions

A statutory [consultation](#) on the proposed increase to contributions made by firefighters towards their pensions was published on 9 September 2011 by the Department for Communities and Local Government.

The consultation document sets out proposals for increased employee contributions to the two firefighters' pension schemes in England for the financial year 2012-13.

The consultation closes on 2 December 2011.

DEPARTMENT FOR WORK AND PENSIONS

Research report: Perceptions of income requirements in retirement

On 8 September 2011, the DWP published [research](#) exploring how people feel about their standard of living and income in retirement and their feelings about their financial future.

The main findings from this research are divided into three key themes:

- definitions of different lifestyles in retirement;
- respondents' perceptions of their own lifestyle; and
- views about the future.

The research was commissioned by the DWP as it considered there to be a lack of information as to how people determine what an appropriate retirement income is, as well as how views on retirement income vary between people.

[DWP Press Release](#)

Pensions and later life: Tracking DWP communications

The DWP also published on 8 September 2011, a [report](#) of findings of research commissioned by its Communications Directorate which was designed to enable the DWP to track attitudes and intended / actual behaviours in relation to pensions and later life and to evaluate the success of DWP Communications in influencing these.

HM REVENUE & CUSTOMS

Pensions Industry Stakeholder Forum

HMRC has published information about the new Pensions Industry Stakeholder Forum.

The forum was set up to help HMRC better manage its relationship with stakeholders and representative bodies. It focuses on operational (rather than policy) issues and, going forward, is due to be the main route of engagement between HMRC and representative bodies. HMRC notes that sub-groups may be set up if appropriate to take forward particular issues.

HMRC notes that the main aims of the group are to:

- agree (where possible) a shared interpretation of those provisions of pensions tax legislation contained in Part 4 of the Finance Act 2004 (and subsequent amendments) where genuine interpretive ambiguity, doubt or complexity exists;
- monitor whether the administration of the pensions tax legislation by HMRC is as effective and efficient as possible and, where problems or failings are identified, to formulate proposals for remedial change having regard to cost and available resource;
- monitor whether pensions industry practice and HMRC administrative practice are in line with the pensions tax legislation and, where problems or failings are identified, to formulate proposals for remedial change having regard to cost and available resource;
- provide a safe environment in which bodies representing the pensions industry can voice any concerns they have about possible abuse of the pensions tax legislation; and
- monitor whether pensions tax legislation is achieving its intended policy purposes and, if not, formulate evidence-based proposals for change.

The new forum replaces the HMRC led Customer Forum.

[Minutes of the Pensions Industry Stakeholder Forum](#)

[Members list](#)

Abolition of DC contracting-out: Countdown Bulletin

HMRC has published the fourth edition of the "[Countdown Bulletin](#)", its newsletter on the abolition of contracting-out on a DC basis.

Issues covered in the latest bulletin include HMRC's one-off 'closure' scan (the automatic closure by HMRC of any open contracted-out DC schemes using a termination date no later than 5 April 2012) and the automatic cancellation of contracting-out certificates at 6 April 2012.

INDEPENDENT COMMISSION ON BANKING

Final report and recommendations published

The Independent Commission on Banking (the ICB) was established by the Government in June 2010 to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition.

The ICB, chaired by Sir John Vickers, was asked to report to the Cabinet Committee on Banking Reform by the end of September 2011 and its [final report and recommendations](#) were published today, 12 September 2011. (This follows the ICB's [interim report and consultation on reform options](#), published in April 2011.)

The recommendations set out in the report are aimed at creating a more stable and competitive basis for UK banking in the longer term. These can be divided into three main areas:

- the structural separation of retail and investment banking services;
- loss absorbency; and

- competition.

ICB Press Release

NATIONAL ASSOCIATION OF PENSION FUNDS

NAPF report: Accounting for pensions

A report commissioned by the NAPF “to expose the true impact of mark-to-market accounting and to identify a more appropriate approach to accounting for pensions” was published on 7 September 2011.

The Leeds University Business School report recommends that:

- pension liabilities should be valued as the discounted present value of future net asset/liability cash flows, thereby allowing for the asset/liability interaction that occurs over the life of a pension scheme;
- pension disclosures should include the actual cash contributions that a corporate sponsor is committed to as a result of negotiation with scheme trustees and/or TPR; and
- the recognition of a discounted cash flow model of pension accounting through the accounts of the firm can be viewed as the long-term position of the scheme. To make this number useful, company accounts should also disclose the market value of scheme assets relative to a discounted pension liability.

NAPF Press Release

NATIONAL EMPLOYMENT SAVINGS TRUST

Appointees to Member and Employer Panel announced

On 6 September 2011, NEST Corporation announced the appointees to its Employer and Member Panels.

NEST's Panels are intended to provide a forum for employers and members to share their perspectives on NEST and contribute to a range of issues and activities that may affect them now and in the future.

It is intended that each Panel will act as a sounding board for ideas and suggestions proposed by NEST and provide recommendations on key issues, ensuring that any concerns are raised at Trustee level.

NEST Press Release