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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)

DWP: Department for Work and Pensions

ECJ: European Court of Justice

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

OBR: Office for Budget Responsibility

ELECTION SPECIAL

Coalition's Pensions Policy

So, David Cameron is Prime Minister and the Conservatives have entered a [coalition](#) with the Liberal Democrats to form a Government. What does this mean for pensions policy?

- **Pensions tax relief for high earners** – As yet no concrete details have been released but a policy battle potentially looms. The Conservatives have previously opposed the planned restrictions on higher rate tax relief for pension contributions (proposed by the outgoing Labour Government), whilst the Liberal Democrats have said they will scrap higher rate tax relief altogether.
- **State pensions** – The basic state pension's link to earnings will be restored from April 2011, "with a "triple guarantee" that pensions are raised by the higher of earnings, prices or 2.5%". In addition, the parties have agreed to "phase out" the default retirement age and the planned rise in the state pension age will be reviewed. The increase in state pension age from 65 to 66 will not be earlier than 2016 for men and 2020 for women (currently slated for 2026).
- **Public sector pensions** – Change is on the agenda. There is a commitment to establish an independent commission to review the "long term affordability" of public sector pensions, whilst protecting accrued rights.
- **Private pensions** – The current requirement to buy an annuity at 75 will be abolished. Equitable Life policy holders will receive "fair and transparent payments" as recommend by the Parliamentary Ombudsman.
- **2012 workplace reforms** – There is no hard evidence in the policy agreement but this is one of the areas on which there is, in theory, a cross-party consensus. Therefore, we do not expect the reforms to be withdrawn or significantly amended. Although David Laws, Chief Secretary to the Treasury, has said that the computer contract for administering the NEST will be re-examined. Tata Consultancy Services was appointed the administrator of NEST in March at a cost of £600m.

We will continue to monitor developments closely.

DEPARTMENT FOR WORK AND PENSIONS

New Cabinet and Ministerial appointments

Iain Duncan Smith has been appointed as the Secretary of State for Work and Pensions.

Liberal Democrat MP Steve Webb is the new Pensions Minister. Chris Grayling has also been appointed as a Minister in the DWP but, at the time of going to press, his brief had not been confirmed.

HM REVENUE & CUSTOMS

National statistics on pensions

HMRC have published [national statistics](#) on pensions.

HM TREASURY

New Chancellor appointed and new Budget on its way

George Osborne has been appointed as Chancellor of the Exchequer.

He has announced the creation of an independent Office for Budget Responsibility (OBR), which has been established on an interim basis to assess the state of the public finances. The OBR will also have a role in carrying out an independent assessment of the public sector balance sheet, including an analysis of the costs of ageing, public service pensions and Private Finance Initiative contracts.

The Chancellor has also announced that an emergency Budget will be held on Thursday 22 June. This will be the first Budget of the new Government and the first where the OBR will provide the forecasts for the economy and public finances.

AND FINALLY...

Happy Birthday Barber!

The European Court of Justice's decision in *Barber v Guardian Royal Exchange* is 20 years old today.

Prior to the *Barber* judgment, it was permissible and normal practice for UK occupational pension schemes to have unequal retirement ages between male and female members, usually at 65 for men and 60 for women. This reflected state pension ages. After 17 May 1990, the date of the judgment, all UK occupational pension schemes were required to equalise pension ages for men and women.

To read more, please see the Sackers' [case report](#).