

24 October 2011

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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

LEGISLATION

Pensions Bill 2010-11: Latest news

The Pensions Bill was approved by the House of Commons following its Third Reading on 18 October 2011.

Three sets of Government amendments were agreed at this stage:

- a new definition of “money purchase benefits” to exclude benefits which could give rise to a funding deficit. This follows the DWP’s [announcement](#) in the wake of the decision in the *Bridge Trustees*¹ case that it would legislate to ensure that benefits which may create a funding deficit may not be classified as “money purchase”;
- a cap (to be prescribed by regulations) on administration charges levied on members of schemes which are “qualifying schemes” for auto-enrolment purposes; and
- a delay, by six months, to the planned increase in the State Pension Age.

The DWP has published two fact sheets to explain the background to the amendments to [State Pension Age](#) and the new definition of [money purchase benefits](#).

The Bill has now returned to the House of Lords (where it began) for consideration of amendments introduced by the Commons. As both Houses must agree the exact wording of the Bill, it will now enter a phase known as “ping pong”, during which each House has the opportunity to consider amendments agreed by the other. There is no set time period between the third reading of a Bill and consideration of any Commons or Lords amendments. The [provisional date](#) set for the Lords to consider the amendments agreed at the Third Reading in the Commons is 31 October 2011.

We will be issuing an Alert when the Pensions Bill receives Royal Assent.

DEPARTMENT FOR WORK AND PENSIONS

Gender reassignment: ECJ ruling and the effect on State Pension claims

For state pension purposes, transgender people have until recently been regarded as the sex recorded at birth. But in 2006 the ECJ ruled, in *Richards v Secretary of State for Work and Pensions*², that once male-to-female transgender people receive a Gender Recognition Certificate, they must then receive state benefits relating to their age and gender.

¹ Please see our Alert: ["Bridge too far? DWP set to legislate"](#) dated 28 July 2011

The DWP has published an [equality impact assessment](#) on its proposal to introduce processes and procedures to enable transsexual women, who are entitled under EU law to recognition of their acquired gender prior to the introduction of the Gender Recognition Act, to apply for an increased weekly State Pension.

The DWP's initiative is specifically targeted at customers affected by the 2006 ruling - i.e. transsexual women born between 23 December 1919 and 3 April 1945 and who have undergone gender reassignment surgery - and it has identified 750 pensioners who may benefit from this initiative.

Following this impact assessment, the DWP will now implement the initiative.

FINANCIAL REPORTING COUNCIL

Consultation on the future role of the Financial Reporting Council (FRC)

The FRC is the UK's independent regulator which is responsible for promoting high quality corporate governance (through the UK Corporate Governance Code). Among other things, it also sets standards for corporate reporting and actuarial practice and oversees the regulatory activities of the actuarial profession and the professional accountancy bodies.

On 18 October 2011, the FRC and BIS launched a [consultation](#) which proposes to refocus and streamline the FRC. The aims of the reforms are to clarify the role and purpose of the FRC and ensure that it is "in a strong position to promote the highest standards of corporate reporting, governance and auditing".

The consultation closes on 10 January 2012. It is intended that changes to the FRC will be implemented in April 2012.

[FRC Press Release](#)

NATIONAL ASSOCIATION OF PENSION FUNDS

NAPF Annual Conference 2011

The 2011 NAPF annual conference took place between 19-21 October, during which the organisation made a number of announcements.

- According to a [Populus poll](#) for the NAPF, one in three people are unlikely to stay in the workplace pension that they are automatically enrolled into. This is an increase from Government estimates before the economic downturn, which suggested that one in four people would opt-out.
- [Performance measurement, attribution and risk 'made simple' for pension funds](#): the latest edition in the NAPF's "made simple" series was launched at the conference and is available to purchase from the NAPF [website](#).
- In his [inaugural speech](#) as Chairman of the NAPF, Mark Hyde Harrison warned that the private pensions system in the UK is in need of a radical rethink. He described the current structure for DC schemes as inefficient and wasteful and has urged a "move from today's significantly flawed structure to a world of large, efficient, well-run and low cost pensions which are run in the interests of savers". (See also: [NAPF press release](#).)

² Case C-423/04; [2006] ECR I-3585

OFFICE FOR NATIONAL STATISTICS (ONS)

Life expectancy gap between north and south widens

On 19 October 2011, the ONS released figures which show that the gap between the local areas with the highest and lowest life expectancies in the UK has increased.

The latest [statistical bulletin](#) from the NAPF shows that:

- life expectancy was highest in Kensington and Chelsea and lowest in Glasgow City in each period between 2004/06 and 2008/10;
- on average, life expectancy at birth in local areas improved by 1.2 years for males and 1.0 year for females;
- at age 65 the average increase in local areas was 1.0 year for men and 0.9 years for women; and
- the gap between the local areas with the highest and lowest life expectancies increased between 2004/06 and 2008/10.

[ONS Press Release](#)

PENSION PROTECTION FUND

PPF Appoints Panel of Nine Transition Managers

The PPF [announced](#) on 19 October 2011 that it has recruited nine transition managers to its new panel.

The PPF considers that transition managers offer it value for money, as they help minimise the costs involved in buying and selling large portfolios of assets (for example, as the PPF continues to absorb the assets of schemes which it rescues).

The PPF notes that it has established a large panel in order to give it as much flexibility as possible when transitioning pension scheme assets to the PPF. The new panel also gives the PPF the opportunity to make structural portfolio and manager changes when required.