

## Pensions News – May 2010

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## Post-Election Legislative Agenda

### Coalition Agreement: Pensions Policies

The new coalition government has set out the [aspects of public policy](#) on which the Conservatives and Liberal Democrats are agreed. The pensions aspects of the agreement include:

- The link between Basic State Pension (BSP) and average earnings increases will be restored from April 2011. BSP will increase in line with earnings inflation, price inflation or 2.5% pa, whichever is greatest.
- The rules requiring compulsory purchase of annuities by age 75 are to be removed.
- The ability for companies to set a default retirement age at 65 will be scrapped.
- The timing of planned increases to State Pension Age (SPA) will be reviewed. The first phase in the increase to SPA, to age 66, will not be before 2016 for men and 2020 for women.
- The Parliamentary and Health Ombudsman's recommendation to make "fair and transparent" payments to Equitable Life policyholders will be implemented in full.
- A review will be carried out into the long term affordability of public sector pensions.

Conservative MP and former party leader Iain Duncan Smith has been named as the new Secretary of State for Work and Pensions, a post previously held by Yvette Cooper. Liberal Democrat MP Steve Webb has been named Minister of State for Pensions, replacing Angela Eagle.

George Osborne, the new Chancellor of the Exchequer, has announced that he will deliver an [emergency Budget](#) to the House of Commons on 22 June 2010.

Following the outline agreement, the government published [full details of the coalition agreement](#). The document, "The Coalition: our programme for government", confirms many of the pensions-related policies outlined above, but also provides some further detail.

The government has said it will "explore the potential to give people greater flexibility in accessing part of their personal pension fund early". The government also plans to "simplify the rules and regulations relating to pensions to help reinvigorate occupational pensions, encouraging companies to offer high-quality pensions to all employees". In addition, they will "work with business and the industry to support auto-enrolment".

### State Opening of Parliament

During the traditional state opening of parliament on 25 May 2010, the Queen delivered her formal speech setting out the new [Government's legislative priorities](#) for the coming year, including:

- A [Pensions and Savings Bill](#) which will
  - legislate for the phasing out of default retirement ages,
  - set a timetable for raising SPA (depending on the outcome of a formal review) including future rises to ages 67 and 68, and
  - restore the link between average earnings and the basic state pension.
- An [Equitable Life Payments Scheme Bill](#) giving the Treasury the power to make compensation payments to Equitable Life policyholders.

## Financial Assistance Scheme (FAS)

The Pension Protection Fund (PPF) has released the [video](#) of a webinar it held on 6 May 2010 explaining the new FAS regulations. The webinar, aimed at trustees and administrators, covers:

- the end-to-end valuation process,
- the transfer of assets, including data and financial requirements,
- where to find advice and guidance on changes to FAS documentation and
- how administrators can help scheme members.

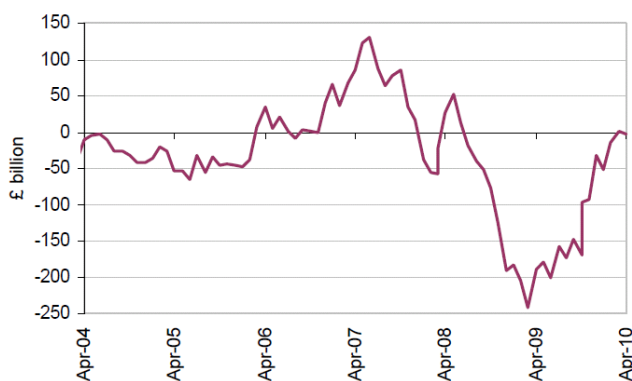
The PPF has also updated the [Frequent Asked Questions \(FAQs\)](#) section of its website in relation to the FAS.

## PPF 7800 Index

The [latest update](#) of the Pension Protection Fund's (PPF) 7800 Index of schemes' funding (on a s179 basis) has been published. The aggregate funding position is estimated to have worsened in April 2010 to a deficit of £2.2 billion (compared with a surplus of £0.3 billion at end of March 2010).

Scheme funding is better than it was a year ago (there was an aggregate deficit of £188.5 billion at the end of April 2009).

The following chart shows how the estimated total assets less total s179 liabilities for relevant schemes has changed over the last six years:



Source: PPF7800 Index

## Actuarial Merger

Members of the [Faculty of Actuaries](#) (in Scotland) and the [Institute of Actuaries](#) (in England and Wales) have voted for a second time on the proposed merger between the two bodies. 82.9% of voting Faculty members and 82.5% of voting Institute members voted in favour of the merger.

A new body, the Institute and Faculty of Actuaries, will be formed.

## Further Information

For further information on any of the topics in this bulletin, please speak to your usual Barnett Waddingham consultant, or visit [our website](#).

You might also find our recent publications on the following topics useful:

- [IASB: IAS19 Exposure Draft](#)
- [Bulk Annuity Contracts](#)
- [Managing Longevity Risk – One solution](#)
- [Proposals for Restricting Pensions Tax Relief](#)

We are running a joint breakfast seminar with Hillier Hopkins LLP on Tuesday 6 July 2010 in our London office. During the seminar, "High Earners Pension and Remuneration Strategies", we will consider the effect of the restriction of tax relief on pension contributions for high earners. For further details, please see [our website](#).

This bulletin is a summary of some recent developments and not a comprehensive description. Although we try to ensure its accuracy, Barnett Waddingham LLP accepts no liability for any errors or omissions the bulletin may contain. Readers should take professional advice in relation to their own circumstances and/or refer to the original source material as appropriate.

Chalfont Court  
Hill Avenue  
Amersham HP6 5BB  
Tel: 01494 788100  
Fax: 01494 788800

Rigby Hall, Rigby Lane  
Bromsgrove B60 2EW  
Tel: 01527 559111  
Fax: 01527 559222

St James's House  
St James's Square  
Cheltenham GL50 3PR  
Tel: 01242 538500  
Fax: 01242 538501

163 West George Street  
Glasgow G2 2JJ  
Tel: 0141 243 4400  
Fax: 0141 243 4432

West Riding House  
67 Albion Street  
Leeds LS1 5AA  
Tel: 0113 394 3700  
Fax: 0113 394 3760

Port of Liverpool Building  
Pier Head  
Liverpool L3 1BW  
Tel: 0151 235 6600  
Fax: 0151 235 6640

Cheapside House  
138 Cheapside  
London EC2V 6BW  
Tel: 020 7776 2200  
Fax: 020 7776 3800

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