



PATHways

PENSION ADMINISTRATION TECHNICAL HELP

HIGHLIGHTING PENSIONS NEWS AND LEGISLATION THAT HAS PARTICULAR RELEVANCE TO WHAT WE DO IN PENSION ADMINISTRATION

Snap election leads to MPAA limbo

In the Chancellor's Spring Budget the Government announced its intention to reduce the money purchase annual allowance (MPAA) to £4,000 from 6 April 2017. The accompanying Finance Bill which gives permanent legal effect to the Budget does not get passed until some months after the Budget statement. As a result measures announced in the Budget, while not initially permanently in force, are conventionally taken to be implementable policy.

With the snap election announcement impacting the parliamentary timetable, the Government removed a number of clauses including that relating to the MPAA reduction so that the Finance Bill could be passed into an Act before the dissolution of Parliament. Financial Secretary to the Treasury Jane Ellison remarked in the House of Commons that [should the Conservatives form the next government] the dropped clauses will be legislated for in a new Finance Bill during the next parliament at the "earliest opportunity".

This raises a number of complications as potentially MPAA impacted individuals must plan without any certainty of a reduction and from what date this might take effect. For example whether any re-introduced MPAA reduction will be backdated to the beginning of the 2017/18 tax year, as originally proposed.

The snap election announcement has also delayed the pensions cold-calling ban.

HMRC: Pension schemes newsletter 86

HM Revenue & Customs (HMRC) has published [Pension schemes newsletter 86](#) which provides updates and additional information on a range of topics including:

- Lump sum death benefits – the payment of a taxable lump sum death benefit to a trust has attendant provision of information requirements and HMRC has developed two forms to assist the pension scheme and the trust with meeting these obligations, [one form](#) for the scheme administrator to provide information to a trustee and [another](#) for the trustee to provide information to a beneficiary.
- Lifetime Allowance – the administrator lifetime allowance look-up service is still not available although a basic version is targeted for this summer; meanwhile additional functionality is planned later in the year for the member online service so that members can inform HMRC online when they lose protection.
- Qualifying recognised overseas pension schemes (QROPS) – a reminder of updated forms and that HMRC will reject old versions that do not contain the information required under the new rules. Separately, HMRC suspended the ROPS list on 14 April in order to remove schemes which had failed to submit a new APSS 240, with the revised list appearing on schedule on 18 April. The newsletter mentions additional changes to the ROPS list publication schedule, with another planned suspension on 2 June to re-appear 5 June.



Department for Work and Pensions news

The Pension Schemes Bill as outlined in [PATHways 69](#) has received Royal Assent and becomes the [Pension Schemes Act 2017](#) introducing the new framework and supervisory regime for master trust arrangements. It appears that much of the detail relies on further regulations which are not yet laid and could require further consultation.

The Department for Work and Pensions (DWP) has also been consulting on draft regulations to [cap early exit charges for trust-based DC schemes](#) and to [enable transfers of pensioners to schemes that have never been contracted-out](#).

The former seeks views on [the draft Occupational Pension Schemes \(Charges and Governance\) \(Amendment\) Regulations 2017](#) designed to bring in the cap on early exit charges (of 1% for existing members and 0% for new members) and prohibit existing member-borne commission charges in trust-based DC schemes from 1 October 2017. The first strand implements the policy decision announced in November 2016 touched on in [PATHways 70](#) and will closely align treatment of occupational pension schemes with personal and stakeholder pension schemes.

The latter sought views on [the draft Contracting-out \(Transfer and Transfer Payment\) \(Amendment\) Regulations 2017](#) and the DWP's intention to allow transfers of pensioners, with their consent, from schemes "in financial difficulty" to schemes that have never been contracted-out in the following two circumstances:

- where the scheme is undergoing a PPF assessment; or
- where a regulated apportionment arrangement has been entered into.

This consultation has closed already with the [Government response](#) published on 27 April and the Contracting-out (Transfer and Transfer Payment) (Amendment) Regulations 2017 [[SI 2017/600](#)] now laid to come into force 3 July 2017.

Although not addressed in this short consultation, the DWP says it is open to giving further consideration in due course to other types of transfer (for example, bulk transfers without member consent) to schemes that have never been contracted-out, perhaps extending to transfers of pensioners to new schemes more generally too.

Pension Protection Fund news

The Pension Protection Fund (PPF) has confirmed that it [plans to raise a Fraud Compensation Levy](#) in 2017/18 for the first time since 2012/13. The PPF will charge a levy of 25p per member of eligible occupational pension schemes, which will be collected by The Pensions Regulator alongside its general levy.

As covered in [PATHways 68](#), the PPF long service cap came into effect from 6 April 2017 for members who have 21 or more years' service in their scheme. For these members the PPF compensation cap will be increased by 3% for each full year of pensionable service above 20 years up to a maximum of double the standard compensation cap.

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