

Autumn Statement: State Pension changes

Before Christmas, the Chancellor of the Exchequer delivered his [Autumn Statement](#) in Parliament. The main pensions-related announcements were:

- State Pension Age (SPA) will be reviewed once in every parliament and future rises will be [linked to life expectancy](#), with the guiding principle that future changes in SPA will be that people should not expect, on average, to spend more than one third of their adult life in receipt of a State Pension.

On this basis, SPA is expected to increase to 68 from the mid-2030s (previously planned to be in 2046). By the late 2040s, SPA is expected to be 69.

- From October 2015, pensioners and those who reach SPA before the introduction of the new single-tier State Pension will be given a time-limited opportunity to make [voluntary National Insurance contributions](#) to boost their additional State Pension.
- The basic State Pension is to increase by £2.95 a week in April 2014 in accordance with the 'triple lock' (the highest of CPI, average earnings, or 2.5%) to £113.10 a week.

Lifetime Allowance: Individual protection

The government has [confirmed](#) that it will introduce individual protection 2014 (IP14) following the reduction in the lifetime allowance (LTA) to £1.25m from 6 April 2014. Eligible applicants will have a personalised LTA equal to the value of their pension savings on 5 April 2014 (subject to an overall maximum of £1.5m).

HM Revenue & Customs (HMRC) has also published its [response](#) to the consultation on IP14. The government has conceded that individuals with enhanced protection will also be able to apply for IP14, provided that they do not have primary protection. In addition, Scheme Pays adjustments where the scheme has paid an Annual Allowance charge will not be deducted from an individual's personalised LTA. Further details have been set out in [draft guidance](#). For further information see our commentary: [Pensions Lifetime Allowance: Fixed and Individual Protection 2014](#).

Auto-enrolment update

DWP: Auto-enrolment thresholds

The Department for Work and Pensions (DWP) has [reviewed](#) the auto-enrolment earnings trigger and qualifying earnings band for 2014/15. The earnings trigger determines who must be automatically enrolled into a workplace pension, while the qualifying earnings band sets minimum contribution levels for money purchase schemes.

The trigger will be set at £10,000, based on the income tax personal allowance for 2014/15. This is an increase from the 2013/14 level of £9,440 and means that around 170,000 fewer individuals are eligible for auto-enrolment (compared to if the trigger were frozen at its current level) of which around 69% are women.

The Secretary of State had considered setting the earnings trigger at the value of the 2014/15 National Insurance Contributions Primary Threshold of £7,956, which would have increased the number of eligible individuals by 510,000, but concluded that this may not be beneficial for the individuals involved (who retain the right to opt-in if they so choose).

TPR: Auto-enrolment registration report

The latest [monthly figures](#) from The Pensions Regulator (TPR) show that [over two million](#) (2,205,000) eligible jobholders have been auto-enrolled into a pension scheme to the end of November 2013. TPR, the DWP and employers who have already staged emphasise that those employers who have yet to auto-enrol should [allow plenty of time to plan](#).

PPF news

2014/15 levy

The Pension Protection Fund (PPF) has [finalised](#) its levy determination for 2014/15. There were no changes to the PPF levy calculation compared with the draft levy determination (see [News on Pensions - October 2013](#)). The PPF expects to collect a total of £695m in levies in 2014/15.

Until now it has only been possible to 'recertify' contingent assets if an in-depth 'full' certification took place in the preceding year. The PPF has confirmed that schemes can recertify contingent assets which were last certified up to five years ago, as long as the underlying agreement has remained in place throughout the intervening period.

The PPF will not however change the certification requirements for Type A contingent assets at the current time. It will reconsider this issue as part of the consultation for the next three year period.

The PPF has confirmed that it will use Dun & Bradstreet's (D&B) new scoring system once it is implemented in January or February 2014 (notwithstanding the anticipated change in provider to Experian from April 2014 – see below).

Insolvency risk provider

The PPF has announced that it expects to consult on the change in insolvency risk provider from D&B to Experian in spring 2014, rather than early 2014 as originally anticipated (see [News on Pensions – August 2013](#)). There will be a familiarisation period during which schemes and employers can challenge the data held by Experian before it is used in the levy.

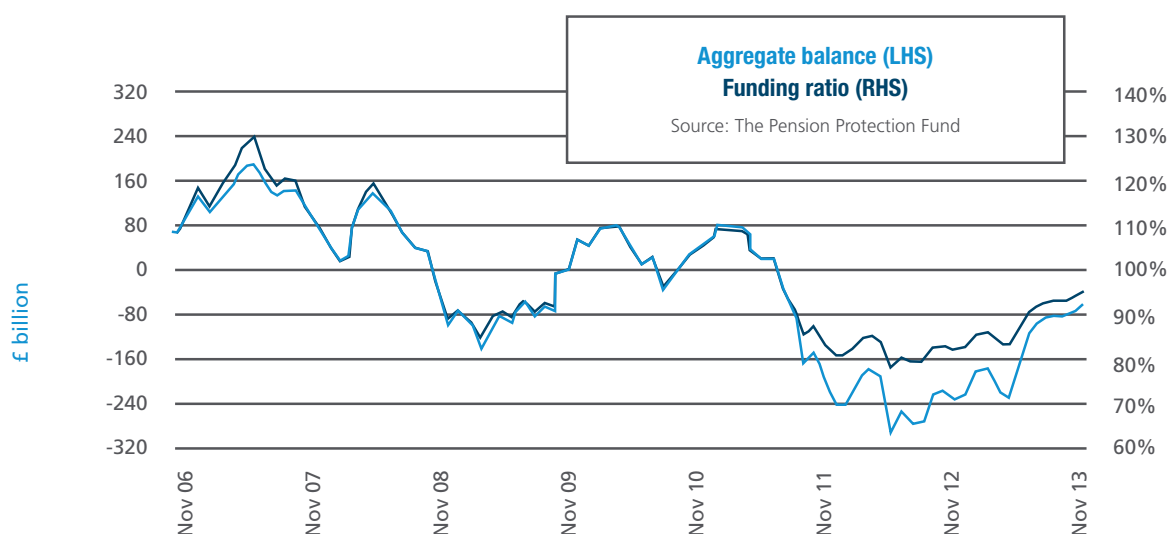
In the meantime D&B has said that it will be making some major changes to its insolvency risk model (the D&B score) in January or February 2014, affecting scores until the PPF switches provider to Experian.

7800 Index update

The [latest update](#) of the PPF 7800 Index of schemes' funding (on the s179 basis) has been published.

The aggregate deficit of the 6,150 schemes in the index is estimated to have decreased over the month to £59.7 billion at the end of November 2013 (there was an aggregate deficit of £75.6 billion at the end of October 2013).

The funding ratio rose from 93.8% to 95.0%. There were 3,952 schemes in deficit and 2,198 schemes in surplus.



Latest from TPR

Record-keeping warning

TPR has issued pension schemes with a [call to action over improving the quality of record-keeping](#). TPR has warned schemes against stalling progress on record-keeping while they wait for TPR to revise its guidance.

The regulator has urged schemes to continue improving the quality of their record-keeping by correcting errors in 'common data' (member details common to all schemes such as name and date of birth) and by planning to improve the quality of 'conditional data' (details required to calculate benefits, such as service dates and contribution history).

Olympic Airlines

The Court of Appeal has recently overturned an earlier High Court decision, leaving members of the Olympic Airlines pension scheme with no protection from the PPF following the collapse of the Greek airline in 2009. The case may have [wider implications](#) for schemes with overseas parent companies.

Currently, a pension scheme is eligible for entry into the PPF if the sponsoring employer who has liability towards the scheme suffers a qualifying UK insolvency event. There is no recognition of overseas insolvency events.

Originally, the High Court had agreed that secondary insolvency proceedings in the UK should commence against Olympic Airlines' liquidator due to the presence of a London office, which would then have been viewed as a qualifying UK insolvency event by the PPF. However, the Greek liquidator took the case to the Court of Appeal, where the High Court's decision was overturned.





TPR has, as a result, updated its statement on "[Identifying your statutory employer](#)" to include additional information on overseas employers following the Court of Appeal judgement.

TPR: Funding Code of Practice

In early December, TPR launched a consultation on how it will regulate the funding of occupational defined benefit (DB) pension schemes. As part of this, TPR is consulting on a re-draft of its code of practice number 3 (funding defined benefits) – expected to come into force in July 2014.

For further information, see [News on Pensions: December 2013](#).

To discuss these issues in more detail please contact your usual Barnett Waddingham consultant or use the following:

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