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PATHways

PENSION ADMINISTRATION TECHNICAL HELP

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

Queen's Speech

The Queen's Speech was delivered on 27 May setting out the new Government's legislative agenda for the 2015/16 Parliamentary year.

As far as pensions are concerned, the Queen's Speech said: 'Measures will also be brought forward to secure the real value of the basic State Pension, so that more people live in dignity and security in retirement.' In addition the associated briefing pack confirmed that 'the triple lock will continue to apply to the basic State Pension for the duration of the Parliament'. This means that the basic State Pension will increase each year by the highest of the growth in average earnings, prices inflation and 2.5%.

However, while pensions seem to have largely escaped the Government's attention for now, it is expected that more significant changes may be contained in the Summer Budget.

Summer Budget

Following the Conservative Party's win at the General Election at the beginning of the month, the Chancellor of the Exchequer, George Osborne, has announced that there will be a Summer Budget on 8 July. This is likely to be followed by the second Finance Bill of 2015.

This Finance Bill may include the previously announced proposed reduction in Lifetime Allowance from £1.25 million to £1 million from 6 April 2016 and may also introduce into legislation the manifesto commitment to reduce pension tax relief for those earning more than £150,000. It is also possible that the Bill will contain provisions in relation to the creation of a secondary annuity market. The Government says it is considering amending tax rules so that those who have previously purchased an annuity are able assign the income stream to a third party from April 2016.

On the sale of the annuity income stream, the proceeds may be able to be taken as a taxable lump sum, or converted into a flexi-access drawdown arrangement or flexible annuity. The intention is that the assignment would not attract the penal tax charges that currently apply, but would instead be taxed as income.

New Pensions Minister

Dr Ros Altmann was appointed as the new Pensions Minister to replace Steve Webb. Prior to this appointment Dr Altmann had been the Government's Business Champion for Older Workers.

The new Pensions Minister expects to 'take forward work to bring in the new State Pension, help millions more to be enrolled into good quality workplace pension schemes, and safeguard new freedom and choice as to how people access their savings'. She also confirmed 'My priorities are clear: to strengthen British pensions, improve later life incomes, and protect the pensioners of today and tomorrow.'

Changes to HMRC QROPS list

HM Revenue and Customs (HMRC) has recently made some changes to what used to be referred to as the 'Qualifying Recognised Overseas Pension Schemes (QROPS) List'. This list is now presented as a 'List of Recognised Overseas Pension Schemes Notifications'.

Additionally, while the preamble used to be at the very start of the list and refer to a list of pension schemes that have notified HMRC that they meet the conditions to be a QROPS, it now appears at the top of every page and includes wording that says:

'This list contains some of the overseas entities that have told HM Revenue and Customs (HMRC) they are Recognised Overseas Pension Scheme (ROPS) under section 169(2) Finance Act 2004. HMRC can't guarantee these are ROPS or that any transfers to them will be free of UK tax. It is your responsibility to find out if you have to pay tax on any transfer of pension savings.'

Furthermore, HMRC has removed the text in relation to the 'good faith' protection that had previously existed if trustees could demonstrate that they had checked the list within 24 hours prior to payment.

Charges and governance – final regulations and guidance from DWP

We reported in February that draft regulations had been laid before Parliament on the new charges and governance requirements for defined contribution (DC) occupational pension schemes which apply from 6 April 2015. The Occupational Pension Schemes (Charges and Governance) Regulations 2015 have since been finalised. In addition, the Department for Work and Pensions (DWP) has issued updated guidance for scheme trustees on the charge cap.

DWP has confirmed that DC Additional Voluntary Contribution (AVC) arrangements are excluded from the charge cap as long as they are the only DC benefits provided in an auto-enrolment qualifying defined benefit (DB) scheme. DC AVCs paid by DB members could still be charge capped where the scheme has another DC section.

Scheme trustees should consider the changes that may be required to their DC scheme (or DC section of a scheme) to ensure that they meet the new regulatory requirements. To help them, trustees can refer to the guide which has been produced by the Pensions Regulator (TPR).

Trustees are also expected to check that they are running a quality DC scheme by assessing their arrangement against the DC Code. TPR will consult on possible changes to the code as a result of the impact of the new regulations. As any changes must be laid before Parliament following a formal consultation, there is likely to be a delay before any updated version of the code is released. Meanwhile, TPR has drawn attention to certain areas affected by the regulations and stress that where there is a difference between what the code and regulations say, the new legislation takes precedence.

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