Welcome to the first digital edition of Barnett Waddingham's 'News On... Pensions'

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Please see the quick guide below.

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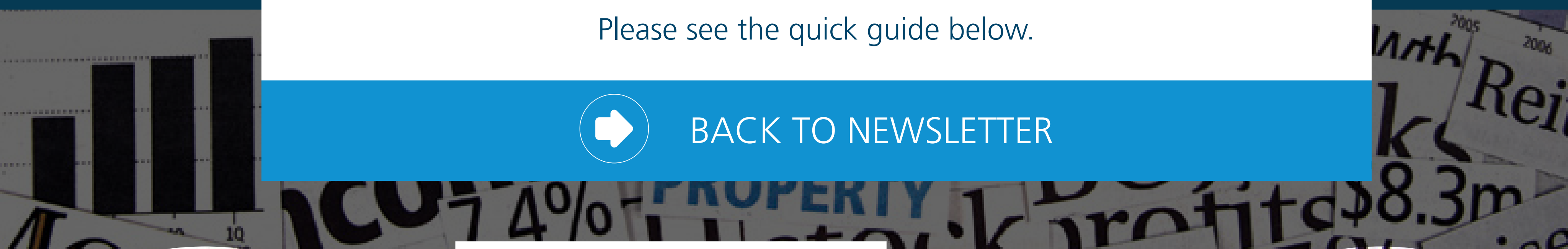

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HMRC: Lifetime Allowance Protections

HM Revenue and Customs (HMRC) is consultin affected by the reduction in the Lifetime Allow reduced from £1.5m to £1.25m and the Annu with effect from the start of the next tax year (

HMRC is proposing two types of protection for individuals whose pension savings are close to, or have exceeded £1.25m in value:

Fixed protection 2014 (FP14): Under FP14, savers will retain an LTA of £1.5m, provided they make no new pension savings after 5 April 2014. Application for FP14 will need to be made by 6 April 2014.

Individual protection 2014 (IP14): Under IP14, savers will have a "personalised" LTA based on the value of their savings at 5 April 2014 (up to a maximum of £1.5m). Individuals could continue to make contributions without paying an LTA charge on their pre-2014 savings, but would pay LTA ch ill have three years from 6 April 2014 to apply.

Articles embedded with clickable links

Individuals will be able to hold both IP14 otection 2012) subject to meeting eligibility conditions. Fixed Prote tion will take precedence, with protection reverting back to IP14 if fixed protection is ost. Individuals with "Primary Protection" and "Enhanced Protection" will not be able to apply for IP14.

Please contact your usual Barnett Waddingham consultant if you would like to discuss this issue in more detail. Alternatively, please contact *Bhargaw Buddhdev*

Direct access to contact details and social media

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HMRC: Lifetime Allowance Protections

The *Finance Act 2013* received Royal Assent on 17 July 2013, including legislation reducing the Lifetime Allowance (LTA) from £1.5m to £1.25m and the Annual Allowance (AA) from £50,000 to £40,000 from 6 April 2014 as well as the introduction of Fixed Protection 2014 (FP14) intended for those who think they may be affected by the reduction in the LTA.

The Government has also announced that Individual Protection 2014 (IP14) will be introduced to give individuals greater flexibility in protecting pension savings from LTA tax. Her Majesty's Revenue and Customs (HMRC) is *consulting* on the detail and implementation of IP14.

- **FP14:** Under FP14, savers will retain an LTA of £1.5m, provided they make no new pension savings after 5 April 2014. The application form for FP14 will be available from Monday, 12 August 2013. Applications can be made online or via post, but HMRC will not acknowledge any before 1 November. Applications for FP14 must be received by HMRC on or before 5 April 2014.
- **IP14:** Under IP14, savers will have a "personalised" LTA based on the value of their savings at 5 April 2014 (minimum of £1.25m and up to a maximum of £1.5m). Individuals could continue to make contributions without paying an LTA charge on their pre-2014 savings, but would pay LTA charges on additional savings. It is proposed that savers will have three years from 6 April 2014 to apply.

It is also proposed that individuals be allowed to hold both IP14 and FP14 (or its predecessor Fixed Protection 2012) subject to meeting eligibility conditions. Fixed Protection will take precedence, with protection reverting back to IP14 if fixed protection is lost. Individuals with "Primary Protection" and "Enhanced Protection" will not be able to apply for IP14.

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PPF news

PPF: Levy rise expected

The Pension Protection Fund (PPF) is reported to have warned that PPF levies are likely to *rise by around 10%* on average next year (2014/15). The aggregate levy is currently £630m but Martin Clarke, the PPF's executive director of financial risk, has said that the levy would need to be higher due to the increased risk posed to the PPF by historically high deficits.

For more information on the PPF levy, or advice on how to reduce your scheme's PPF levy, please contact your usual Barnett Waddingham consultant or visit our *PPF levy forum*.

PPF: Compensation Cap increase

The Department for Work and Pensions (DWP) has revealed that it will be increasing the PPF's *compensation cap* for long-serving members. For members receiving capped compensation the Government is set to increase the maximum level by 3% for each year of service over 20 years, up to a maximum of twice the standard cap.

People who are already in receipt of capped compensation may receive an increase when the relevant legislation is in place, but the increase will not be backdated.

The cost of increasing the compensation cap will be met by existing levy payers – the PPF estimates that the change is expected to increase levies by around 4% over the period to 2030.

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Pensions - July 2013

PPF news

PPF: Responsible Investment Framework

The PPF has published detailed of its enhanced *Responsible Investment Framework*, setting out details of the PPF's view in relation to asset ownership and environmental, social and governance issues.

The PPF has also published a *Statement of Stewardship Principles* which formally sets out how it will act as a responsible owner of the listed companies in which it is a shareholder. The PPF's website includes details of its approach to rating external investment managers for their commitment to responsible investment.

PPF: 7800 Index

The *latest update* of the PPF's 7800 Index of schemes' funding (on the section 179 basis) has been published.

The aggregate deficit of the 6,316 schemes in the index is estimated to have decreased over the month to £185.5 billion at the end of May 2013 (there was an aggregate deficit of £256.6 billion at the end of April 2013). The position has improved over the last year – there was an aggregate deficit of £317.0 billion at the end of May 2012.

The overall funding ratio rose from 81.5% to 85.9%. There were 4,885 schemes in deficit and 1,431 schemes in surplus.

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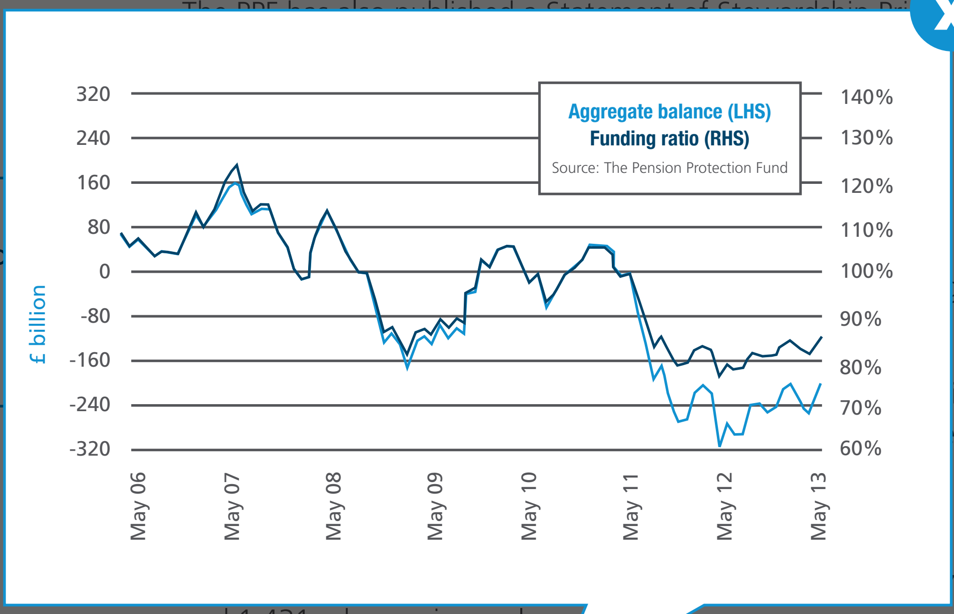

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Latest News from TPR

Maintaining contributions - new Codes of Practice

The Pensions Regulator (TPR) has *published a response* to its earlier consultation on two updated Codes of Practice, together with supporting guidance, on reporting late payment of contributions to defined contribution (DC) occupational and personal pension schemes:

- *No. 5 – reporting late payment of contributions to occupational pension schemes*
- *No. 6 – reporting late payment of contributions to personal pension schemes*

The codes and guidance set out how trustees and pension providers can:

- meet their obligations to monitor the payment of contributions due to be paid
- provide information to members, and
- report material payment failures to both TPR and scheme members.

TPR had originally proposed that payment failures should be reported when trustees or managers identify that contributions remain outstanding after 120 days (rather than 90 days) and that members should be notified simultaneously when reporting to TPR (rather than within 30 days as at present). The changes were, however, met with significant opposition during the consultation and so TPR has not incorporated them into the updated version. Further changes have been made so as to clarify some minor points, such as referring to "working days" for some timescales instead of "days".

The new codes are expected to come into force in autumn 2013 and a new online system for standardised reporting will be introduced in 2014.

TPR has also published a new *quick guide* to paying contributions which sets out information for employers about paying the correct level of contributions to a pension scheme on time. This includes information on how to calculate, deduct and pay contributions.

HMRC: Lifetime Allowance Protections

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Latest News from TPR

Trustee Toolkit update

TPR has updated three of the defined benefit (DB) scheme modules on its *Trustee Toolkit* in order to make the content clearer, to better reflect the development of TPR's approach to DB scheme regulation and to cover some topical issues. Updates have been made to the modules on "How a DB scheme works", "Funding your DB scheme" and "DB recovery plans, contributions and funding principles".

TPR also plans to update the defined contribution (DC) content of the Trustee Toolkit later this year to reflect its new Codes of Practice (see above).

Scheme Funding Analysis

TPR has published an updated *Scheme Funding Analysis* for valuations and recovery plans of UK defined benefit and hybrid pension schemes. The update is based on "Tranche 6" schemes – those with valuation dates between 22 September 2010 and 21 September 2011.

By 31 March 2013 TPR had received just over 1,500 recovery plans in respect of Tranche 6 schemes, with around 400 schemes reporting a funding surplus:

- On average, Tranche 6 schemes held assets covering 95% of their Technical Provisions.
- On average, Recovery Plans have been extended by 2 years compared to the previous recovery plans for this tranche of schemes
- The average single effective discount rate was around 5.3%, compared to 5.7% three years ago.
- Changes in mortality assumptions have added around 1 year to the average assumed life expectancy for a male compared to the mortality assumptions used at the previous valuations for this tranche of schemes

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Latest News from TPR

Valuation acknowledgment letters

TPR has *announced changes* to valuation submission acknowledgement letters from June 2013. The letters will now be a simple acknowledgement where TPR has no further queries in respect of the submission, whereas previously they may have included generic comments on aspects such as the assumptions used or employer affordability.

TPR will now only provide feedback following further investigation by a case team. This feedback is intended to be more focused on the scheme's specific issues, reflecting TPR's move away from mechanical triggers (see *News on… Pensions – May 2013*). TPR aims to contact schemes within 3 months of a valuation being submitted via its online system (Exchange).

TPR will be inviting comments on the process in conjunction with its consultation on the funding Code of Practice and its approach to regulation of defined benefit schemes later in the year.

Prohibition orders

TPR has released *a statement* about prohibition orders. The statement explains how and when TPR will exercise its powers to prohibit a person from being a trustee. The statement also sets out how TPR will determine whether an individual is a "fit and proper person" to be a trustee.

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Other news

Trustee Discretion – Hastings Bass

A recent _Supreme Court judgment_ issued in relation to two private trust cases has clarified the scope of the "Hastings-Bass" principle. This principle relates to when the courts can set aside the exercise of a trustee discretion. It had previously been thought that pension scheme trustees, or members, could use this rule to unwind the exercise of a discretion where this has had an unintended effect, if the trustees' deliberations were inadequate (for example due to incorrect professional advice).

Under the recent judgments provided that the trustees are acting within their powers, discretions can only be unwound if there has been a breach of fiduciary duty. This can be a difficult test where the trustees have taken apparently competent professional advice. Further, the judgment states that it would usually be inappropriate for trustees to seek to set aside their own discretion in this way, and the process should instead be initiated by a member or beneficiary.

Spending Round 2013: State Pension

The Chancellor of the Exchequer, George Osborne, delivered his _Spending Round 2013_ to Parliament in which he announced that the State Pension will not be included in the "Welfare Cap" proposed in the Budget. Pensioner benefits, housing benefits, tax credits and disability benefits will however be subject to the cap.

The spending plans also set out that from autumn 2015 there will be a "temperature test" on the winter fuel payment to ensure that pensioners who now live in hot countries do not receive it. HMRC and the DWP will both see their resource budgets cut.

Other news

Government reveals 'shocking' variations in mortality rates

Public Health England, an executive agency of the Department of Health, has launched a new website, *"Longer Lives"*, showing the variation in early death rates between local areas. The website uses data published for the Public Health Outcomes Framework, which is adjusted for differences in the age make up of different areas.

The overall picture revealed is as expected, with poorer areas and cities in the North having much higher rates of mortality than affluent areas in the South East. Health secretary Jeremy Hunt said that the data would be used to identify local public health challenges such as smoking, alcohol abuse and obesity and aims to help save 30,000 lives a year by 2020.

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Trustee training – new London date

Due to popular to demand we have scheduled a further trustee training day on Thursday 21 November 2013 in our London office. To book a place on this course, or our trustee training days in Leeds (17 September) or Bromsgrove (20 November), please visit *our website*.

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

- *Pensions Options for High Earners*
- *Current Issues in Pensions Financial Reporting 30 June 2013*
- *Big Schemes Survey: £1bn+*

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