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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

Guaranteed Minimum Pension Increases

The draft Guaranteed Minimum Pensions Increase Order 2014 has been published. The statutory increase to GMPs in payment from 6 April 2014 will be 2.7%. In response to a Freedom of Information request, the Department for Work and Pensions has clarified that, for people who retire after 6 April 2012 and delay taking their GMP, it no longer pays increments to take account of the fact that an occupational pension scheme is only required to pay limited revaluation on GMP in respect of this postponement. In addition, for those retiring from April 2016, any increases paid by the state in respect of GMP inflation-proofing are expected to be lost as a result of the introduction of the single-tier state pension in 2016. Many scheme booklets contain references to these increases currently paid by the state.

HMRC newsletter 60

HM Revenue and Customs has published its latest Pension Schemes Newsletter 60 which includes a reminder that the window for applying for Fixed Protection 2014 closes on 5 April 2014. HMRC has issued an online tool that allows individuals to check whether they need to apply for Fixed/Individual Protection 2014. Members can apply for Fixed Protection online.

The Social Security Revaluation of Earnings Factors Order 2014 (SI 2014/367)

The Department for Work and Pensions has laid a section 148 Order as there was a 0.9% increase in the general level of earnings (as measured by the Average Weekly Earnings Index) over the twelve months to 30 September 2013. This Order therefore provides for earnings factors for 2013/14 to be increased by that percentage and for earnings factors for earlier tax years to be increased by percentages which reflect, in addition, the increases provided for by previous Orders.

Statutory Money Purchase Illustrations

The Financial Reporting Council (FRC) has issued a revised version of Actuarial Standard TM1, in relation to Statutory Money Purchase Illustrations (SMPI's). This is effective for illustrations issued from 6th April 2014. The changes made will enable the personalisation of SMPI's to allow for a cash lump sum to be taken prior to the calculation of the illustrated pension, varying percentages of dependant's pension to be assumed and for alternative pension in payment increases to be used. FRC has also announced that it is to conduct a more comprehensive review of Actuarial Standard TM1 during 2014.

HMRC clarifies VAT treatment on DB pension scheme investments

HM Revenue & Customs (HMRC) has published a brief setting out its position in light of the recent decision by the Court of Justice of the European Union (CJEU) permitting employers to deduct VAT on pension fund management costs in certain circumstances. As stated in the brief, HMRC has removed a policy where an employer could recover 30% of the VAT on a single invoice which covered both the administration of the pension scheme and the management of the scheme's investments. HMRC also says "there are circumstances where employers may be able to claim input tax in relation to pension funds where they could not previously" although further conditions apply.

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TPR publishes standardised governance statement for DC scheme quality

The Pensions Regulator (TPR) has published a standardised governance statement helping pension scheme trustees to demonstrate the quality of their defined contribution (DC) scheme to employers and retirement savers. A template has also been provided to help trustees complete the governance statement correctly, and monitor areas for improvement, by enabling them to assess their scheme against TPR's DC quality features.

Abolition of contracting out (statutory override for Protected Persons Regulations)

The NAPF has issued an update regarding the Minister for Pensions, announcement, through a Written Ministerial Statement, that people with ‘protected persons’ status should remain exempt from the employer statutory override set to be introduced for DB schemes that are contracted out of the State Second Pension. The Government response to consultation was issued in February 2014. Protected persons are those individuals employed in some formerly nationalised industries, where the employers and trustees are limited in their ability to change scheme rules by legislation made during privatisation. Legislation prevents employers from making changes to the pension benefits offered to those employees who were previously employed by the State. The NAPF has expressed its disappointment with the Government’s decision as it feels this will lead to an inconsistent approach across members and potentially increased costs.

High Court rules in PPF levy case

The High Court has overturned a decision by the Deputy Pensions Ombudsman to award compensation to the trustees of a scheme where out-of-date data was used in a scheme’s Pension Protection Fund (PPF) levy calculation. The group of companies failed to submit up-to-date accounts to Dun & Bradstreet (D&B) Luxembourg. The scheme’s 2010-11 PPF levy was consequently higher than expected and following a complaint, the Deputy Pensions Ombudsman ruled in the scheme’s favour to change the score provided by D&B. The High Court has now ruled that there is no scope in the levy determination for the PPF to depart from a failure score provided by D&B where this is based on information used by D&B in the ordinary course of its business.

Labour sets out pledges on pension charging

Rachel Reeves MP, Shadow Secretary of State for Work and Pensions, has set out the measures that a Labour government would take on excessive charges on defined contribution pensions. These are:

- Requiring all savers to be referred to an independent broker at retirement.
- Forcing pension providers to reveal the full range of charges and transaction costs and for those inefficient pension providers with high charges to improve or merge.
- Capping pension charges and bringing in new rules to ensure all pension providers must legally put the interests of savers first.