
Administration**Benefit Calculations**

On 9 August 2011 HMRC published its Pension Schemes Newsletter Number 48 which includes a list of regulations that relate to the pension tax reforms of Finance Act 2011, see Legislation below. The Newsletter also includes information on fixed protection of the lifetime allowance, flexible drawdown payments and tax rates on special lump sum death benefits. HMRC has also published guidance on the changes to the annual allowance for tax relief on pensions savings which includes information and examples on the "Scheme Pays" facility for payment of annual allowance charges. The Scheme Pays facility is available from 11 August 2011.

On 15 August 2011 the Department for Work and Pensions (DWP) published a consultation on proposed changes to the contracting out regulations to take effect from 6 April 2012, including an increase to the fixed rate of revaluation of Guaranteed Minimum Pension (GMP) to 4.75% per annum and an allowance for trustees of occupational DC schemes to allow for the abolition of protected rights.

Actuarial**Scheme Funding**

On 28 July 2011 the Pensions Regulator published a statement "Identifying your statutory employer" to help trustees understand the importance of identifying their scheme's statutory employer and how they should do this. A statutory employer is legally responsible for meeting the scheme specific funding requirements for DB schemes and paying the section 75 buy out debt on the occurrence of certain events. A scheme's statutory employer may be different from its principal or participating employers. From November 2011, the Scheme Return submission will include a requirement that trustees identify the statutory employer for their scheme.

Pension Protection Fund

On 21 July 2011 the PPF published revised commutation factors, early retirement factors and annualised value of lump sum factors to be used for all calculations with an effective date on or after 1 August 2011.

Governance**Legislation**

On 19 July 2011 the Finance Bill 2010-11 received Royal Assent and became the Finance Act 2011. The Finance Act contains many changes to the taxation of pensions, including the reduction of the annual allowance from £225,000 to £50,000 and the removal of compulsory annuitisation at age 75 both with effect from 6 April 2011 and the reduction of the lifetime allowance from £1.8 million to £1.5 million with effect from 6 April 2012. Members will be able to carry forward three years of unused annual allowances and there is some flexibility on the choice of pension input period over which the value of their pension contributions is measured, although the window has now closed for trustees to make retrospective nominations of pension input periods. Individuals

may apply for “fixed protection” to retain a lifetime allowance of £1.8 million provided they cease active membership of all registered pension schemes before 6 April 2012. The trivial commutation and winding up lump sum limits will become £18,000 rather than 1% of the lifetime allowance.

On 27 July 2011 the DWP published a summary of the responses received to its consultation on simplifying the state pension system. Over 75% of organisations who responded favoured the single tier option at £140 per week for a future state pension. The Government will publish further, more detailed proposals in Autumn 2011.

Consultancy

Defined Contribution

On 19 July 2011 the DWP published a consultation document seeking views on new draft regulations relating to the Government’s workplace pension reforms. As well as numerous miscellaneous amendments on automatic enrolment, draft regulations on the impact of automatic enrolment on offshore employment are available and the DWP has published guidance on certifying that an existing scheme meets alternative requirements to the minimum quality standard.

On 28 July 2011 the Pensions Regulator launched a set of interactive tools on its web site to help employers understand their new duties under the workplace pension reforms. The tools enable employers to determine their staging date, explain the process to automatically enrol staff and clarify the minimum employer contribution to be paid. The Regulator has also published guidance, in nine sections, setting out in detail how the new duties should be implemented.

On 1 August 2011 the Workplace Retirement Income Commission (WRIC) published its final report “Building a strong, stable and transparent pensions system”, setting out areas for action that need to be addressed by the Government, the pensions industry, employers and savers. The report groups the investigations of the WRIC into four main issues: risk and adequacy, value for money, cultural change and stability. WRIC has put forward 16 recommendations which build on the 2012 workplace pension reforms.

The Pension Quality Mark (PQM) has updated its standard on pensionable pay to mirror the DWP’s certification test for DC schemes, making it simpler to work out if a scheme qualifies for the PQM.

Liability Reduction

One of the changes that came into force on 6 April 2011 alongside the abolition of the need to purchase an annuity by age 75 is the removal of an upper age limit for paying lump sums on trivial commutation. Trustees may wish to consider the payment of a lump sum to older pensioners to remove the requirement to pay very small pension entitlements in the future. Prior to April 2011, there was an upper age limit of 75 for payment of trivial commutation lump sums.

“Term, holidays, term, holidays, ‘til we leave school, then work, work, work ‘til we die.”

C S Lewis

The information in this note should not be relied upon or taken as an authoritative statement of the law.



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