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PATHways

PENSION **A**DMINISTRATION **T**ECHNICAL **H**ELP

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

HMRC Taxation of Pensions Bill

Following the Budget announcement and the issue of a draft of the bill (see PATHways 43) the Taxation of Pensions Bill has now been issued. A number of changes are being made to pension tax rules to reflect the greater flexibility individuals will have to access their defined contribution pension savings from age 55. The changes include:

- increasing the flexibility of the income drawdown rules by removing the maximum ‘cap’ on withdrawal and minimum income requirements for all new drawdown funds from 6 April 2015;
- enabling those with ‘capped’ drawdown to convert to a new drawdown fund once arranged with their scheme should they wish to do so;
- enabling pension schemes to make lump sum payments directly from pension savings with 25% of each payment taken tax-free;
- introducing a limited right for scheme trustees and managers to override their scheme’s rules and pay flexible pensions from money purchase pension savings;
- removing some restrictions on lifetime annuity payments;
- ensuring that individuals do not exploit the new system to gain unintended tax advantages by introducing a reduced annual allowance for money purchase savings where the individual has flexibly accessed their savings;
- increasing the maximum value and scope of trivial commutation lump sum death benefits;
- providing new information requirements to ensure that individuals who have flexibly accessed their pension savings are aware of the tax consequences of doing so and of the subsequent requirements on them; and
- reducing certain tax charges that apply to death benefits.

HMRC also published an updated Tax Information and Impact Note for the Taxation of Pensions Bill.

PMI and NAPF possible merger

The Pensions Management Institute (PMI) and the National Association of Pension Funds (NAPF) have announced their intention to hold discussions with a view to possibly merging the two organisations. The Boards of both organisations recognise that there are significant benefits of a shared relationship:

- they can be a stronger voice representing members in a time of constant change;
- pooled resources and expertise will ensure that members can receive stronger and broader services; and
- the potential to bring two already strong organisations together to create one even stronger organisation.

No final agreement has been reached and detailed discussions on how a possible merger could work in practice will take place between the two organisations over the next few months. The benefits of a possible merger and next steps are set out in more detail in this statement.

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PENSION ADMINISTRATION TECHNICAL HELP

Chancellor abolishes 55% tax on pension funds at death

The Chancellor announced on Monday 29 September that from April 2015 individuals will have the freedom to pass on their unused defined contribution pension to any nominated beneficiary when they die, rather than paying the 55% tax charge which currently applies to certain lump sum payments on death.

The announced changes are likely to have the most impact on those with unused funds designated to a drawdown arrangement and who die before age 75. In addition, the rate of tax for those who die from age 75 will be reduced from 55% to 45%.

Auto-enrolment – two year anniversary

The Pensions Regulator (TPR) marked the second anniversary of the start of automatic enrolment on 1 October 2015 by acknowledging its success to date and warning this is no time to rest.

It is two years since the first of the UK's largest employers began meeting new workplace pension duties as part of the Government's automatic enrolment programme.

Since then:

- around 4.5 million workers have been automatically enrolled into work-based pension schemes; and
- nearly 28,000 businesses have met their new legal duties.

Research by the Department for Work and Pensions (DWP) has shown around nine million people will eventually be saving for the first time or saving more thanks to automatic enrolment.

In 2015, tens of thousands of small employers will need to be ready to meet their automatic enrolment duties and TPR is now writing to all of them urging them to act to ensure their staff get the pension savings they are entitled to.

The call to action from TPR follows research showing around 20% of small employers and almost half of micro employers do not know the exact date by which they need to comply with automatic enrolment laws.

DWP issues consultation on NEST

The DWP has issued for consultation two draft statutory instruments:

- The National Employment Savings Trust (Amendment) Order 2015; and
- The Transfer Values (Disapplication) (Revocation) Regulations 2015.

These proposed Regulations will remove the annual contribution limit and also bulk transfer restrictions on NEST from 1 April 2017. The restrictions on individual transfers could be lifted by as early as 1 October 2015 subject to Parliamentary approval.

Barnett Waddingham

Info@barnett-waddingham.co.uk • www.barnett-waddingham.co.uk