



Pension schemes newsletter 118

HMRC has published [Pension schemes newsletter 118](#) which includes:

- pension related details of the Spring Budget 2020
- temporary changes to pension processes for administrators including information about how to ask HMRC to cancel penalties where there are accounting for tax return submission and payment delays and APSS262 submission delays beyond the set deadlines for these activities because resources are affected by coronavirus (COVID-19)
- a recommendation not to use the Annual Allowance calculator for the 2020/2021 tax year until it has been updated

Spring Budget 2020

The Chancellor, Rishi Sunak announced a change to pension taxation for higher earners, intended to support the delivery of public services, which will apply to all taxpayers. The Annual Allowance (AA) is the maximum amount of pension savings that can be accrued each tax year without incurring a tax charge. The government introduced an AA taper with effect from the 2016/2017 tax year so that those on the highest incomes are subject to a lower allowance than the standard AA of £40,000.

Changes to the Annual Allowance taper from 6 April 2020:

- an individual will have a reduced ('tapered') AA if both
 - [threshold income](#), broadly taxable income but excluding pension accrual, is over £200,000 (previously £110,000)
 - and
 - [adjusted income](#), broadly taxable income plus pension accrual, is over £240,000 (previously £150,000)

This means an individual with an income below £200,000 will not be affected by the taper. For those subject to the tapered annual allowance, for every £2 their adjusted income goes over £240,000 their annual allowance for that tax year reduces by £1.

- a reduction in the minimum tapered AA from £10,000 to £4,000. This will only affect individuals with total income, including pension accrual of over £300,000.

Other changes announced include:

Lifetime Allowance

- The Lifetime Allowance will increase in line with the Consumer Prices Index from £1,055,000 to £1,073,100 for the 2020/2021 tax year.

Pension tax relief outcomes for lower earners

The government's intention is to publish a call for evidence in the spring on how to address the differences in outcomes that can occur for low earners depending on whether a scheme uses net pay or relief at source for tax relief on member pension contributions.

PASA - GMP rectification

The cross-industry Guaranteed Minimum Pension (GMP) Equalisation Working Group, led by the Pensions Administration Standards Association (PASA) has published [guidance](#) for trustees who are required to make corrections to members' benefits as a result of the GMP reconciliation process identifying a change in GMP. The guidance proposes that trustees should follow a series of four steps to ensure that appropriate decisions are made for their pension scheme.

Guidance for administrators during the coronavirus lockdown

PASA has published [guidance](#) for administrators during the coronavirus pandemic. It believes administrators must concentrate on continuing to pay promised benefits, ensuring there are sufficient funds available and keeping accurate records of any work in progress, whilst ensuring protection processes remain robust against scammers.

TPR has also published a [statement on coronavirus](#) and what the trustees of pension schemes need to consider to help minimise any impact on their scheme and its members. The statement says trustees should understand what contingency is in place to mitigate any under-resource due to, for example, increase in work volumes or unavailable staff. They will also want to establish which scheme activities would be prioritised in the event of under-resourcing, for example pensioner payments, retirement processing and bereavement services, and confirm this with their administrators/providers. For details of Barnett Waddingham's response please visit <https://www.barnett-waddingham.co.uk/about-us/covid-19/>

Legislation update

The [Coronavirus Act 2020](#) relaxes pension rules for retired NHS staff returning to work to tackle the coronavirus crisis. Under normal circumstances, retired doctors or nurses returning to work would have their NHS pension reduced under a process known as "abatement". The Act temporarily suspends the abatement rules. Under the so-called "16-hour rule" members of the scheme would have seen their pension suspended if they returned to work and committed to more than 16 hours per week within the first four weeks. The suspension of this rule will also allow staff to return to work immediately after retirement and continue their existing working commitments or increase them, while still receiving their full pension benefits.

[The Social Security Revaluation of Earnings Factors Order 2020](#) sets the rates for revaluing earnings factors when calculating deferred GMPs in schemes that were formerly contracted out on a defined benefit basis. Those rates reflect an increase in average earnings in the UK of 4.0% in the year to September 2019.

[The Guaranteed Minimum Pensions Increase Order 2020](#) provides that the rate by which post-6 April 1988 GMPs must be increased from 6 April 2020 is 1.7%.

[The Occupational and Personal Pension Schemes \(General Levy\) \(Amendment\) Regulations 2020](#) was due to come into force on 1 April 2020, however was [revoked](#) by the government on 31 March 2020 due to the economic circumstances following the coronavirus outbreak. The rates used to calculate the general levy payable by occupational pension schemes and personal pension schemes was due to increase by 10% but this increase will no longer be taking effect.

PCRIG launches consultation on draft guide

The Pensions Climate Risk Industry Group (PCRIG) has launched a [consultation](#) on new non-statutory guidance for the trustees of occupational pension schemes on assessing, managing and reporting climate-related risks. The [draft](#) and [quick start](#) guides are designed to help trustees meet their legal obligations to consider financially material factors in their investment decision making. The consultation closes on 2 July 2020.

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