BARNETT WADDINGHAM
beyond the expected

PATHways

Pension Administration Technical Help

Highlighting pensions news and legislation that has particular relevance to what we do in pension administration

HMRC confirms plans to increase normal minimum pension age

HM Revenue & Customs (HMRC) has published a policy paper including draft legislation which sets out the detail of the Government's intention to increase the normal minimum pension age (NMPA). This will mean that from 6 April 2028, the age from which individuals without a protected pension age can normally take pension benefits without an unauthorised payments tax charge will increase from 55 to 57.

HM Treasury had previously consulted on this change (covered in PATHways 121). As a result of the consultation responses, the ability for individuals to protect a pension age below 57 where scheme rules as at 11 February 2021 include an unqualified right to take benefits earlier than that age has some features which were not set out in the consultation document.

It is proposed that individuals who make a recognised transfer of their benefits from a scheme where their pension age is protected to another scheme, either in bulk or as an individual, will be able to retain that protection for the transferred benefits in their receiving scheme. This differs to the protection regime in place when NMPA was previously increased from 50 to 55, which only applied to bulk transfers. If passed into law, this will require the relevant benefits to be ring-fenced by the receiving scheme administrator. In addition, there will be no requirement for the member to have left employment and become entitled to all benefits under the scheme at the same time.

Other HMRC updates

Pension Schemes Newsletter 131

HMRC has published Pension Schemes Newsletter 131. This includes, amongst other issues:

- confirmation that if an Accounting for Tax return is updated on the Managing Pension Schemes service which results in a reduction in the amount of tax due, administrators no longer need to contact HMRC to balance their account
- a reminder that members who exceeded the standard annual allowance in 2020/21 must be sent a pension savings statement by 6 October 2021, and that members with an annual allowance charge will need to declare the charge on their Self Assessment tax return regardless of who is paying it
- a clarification that charity lump sum death benefit payments do not need to be reported through RTI and that the recent regulations requiring this will be amended

Countdown Bulletin 55

HMRC has also published Countdown Bulletin 55. This confirms that from 1 September 2021 HMRC will start removing eRooms which were previously used for the Scheme Reconciliation Service. Schemes should therefore ensure any information held in the eRooms which they may require for ongoing administration is copied. eRooms set up for querying the GMP checker service are not affected.

The Bulletin also confirms the details for raising GMP queries using the GMP checker and other queries to the Customer Relationship Team.

DWP consultations published

'Stronger Nudge' to pensions guidance

The Department for Work & Pensions (DWP) has launched a consultation on how best to direct members to pension guidance when they seek to access or, in certain circumstances, transfer their defined contribution pension benefits. The Financial Guidance and Claims Act 2018 included the requirement for regulations to be made which compel occupational scheme trustees to refer individuals to receive such guidance, and to check that they have either received this guidance or opted out of doing so before proceeding

The consultation, which closes on 3 September 2021, aims to determine whether the draft regulations produced will achieve the intended outcomes and what the impact and unintended consequences might be. The goal is to encourage greater use of Pension Wise guidance or regulated financial advice by presenting this as a normal part of the application process. The draft regulations would require scheme trustees to deliver the 'nudge' to individuals over the age of 50 when an application to access or transfer pension benefits for the purpose of accessing pension flexibilities is received.

It is proposed that in addition to making members aware of the Pension Wise guidance service, the trustees should offer to book an appointment directly for them. If the member wishes to opt out of receiving guidance, this must be done via a separate active communication to the trustees. It is also proposed that the trustees cannot proceed with the transaction requested until they have received confirmation of the member either receiving guidance or opting out.

Regulation of Collective Defined Contribution schemes

A consultation has also been published on draft regulations to establish authorisation and supervision regimes for Collective Money Purchase (commonly known as Collective Defined Contribution) schemes. These schemes are intended to be an alternative to DB and DC schemes where risk is intended to be shared more equally between employers and members. Royal Mail is involved in creating, and aims to deliver, the first scheme of this kind in the UK for its employees. The consultation builds on the statutory framework for these schemes established by the Pension Schemes Act 2021, and closes on 31 August 2021.

PASA publishes guidance

GMP Conversion Guidance

The Pensions Administration Standards Association (PASA) has published guidance on the conversion of Guaranteed Minimum Pensions (GMPs) from the cross-industry GMP Equalisation Working Group. The guidance aims to help schemes which wish to proceed with conversion to plan for this.

The guidance covers how conversion may be able to be used to achieve GMP equality, some processes which could be considered, and some pension taxation issues which may arise as a result. The guidance also includes some worked examples of conversion.

Counter Fraud Guidance

PASA has also published guidance on various forms of fraud which can affect pension schemes and provides suggestions of how these could be counteracted. PASA cites research that estimates that fraud costs the pensions sector over £6 billion annually, and that schemes increasingly moving online has created new risks. Types of fraud covered include internal fraud, identity fraud and investment and misappropriation risks.