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

Pension Schemes Act 2021 gains Royal Assent

The Pension Schemes Bill 2019/21 was granted Royal Assent on 11 February, entering into law as the Pension Schemes Act 2021. The provisions of the Bill were previously covered in PATHways 105.

A variety of statutory instruments will be required to bring elements of the Act into force and provide further detail for how the powers granted by the Act will be used. Details of how this legislation will be consulted on and brought forward have been set out in a written statement by Guy Opperman, the Parliamentary Under Secretary of State for Pensions and Financial Inclusion.

Budget 2021 – LTA frozen at current level

The Chancellor of the Exchequer Rishi Sunak has delivered his 2021 Budget speech. The Budget focused on actions taken to offset the impact of the COVID-19 pandemic, and the tax measures needed to pay for these. These included the announcement that the lifetime allowance (LTA) for pensions saving will be frozen at its 2020/21 level of £1,073,100 until the 2025/26 tax year.

This change will require primary legislation to amend the Finance Act 2004, which currently obliges the Treasury to make regulations each tax year to increase the LTA by the level of any increase in the consumer prices index over the previous year.

The Budget also contained an announcement that a consultation will be launched within the next month on whether any elements of the charge cap on money purchase schemes used for auto enrolment are discouraging the ability of schemes to invest in a broad range of assets. The Department for Work and Pensions (DWP) will produce draft regulations to enable schemes to smooth some fees covered by the cap over multiple years in order to invest more widely.

PASA issues good practice guidance for GMP Equalisation

The Guaranteed Minimum Pensions (GMP) equalisation working group of the Pensions Administration Standards Association (PASA) has issued a 'guidance note' on tax issues arising from equalising for the effects of GMPs. The aim of the guidance is to allow trustees and administrators of schemes going through the process of equalisation to understand the tax implications of current legislation, and provide some pragmatic guidance on these issues.

The guidance is based on PASA's understanding of HM Revenue & Customs' (HMRC's) position on interpreting the relevant legislation, and on the guidance already published by HMRC, which was previously covered in PATHways 109 and 114.

The guidance covers issues created by equalisation such as the recalculation of the lifetime allowance used up at previous benefit crystallisation events, and lump sums which are found to have exceeded the limits under which they were originally paid.

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HMRC: Pension schemes newsletter 127

HMRC has published Pension schemes newsletter 127, which includes the following information:

- Details of new features of the Managing Pension Schemes service which will be available from March 2021. These include the ability for scheme administrators to authorise and de-authorise practitioners to act on their behalf, and for practitioners to de-authorise themselves. Only schemes that are registered on Managing Pension Schemes will be able to submit reports through that service.
- Details of the new Regulations for transfers to overseas schemes based in Gibraltar, which were covered in PATHways 120.

Treasury publishes normal minimum pension age consultation

HM Treasury has published a consultation on their intention to increase the normal minimum pension age to 57 from 6 April 2028. This is the age from which individuals in good health can access their pension benefits without incurring unauthorised payment tax charges, and is currently set at 55. Based on the proposals schemes will be free to phase this change in through their scheme rules in advance of the 2028 date.

The Government had previously announced this policy in a consultation in March 2014, as covered in PATHways 38. The state pension age is also currently due to increase to 67 in April 2028, leaving a ten year gap between the two dates. The current consultation will run until 22 April 2021.

The document sets out a protection regime which would allow certain members to retain a right to take benefits under 57 according to the rules of their scheme at the date of the consultation (11 February 2021). In line with the previous protected pension age regime established when the minimum age was increased to 55, this right would be lost if a member transferred their benefits to another scheme, apart from in the case of a block transfer. However, the member would not need to crystallise all benefits on the same date to maintain the protection.

DWP review of DB auto enrolment quality requirements

The DWP has published the consultation outcome of its three-yearly statutory review of the 'alternative quality requirements' for defined benefit and hybrid schemes to operate as schemes used for automatic enrolment.

These schemes can qualify for auto enrolment either by meeting the standards of a theoretical 'test scheme' set out in legislation and guidance, or by meeting the simpler alternative requirements.

The DWP has concluded from the evidence it has studied and the consultation responses provided that the current requirements are working as intended. There will therefore be no changes to the requirements at this time.

PPF levy ceiling Order published

The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling) Order 2021 was laid before Parliament on 1 February 2021. This Order sets the maximum amount which the Board of the Pension Protection Fund (PPF) can charge eligible occupational defined benefit schemes for its own funding in the 2021/22 financial year. The figure is based on the increase in earnings over the previous year; as the general level of earnings has decreased, the ceiling remains the same as for 2020/21.