

Trustee Accelerator Programme

Unit Two



Pensions Tax Regime

EET Tax Regime

Contributions:	Exempt
Capital Growth:	Exempt
Pensions:	Taxed

Benefits of registration

Tax

Tax relief

- Member and Employer

Tax

Tax exemption on capital growth

Tax

Tax free cash

- Usually 25%

Registration process

Registration must be by

- An employer
- Someone registered under FSMA 2000
- Government Department

Registration by HMRC mandatory unless

- Inaccurate
- Failure to comply with information notice
- Scheme established to make payments other than those authorised
- Scheme administrator not 'fit and proper'

Tax Concessions for Registered Schemes

Tax relief on
member
contributions
(AA)

Tax relief on
employer
contributions

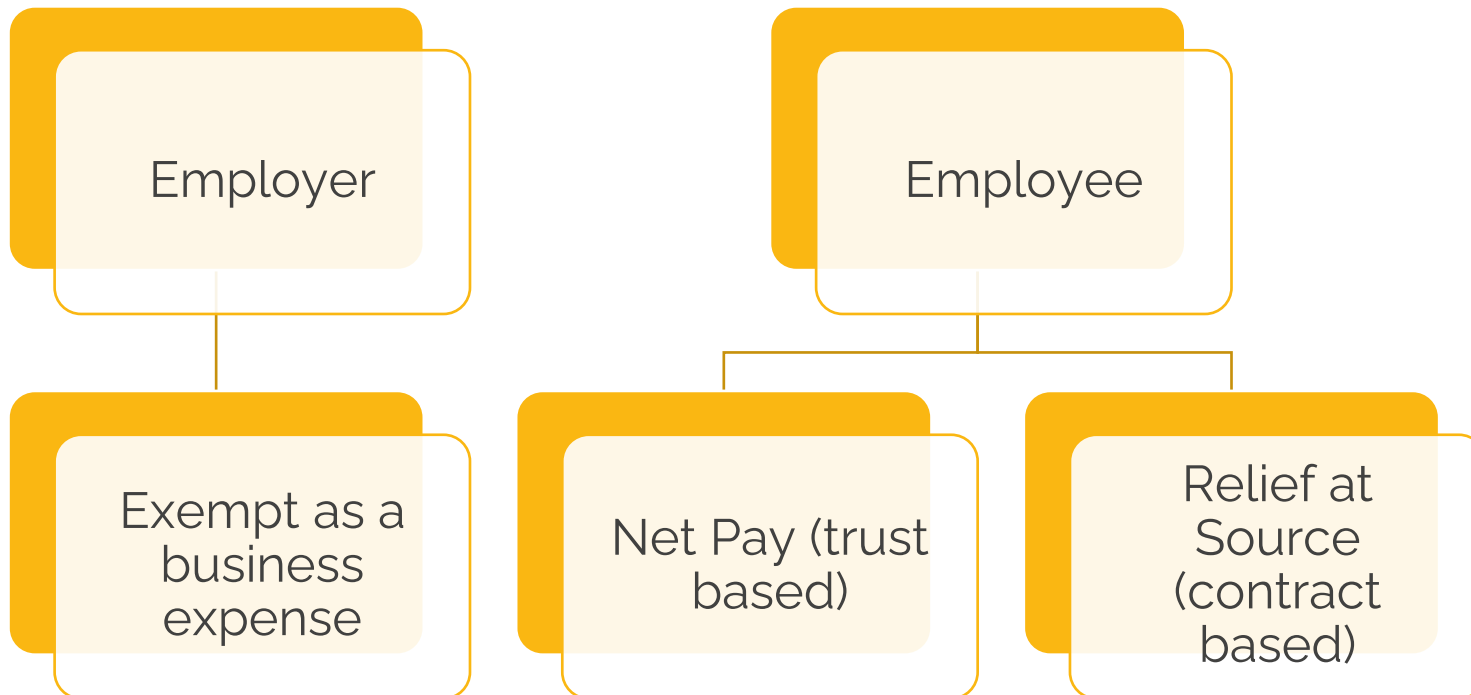
Employer
contribution not
treated as
Benefit In Kind

Tax-free Lump
Sums

Investment
income exempt
from Income
Tax

Investment
growth not
subject to CGT

Tax relief on contributions



Tax relief for member contributions

	Net Pay	Rerlief at Source
Gross Earnings	£2,000.00	£2,000.00
Contribution at 5%	£100.00	Nil
Net earnings (after tax)	£1,520.00	£1,600.00
Contribution at 5%	Nil	£80.00
Take-home pay	£1,520.00	£1,520.00

Tax relief for employer contributions

All employer contributions are made tax-free

Salary Sacrifice involves just employer contributions

Major changes affect contributions made by or on behalf of high earners from 2011

Current tax regime

In force since 6 April 2006

Unified regime replaced a range of different regimes

Pensions Act 2004

Finance Act 2004

Based on allowances rather than limits

Lifetime Allowance

Was £1,073,100

- Still applies to PCLS

All registered pension scheme savings

Allowance - **not** a limit

- 25% (pension)
- 55% (lump sum)

LTA Protection

Primary

- Savings > £1.5 million as at A Day
- Further accrual allowed

Enhanced

- Could be < £1.5 million as at A Day
- No further accrual allowed

Fixed

- Fixed LTA at £1.8 million

Fixed 2014

- Fixed LTA at £1.5 million

Individual 2014

- Savings > £1.25 million as at 5 April 2014

Fixed 2016

- Fixed LTA at £1.25 million

Individual 2016

- Savings > £1 million as at 5 April 2016

Benefit Crystallisation Events

Event	Description
BCE1	Drawdown
BCE2	Scheme pension
BCE3	Increase in excess of 'prescribed amount'
BCE4	Lifetime Annuity
BCE5	DB benefits not crystallised by age 75
BCE5A	Drawdown still in force at age 75
BCE5B	DC benefits not crystallised at age 75
BCE5C	Uncrystallised funds nominated for withdrawal by a dependant / nominee
BCE5D	Dependant / nominee entitled to annuity purchased with uncrystallised funds
BCE6	Pension Commencement Lump Sum
BCE7	Death
BCE8	Transfer overseas
BCE9	Miscellaneous events

Testing benefits against the LTA

DC

- Monetary value of fund(s)

DB

- Accrued pension * 20 (post A Day)
- Accrued pension * 25 (pre A Day)

Lifetime Allowance Charge

25% (pension)

55% (Lump Sum)

Testing DB Accrual against AA

Accrued pension at beginning of PIP revalued in line with CPI

This amount is deducted from pension accrued at end of PIP

Result multiplied by 16

This amount tested against AA

Scheme will advise those who exceed AA

'Scheme pays' option if liability greater than £2,000

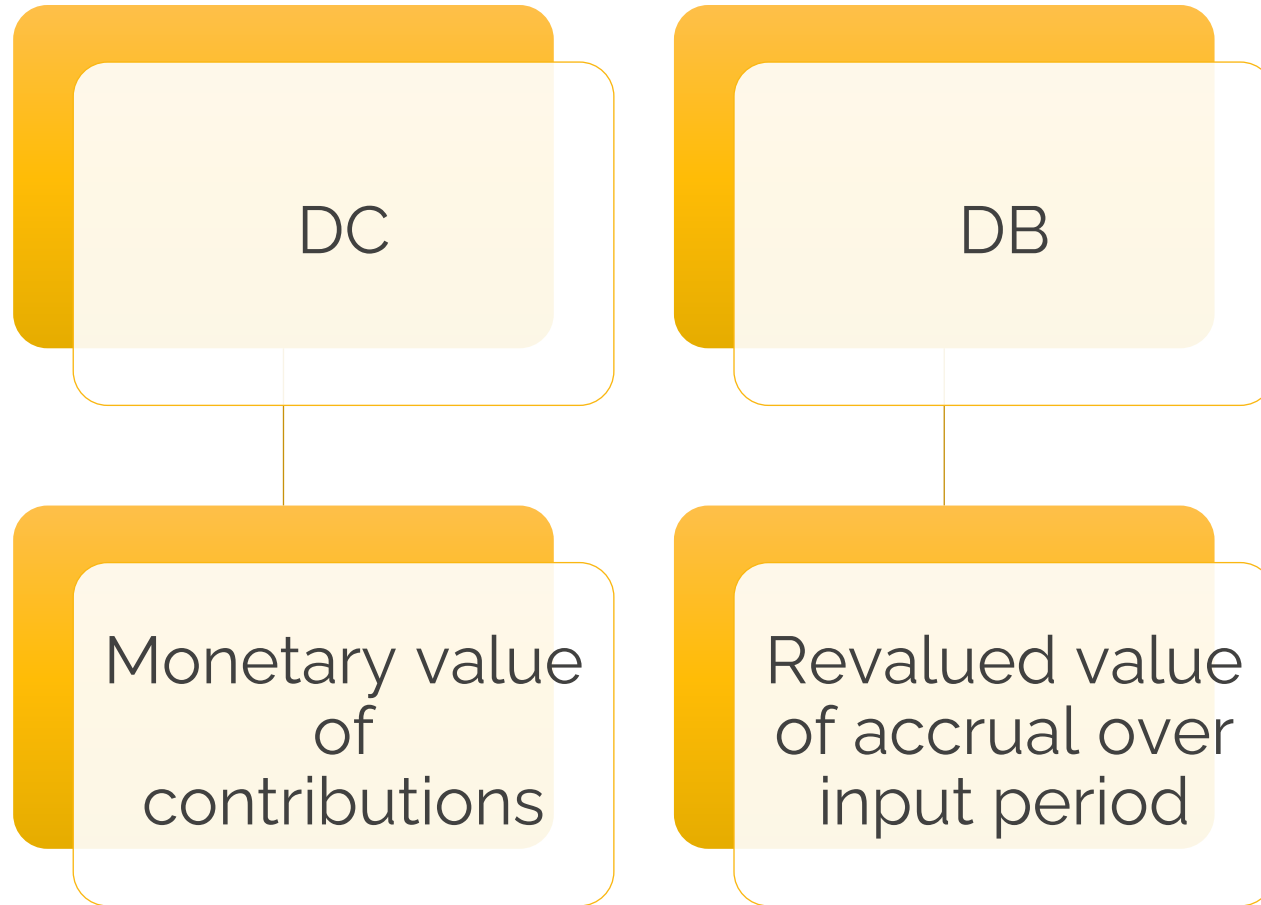
Annual Allowance

£60,000

Reduced for high earners

Reduced when some benefits taken

Testing Benefits against the AA



Example of testing DB benefits against the AA

$$£25,000 * 20/60 * 1.03 * 16 = £137,333$$

$$£26,000 * 21/60 * 16 = £145,600$$

$$£145,000 - £137,333 = £7,667$$

Assumes CPI rate of 3% and salary increase of 4%

Tapered Annual Allowance

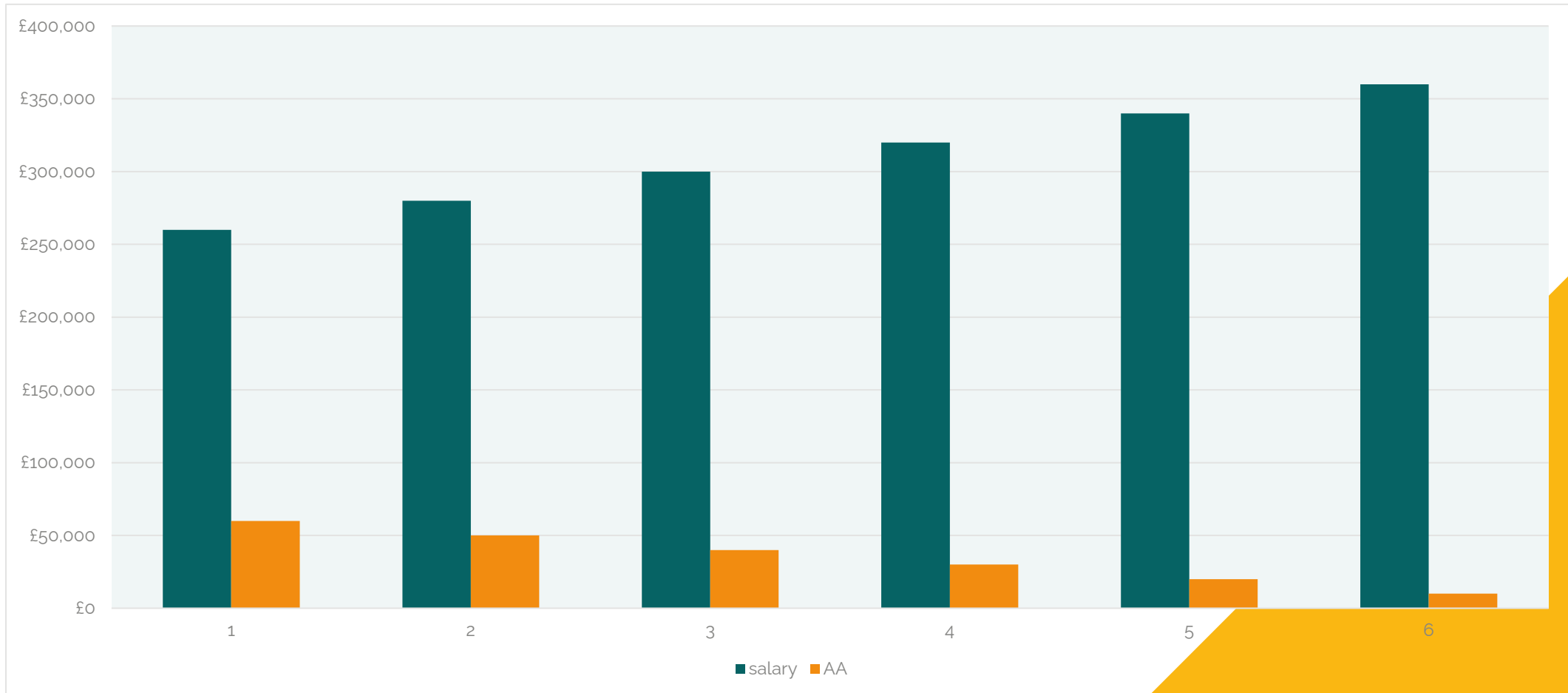
Standard AA is
£60,000

- Original Value was £215,000

Tapered AA reduces
AA by £1 for every £2
of income over
£260,000

- Minimum is £10,000

Tapered Annual Allowance



Scheme Pays

Pension input exceeds standard AA

Tax liability over £2,000

Member makes irrevocable election

Accrued benefit adjusted

Money Purchase Annual Allowance

Introduced
6 April 2015
(TOPA 2014)

Originally
£10,000 pa

£4,000 pa
since 6
April 2017

Money Purchase Annual Allowance

Event	MPAA applies
UFPLS	Yes
FAD commences	Yes
Temporary / Flexible annuity	Yes
Pre-2015 capped drawdown but payments exceed cap	Yes
Lifetime Annuity	No
FAD designated but not commenced	No
Trivial commutation (benefits under £10,000)	No

Role of the Pensions Regulator

The Pensions Regulator

Statutory Objectives

Protection of members' benefits

Promote good administration

Protection of the PPF

Auto-enrolment compliance

Sustainable growth

Powers

Investigating schemes

Putting things right

Acting against avoidance

Investigating Schemes

Scheme return

Whistleblowing

Putting things right

Improvement notice

Recover unpaid contributions

Freezing order

Prohibition of trustees

Fines

Prosecution

Acting against avoidance

Contribution notices

- deliberate attempt to avoid a statutory debt

Financial support directives

- Scheme underfunded and sponsor is a service company or insufficiently resourced

Restoration orders

- Transaction involving scheme assets has been undervalued

Internal Dispute Resolution Procedure

IDRP

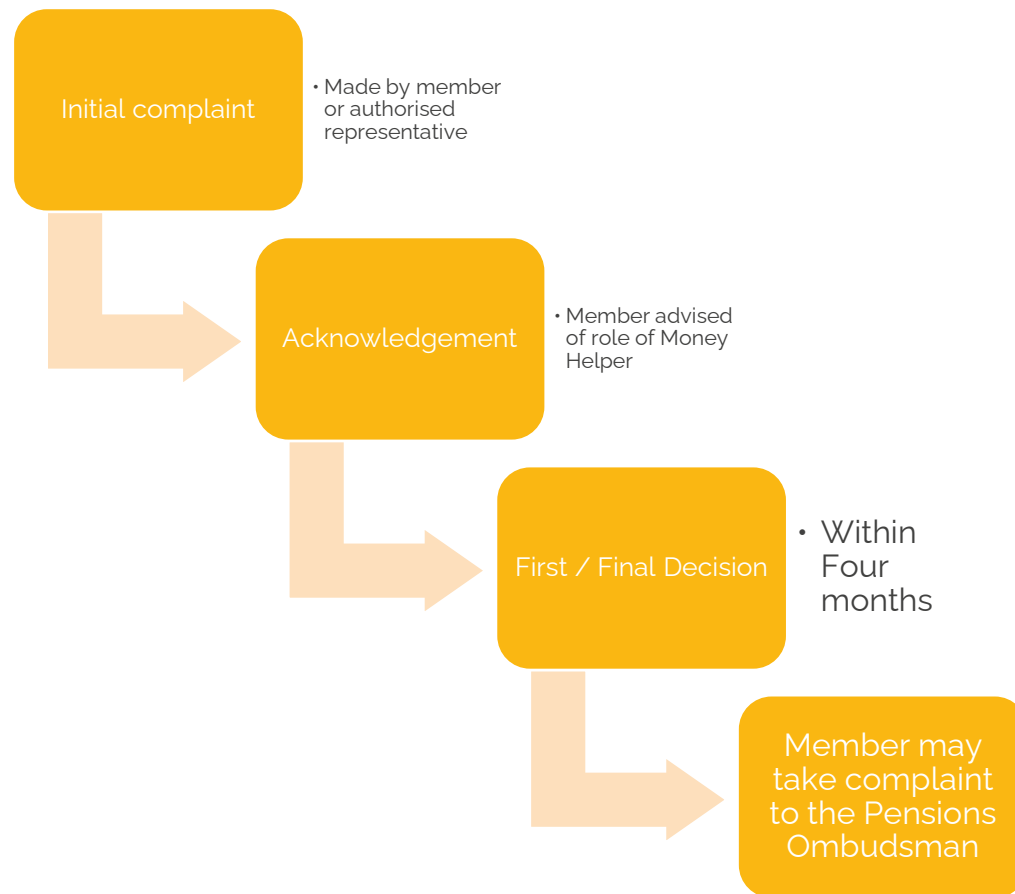
PA 95

All schemes required to implement

- One or two-stage process

Keep disputes out of the Courts

IDRP Process



Handout

Member-Nominated trustees

MNTs

PA95

One third of the trustee board to be nominated by membership

May be elected

Posts often not filled

AMNT

Bank account

Trustee Bank account

PA95

Trustees to operate
bank account
separate from that
of the employer

Internal Controls

Internal Controls

PA 2004

Effective System of Governance (ESOG)

- arrangements and procedures to be followed in the administration and management of the scheme
- systems and arrangements for monitoring that administration and management
- arrangements and procedures to be followed for the safe custody and security of the assets of the scheme.

Risk Register

Trustee Knowledge and Understanding

TKU



PA 2004 (sections 247-249)



Trustees required to know

the law relating to pensions and trusts
principles relating to the funding of
occupational schemes and the investment of
scheme assets
their own scheme's policy documents

Handout

Trustee Toolkit

Welcome to The Trustee toolkit

The Trustee toolkit is a free, online learning programme from The Pensions Regulator aimed at trustees of occupational pension schemes.

The Trustee toolkit includes a series of online learning modules and downloadable resources developed to help you meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004. [You can find more information about the Trustee knowledge and understanding requirements](#) on The Pensions Regulator's website.

About the Trustee toolkit

Why should I use the Trustee toolkit?

[Find out more about the Trustee toolkit](#) and why it's the most popular way for trustees to learn about their role.

Trustee toolkit modules

[Learn more about the modules](#) and the topics they cover.

Assess your learning needs

[Download our tools to assess your needs](#) and find related learning in the toolkit.

News from the Pensions Regulator

Help us improve the trustee toolkit by participating in our user testing

We are planning to update the content in the trustee toolkit. As part of this work, we are changing the software we use to create the modules and we need your feedback.

To help us design this so that it meets your needs, we are seeking the help of lay and professional trustees who use the toolkit to participate in user testing of a prototype module. Your participation will provide valuable insights into the clarity, usability, and effectiveness of the updated modules.

By participating in our user testing sessions, you'll have the opportunity to:

- Experience a prototype of an updated module
- Provide your insights on the usability and effectiveness of the updated module
- Share your thoughts on how we can further enhance the trustee toolkit to better meet your learning needs

Please contact us if you would like to participate at tpr_research@tpr.gov.uk. Please put TTK research into the subject line.

Start preparing for Pensions dashboards

As a pension trustee or scheme manager, you will need to connect with and supply pensions information to savers through dashboards. [Read more in TPR's Pensions dashboards initial guidance.](#)

TPR publishes action plan to boost diversity and inclusion across trustee boards

TPR are committed to promoting high standards of diversity and inclusion among our regulated community. [Read more in TPR's action plan.](#)

Trustee toolkit



<https://trusteetoolkit.thepensionsregulator.gov.uk>



Free resource



Frequently updated



Also PMI Certificate in Pensions Trusteeship!

State Pensions

Old Age Pensions Act 1908

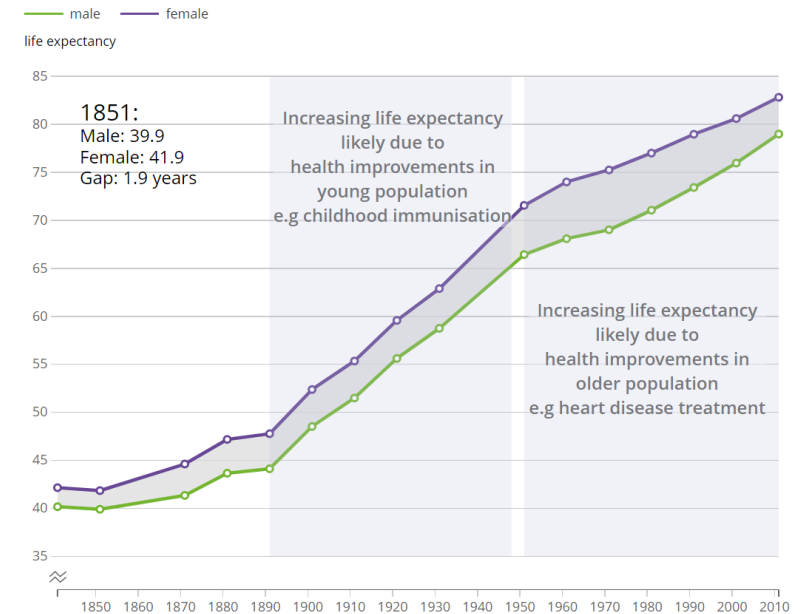
Eligibility

- over the age of 70
- a British subject for 20 years

Means Tested

- 5s a week (7s 6d for married couples)

Life expectancy at birth, England and Wales, 1841 to 2011



Source: Decennial Life Tables, ONS

Current State system

For those retired before 2016

- Basic State Pension
- SERPS / S2P

For those retired since 2016

- Single flat rate pension

Basic State Pension

From SPA

30 years' service

£8,814.00 / £14,094.60

State Second Pension (S2P)

40% difference between LEL and LET

10% between LET and UAP

Band 1

(LET – LEL) revalued to SPA.

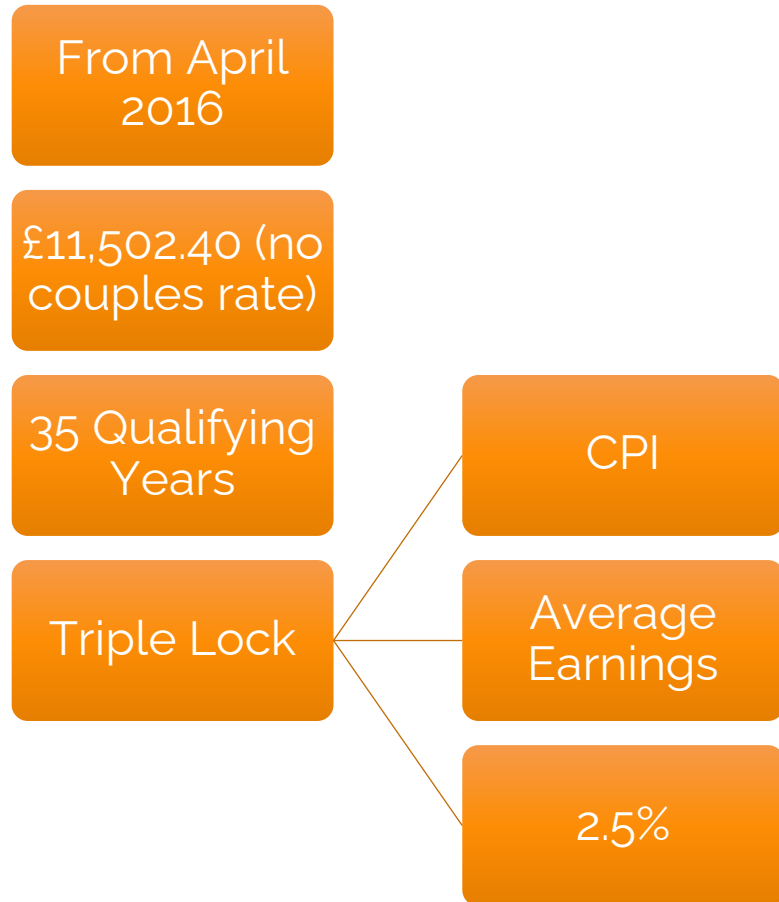
40% of revalued total / Working Life to give annual amount

Band 2

(min(total earnings, UAP) - LET) revalued to SPA.

10% of revalued total / Working Life to give annual amount

New State Pension



History of contracting-out

Contracting out

1978

- GMP test
- Fixed rate 8.5%

1988

- Fixed rate 7.5%
- Protected Rights

1997

- Reference Scheme Test
- Fixed rate 6.25%

2012

- DC contracting out ends

2016

- DB contracting out ends

DB Contracting out

Pre-88 GMP to 5 April 1988

Post 88 GMP to 5 April 1997

Section 9 (2B) since 6 April 1997

Reference Scheme Test

- 80ths accrual
- FPS three year average
- 90% upper band earnings
- PA of 65
- LPI from 1997
- 50% spouse's pension

Fixed-rate GMP revaluation

Date of exit	rate
06/04/78 – 05/04/88	8.5%
06/04/88 – 05/04/93	7.5%
06/04/93 – 05/04/97	7.0%
06/04/97 – 05/04/02	6.25%
06/04/02 – 05/04/07	4.5%
06/04/07 – 05/04/12	4.0%
06/04/12 – 05/04/16	4.75%

DC contracting-out

SSA 1986

- COMP
- COMB
- APP

Protected Rights

- Separate Fund
- Rebates
- Unisex Annuity at age 60

Auto-enrolment

Auto-enrolment

Pensions Act 2008

'Eligible Job holders' auto-enrolled

Right to opt out

Re-enrolled every three years

NEST, NOW pensions or People's Pension

Auto-enrolment Scheme

Assessment Date

Staging date

When worker:

- Commences employment
- Reaches 16 or 22
- Submits opt-in or joining notice

Deferral Date

Day following end of transitional period

First day of each Pay Reference Period (not EJs)

EJ Requirements *

Between 22 and SPA

Qualifying DC scheme must pay total of 8%

- Certification

Qualifying Earnings between £6,240 and £50,270

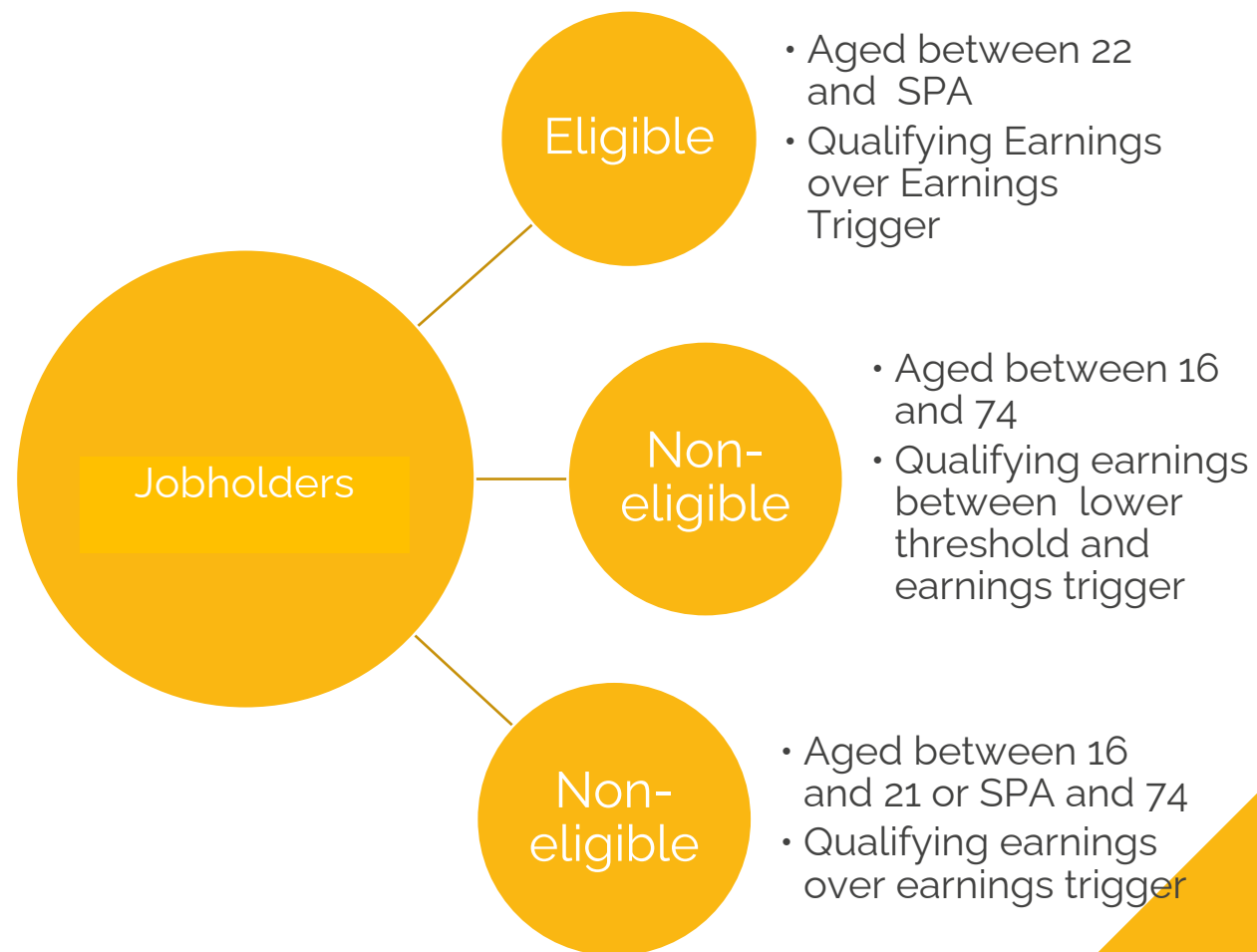
Earnings Trigger is £10,000

Qualifying DB scheme

- 120ths
- Cost of accruals test

* 2023 Act not yet implemented

Jobholders *



* 2023 Act not yet implemented

Minimum contribution rates (Qualifying Earnings)

Employer

• 3%

Employee

• 5%

Qualifying Earnings

Basic salary

Commission

Bonuses /
overtime

SSP

SMP / SPP
/ SAP

Entitled Worker

Aged between 16 and 74

Works in the UK

Earnings below lower threshold

Earnings Thresholds

Lower Earnings Threshold

- £6,240 pa

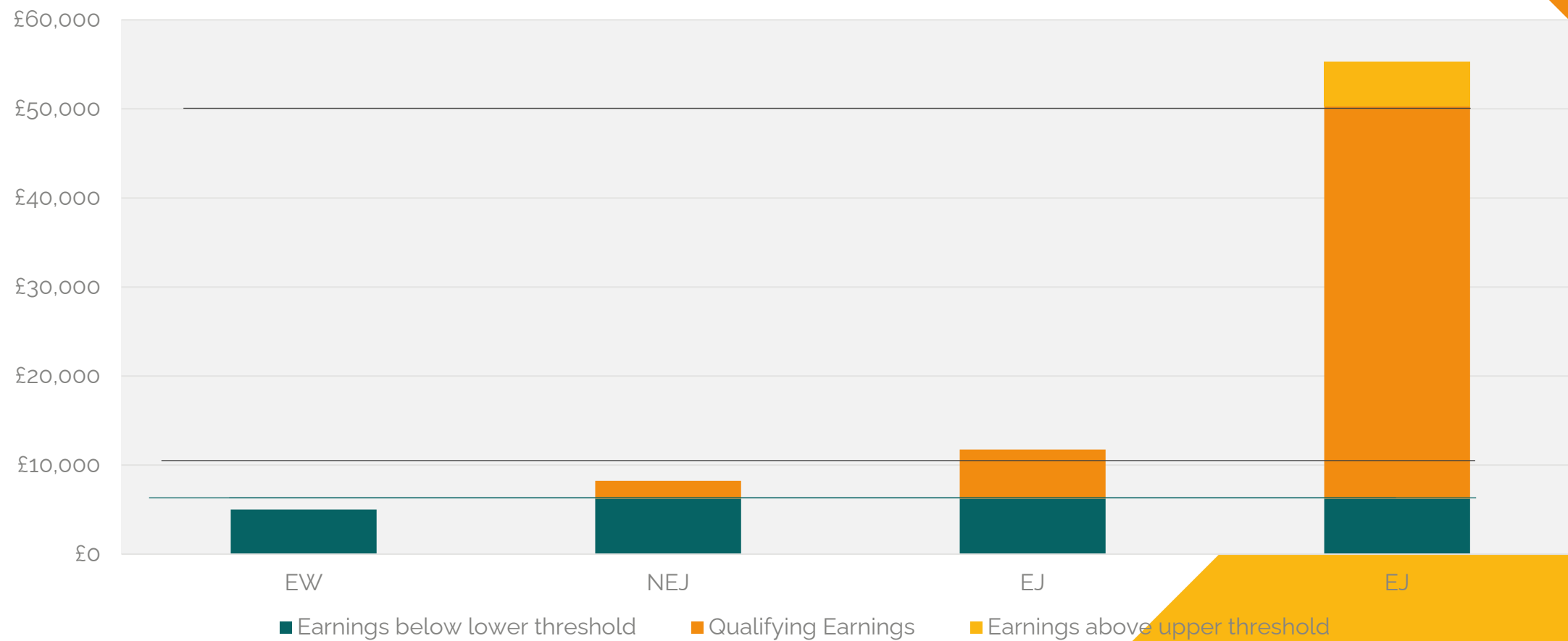
Earnings Trigger

- £10,000

Upper Earnings Threshold

- £50,270 pa

Earnings Examples *



* 2023 Act not yet implemented

Example

Weekly earnings threshold	National Living Wage *	Hours required for auto-enrolment
£192.00 /	£11.44	= 17 hours

21 year old worker who works at least 17 hours per week is an eligible jobholder

* (2024/2025) for worker aged 21 and over

Certification

Set 1

- Overall minimum contribution of at least 9% basic pay
- Employer minimum of 4%

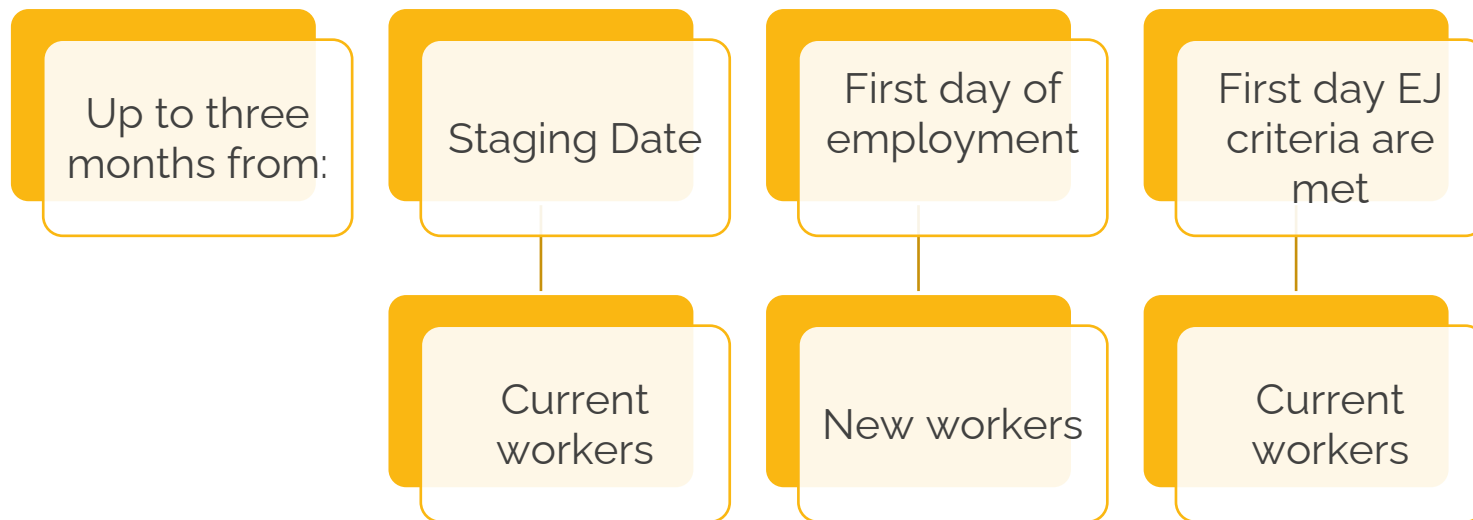
Set 2

- Overall minimum contribution of at least 8% basic pay
- Employer minimum of 3%
- Pensionable pay must be at least 85% of total earnings

Set 3

- Overall minimum contribution of at least 7% gross earnings
- Employer minimum of 3% of gross earnings

Postponement



Reasons for Postponement



Alignment of AE with payroll



Short-term employment



Earnings spikes



Facilitate contractual enrolment

Restrictions on charges

April
2015

- 0.75 % AMC

April
2016

- Ban on member-borne charges and commission

April
2016

- Ban on active member discounts

Master Trusts



Collects
contributions from
all employers



Centralised
administration



Fund management



Decumulation via
the Open Market

Thank you

