Sackers extra

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Abbreviations commonly used in 7 Days

Alert/News: Sackers Extra publications (available from the client area of our website or from your usual contact)
DB: Defined benefit
DC: Defined contribution
DWP: Department for Work and Pensions
ECJ: European Court of Justice
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

DEPARTMENT FOR WORK AND PENSIONS

Over ten million centenarians predicted

The DWP, publishing the latest population projections from the Office for National Statistics, has announced that more than ten million people in the UK today (17% of the population) can expect to live to their 100th birthday. By 2066 it is anticipated that there will be at least half a million people aged 100 or over, of which 7,700 will be "super centenarians" (those aged 110 or over).

As the Pensions Minister, Steve Webb, points out in the DWP's Press Release, these figures show the importance of planning for later life as many millions of people will spend around one third of their lives (or more) in retirement. According to Webb, it is because of projections like these that the Government is forging ahead with pension reforms, with the aim of achieving sustainability for the long-term.

ASSOCIATION OF CONSULTING ACTUARIES

Smaller Firms Pensions Survey

The Association of Consulting Actuaries (ACA) has published the latest report of its biennial "Smaller Firms Pensions Survey".

Key findings from the report, which is based on responses from employers with 250 or fewer employees include:

- the main types of scheme provided by these employers are Group Personal Pensions, Stakeholder and trust based DC schemes. Where DB schemes are provided, 86% are closed to new entrants and 41% are closed to future accrual;

- across most types of scheme, membership participation is slightly below 60% of employees, with the lowest participation rate to be found in stakeholder schemes (on average, 38% of eligible employees);

- firms say that the principal reasons given by employees for not joining existing schemes are: cost (84%); a preference to spend (72%); and disillusionment with pensions (69%);

- reasons given by firms for not providing pensions include: cost (84%); economic conditions in their sector (82%); and insufficient competitive pressures;

- the average combined employer and employee contributions into DC schemes provided by respondent firms ranges between 7.6% and 9.3%, while average combined contributions to DB schemes are 24%;

- 54% of smaller employers support the principle of auto-enrolment into workplace pensions. However, only 21% of smaller firms have so far budgeted for the cost of auto-enrolment; and

- 62% of smaller firms say they are likely to auto-enrol current non-joiners into existing schemes, while 20% say they will close their existing scheme and auto-enrol all employees into NEST.

ACA Press release

HM REVENUE & CUSTOMS

Pension Schemes Newsletter 44

HMRC published Pension Schemes Newsletter 44 on 22 December 2010.

Pension transfers for people aged 50 to 55

One of the main topics in this newsletter is the subject of pension transfers for people aged 50 to 55.

As HMRC explains, normal minimum pension age (NMPA) increased from 50 to 55 from 6 April 2010. Since that date, people can normally only start receiving their pension payments without incurring an unauthorised payments charge once they have reached age 55. However, someone aged 50 and over but under 55 who started drawing their pension before 6 April 2010 can normally continue to draw it without incurring a charge.

As HMRC has become aware that that the legislation (unintentionally) imposes a charge if such an individual transfers their pension before age 55 to a new provider or changes to a different type of pension, it will publish further draft legislation to address this.

Relevant date for applying the NMPA test

HMRC also notes that it was asked by a number of respondents to its informal consultation to clarify the relevant date for applying the NMPA test. HMRC has confirmed that this is the date of the first *payment* of pension in accordance with the pensions tax legislation. In the present newsletter, HMRC draws attention to its comments in Newsletter 38 (published in December 2009)[1], in which it stated that "the relevant date was the date on which the member first became entitled to draw their pension" i.e. when the member first has an actual (as opposed to prospective) right to the payment of the pension. It now confirms that this was an incorrect statement. HMRC is aware that some scheme administrators and members acted in reliance on the comments made in Newsletter 38 and "accepts that in these circumstances people and schemes should not incur an unauthorised payments tax charge in respect of any payments of that pension made before age 55 is reached".

The newsletter also covers:

- *Pension scheme inspections:* as part of Pension Scheme Services' (PSS) drive to modernise the pensions audit process, PSS has moved to a new "Inspections" regime. Although there will still be visits to scheme administrators, there will be a greater focus for schemes on providing information in advance via a pre-inspection questionnaire.

- *Early access to pension savings:* the newsletter refers to HMRC's recent call for evidence in connection with the possibility of giving people greater flexibility to access part of their pension funds early. As part of the same consultation, the Government is also seeking views on the current trivial commutation rules. This consultation closes on 25 February 2011.

[1] To which we referred in our Alert: "Changes to Normal Minimum Pension Age: HMRC guidance" (dated 18 December 2009)

- *Recent legislation and guidance:* the newsletter includes a summary of recent HMRC publications, including the draft legislation and guidance on the restriction of pensions tax relief, and the removal of the requirement to purchase an annuity at age 75. (Please visit the Sackers Extra section of our website for more details of these and other recent developments in pensions.)

Online filing deadline news for Pension Schemes

Any scheme needing to submit a Registered Pension Scheme return or an Event Report for tax year ending 5 April 2010, must do so online before the 31 January 2011 deadline.

HMRC Online filing deadline news

HM TREASURY

Consultation on the implementation of the UCITS IV Directive

HM Treasury and the Financial Services Authority (FSA) have published a joint consultation setting out proposals for the implementation of the revised Undertakings for Collective Investment in Transferable Securities Directive (the UCITS IV Directive).

UCITS IV repeals the current UCITS Directive and must be implemented into national law by all EU Member States by 1 July 2011. The Directive has been designed to modernise the regulatory framework and procedures for selling retail investment funds cross-border in Europe.

The changes introduced by UCITS IV include:

- *the introduction of a management company passport:* to allows a UCITS management company to operate a UCITS fund authorised in a different EU Member State, without the need to be established in the Member State of the fund;

- *improved investor disclosure:* replacing the simplified prospectus with a key investor information document (KID). This is designed to be a simple pre-sale document giving key facts to investors in a clear and understandable manner, assisting them in making an informed investment decision;

- *the removal of administrative barriers to the cross-border marketing of UCITS:* a quicker, more streamlined process will allow UCITS funds to access the market of another member State without delay, once the regulator of the fund has notified the regulator in the Member State where the management company wants to sell its product;

- *a framework for mergers between UCITS funds:* a single set of requirements will apply in all Member States for authorisation of a cross-border fund merger and the information that will have to be made available to investors about it;

- *provision for 'master-feeder' structures:* where a UCITS fund (feeder) will be allowed to invest the majority of its assets into another UCITS fund (master). This creates opportunities to set up more flexible, cost-effective fund structures; and

- *improved supervisory co-operation:* measures to improve co-operation between national regulators, particularly in relation to sharing responsibilities where a UCITS manager and the fund it manages are established in different Member States.

The consultation closes on 21 March 2011.

HM Treasury Press Release