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
FAS: Financial Assistance Scheme
GMP: Guaranteed Minimum Pension
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

LEGISLATION

Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Pension Schemes) (Amendment) Regulations 2012

The tax regime for pension savings provides that individuals leaving the UK can transfer their tax-relieved pension savings to another country. The intention is to allow portability of pension savings for migrant workers. Provided the overseas pension scheme receiving the transfer meets certain conditions, the transfer can be made free of UK tax. (This is subject only to a charge on any funds above the lifetime allowance, currently £1.5 million.)

In order to guard against such transfers being made for "tax-motivated" reasons, the conditions the recipient overseas scheme must meet are intended broadly to ensure that tax advantages are not available which would not be present if the funds remained in the UK.

On 21 March 2012, the Government announced in the Budget Report that "where the country or territory in which a qualifying registered overseas pension scheme ("QROPS") is established makes legislation or otherwise creates or uses a pension scheme to provide tax advantages that are not intended to be available under the QROPS rules, the Government will act so that the relevant types of pension scheme in those countries or territories will be excluded from being QROPS." For this reason, with effect from 25 May 2012, these regulations will stop certain types of pension schemes established in Guernsey from meeting the conditions for a QROPS.

Explanatory memorandum

The Finance Act 2004, Section 180(5) (Modification) Regulations 2012

Broadly, a "scheme administration employer payment" is a payment made:

(a) by a registered pension scheme that is an occupational pension scheme; and

(b) to or in respect of a person who is or has been a sponsoring employer;

for the purposes of the administration or management of the pension scheme.

Such payments are authorised employer payments under the Finance Act 2004 and, as such, are not subject to income tax.

A payment is prevented from being a scheme administration employer payment if it is made to acquire shares in the sponsoring employer and the total amount of shares in sponsoring employers held in the scheme is greater than 20% of the aggregate of the sums and assets in the scheme.

These regulations, which come into force on 1 June 2012, provide for this exclusion to be disregarded in the case of the National Employment Savings Trust ("NEST").

CABINET OFFICE

The Queen's speech

The Queen's speech announced plans for a Pensions Bill and a Public Service Pensions Bill.

The Pensions Bill will:

- replace the current state pension system with a new single tier pension (as set out in the Budget[1]) which will be set above the level of the "basic pension credit means test". It is currently estimated that this new singe tier pension will be around £140 per week;
- bring forward the increase in state pension age to 67 between 2026 and 2028; and
- introduce a commitment to ensuring that state pension age is increased in future to take into account improvements in longevity.

The Public Service Pensions Bill will:

- implement changes to public service pension provision, in line with the Final Proposed Agreements reached with trades unions for the three largest schemes in March 2012;
- establish a common framework across public service pension schemes; and
- aim to ensure provision is sustainable and that costs and benefits between employers, workers and other taxpayers are balanced more fairly.

HM REVENUE AND CUSTOMS

Tax information and impact note (TIIN) re: new QROPS legislation

HMRC has published a TIIN for pensions schemes in respect of the Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Pension Schemes) (Amendment) Regulations 2012 (see above).

THE PENSIONS REGULATOR

Funding Scenarios

On 27 April 2012, TPR issued its first annual statement on scheme funding.[2] Intending to provide guidance for trustees and employers of DB schemes who are going through the valuation process, the statement sets out TPR`s views of "acceptable approaches" to scheme funding in the current economic climate.

1 Please see our Alert: "Budget 2012: the pensions story" dated 22 March 2012

2. Please see our Alert: "Funding in a cold climate? TPR's first annual statement" dated 27 April 2012

TPR has now published three scheme scenarios, aimed at illustrating how it sees the approaches set out in the statement working in practice.