

15 August 2011

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SO7

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

HMRC: HM Revenue & Customs

NEST: National Employment Savings Trust

PPF: Pension Protection Fund

TPR: The Pensions Regulator

DEPARTMENT FOR WORK AND PENSIONS

Consultation: The Occupational Pension Schemes (Contracting-out and Modification of Schemes) (Amendment) Regulations 2012

The DWP has today (15 August 2011) published a [consultation](#) on [draft regulations](#), seeking views on proposed changes to contracting-out regulations.

Two main changes are proposed:

- an increase to the amount of the compound interest used in the fixed rate revaluation of Guaranteed Minimum Pension for early leavers from 6 April 2012 to 4.75% (up from 4%); and
- the introduction of an easement to allow trustees of formerly contracted-out DC occupational pension schemes to change their scheme rules to take account of the abolition of “protected rights” from 6 April 2012.

The consultation also advises of a technical drafting correction to the Occupational Pension Schemes (Contracting-out) Amendment Regulations 2011 which come into force on 1 October 2011. The correction provides clarification for actuaries certifying that contracted-out occupational DB pension schemes meet the contracting-out conditions.

The consultation closes on 6 November 2011.

Extending working life: Research report

The Government is addressing the challenges posed by increasing longevity in a number of ways, including the phasing out of the default retirement age from 6 April 2011 and the acceleration of planned increases to the State Pension Age.

The DWP has published a [report](#) of research carried out to explore employers' understanding of the changes relating to retirement age. Key findings from the research indicate that:

- spontaneous awareness of changes to employment law relating to retirement age rises with employer size, from 70% of micro employers to 88% of large employers;
- the majority of employers (91%) agree that older workers can bring skills and benefits to the business and that people should be able to choose to work for longer. The pattern of responses was similar regardless of employer size, but varied by sector;

- 55% of micro employers and 79% of large employers reported respectively that they would take some action as a result of changes to retirement age.

HM REVENUE & CUSTOMS

Annual Allowance guidance

On 9 August 2011, HMRC published amendments to its [draft guidance](#) on the reduced annual allowance (AA) for pension savings. The guidance was initially published in draft on 14 October 2010, when the Government's changes to the AA (now implemented by the Finance Act 2011) were first announced.

For more information on the AA changes, please see our Alert: "[Pensions Tax Relief and the Order of the Finance Act](#)" (dated 20 July 2011).

Pension Schemes Newsletter 48

HMRC published Pension Schemes [Newsletter No. 48](#) on 9 August 2011.

The Newsletter includes an update on the Finance Act 2011 and the regulations made under it, relating to implementation of the reduced AA. It also notes that HMRC's Registered Pension Schemes Manual will be updated "as soon as possible" to reflect these changes. HMRC "expects this to be about late September".

New forms published: Fixed protection and flexible drawdown

On 10 August 2011, HMRC published two new forms:

- [Form APSS 227](#) should be used to apply for 'fixed protection' of an individual's Lifetime Allowance (LTA). Under the Finance Act 2011, the LTA will be reduced to £1.5m (from £1.8m) from 6 April 2012. However, fixed protection enables individuals who may already have built up pension savings in the expectation that the LTA would remain at £1.8m to keep an LTA at this level, provided that they apply for it by 5 April 2012. Fixed protection is subject to certain restrictions, such as the requirement to stop contributing to a DC scheme or building up benefits above an allowable "relevant percentage" in a registered DB or cash balance scheme.
- [Form APSS 315](#) should be used by scheme administrators (which may be a scheme's trustees) to report any flexible drawdown payments made within each tax year. For flexible drawdown payments made in the tax years from 2012/2013 onwards, reporting will be done online via the Event Report. However, as HMRC's systems are not due to be updated until April 2012, for the tax year 2011/12 it will be necessary to report flexible drawdown using form APSS 315.

The completed form should reach HMRC by 31 January 2013 unless the scheme has been wound up (in which case the form should be submitted no later than three months after the date of completion of the winding up, if earlier).

NATIONAL ASSOCIATION OF PENSION FUNDS

Ruston Smith appointed Chair of the NAPF Retirement Policy Council

The NAPF has announced the election of Ruston Smith as the next Chairman of the NAPF's Retirement Policy Council (the Council).

Mr Smith, the Group Pensions and Insurable Risk Director of Tesco, will take over as Chairman of the Council from Joy Moore at the NAPF Annual General Meeting on 21 October 2011.

The Council is one of the main bodies through which the NAPF develops policies on behalf of its members.

THE PENSIONS REGULATOR

TPR updates its detailed guidance on workplace pension reforms

On 9 August 2011, TPR published updated guidance on the workplace pension reforms that will start to apply from October 2012.

The revisions to TPR's guidance (which was first published in May 2011) include new staging dates for small businesses that are part of a larger PAYE scheme. This reflects the position set out in the DWP's most recent consultation on automatic enrolment. For more information on the DWP consultation, please see our Alert: "The Road to 2012: Final Preparations Underway" (dated 22 July 2011).