Sackers

Key pension dates and deadlines 2019 – are you ready?

Alert | 14 March 2019

Introduction

Whilst all was quiet on yesterday's spring statement front, and uncertainty remains on what will become of Brexit by the end of March, April as usual heralds a number of changes for pensions.

Key dates

- **1 April 2019:** VAT exemption on pension fund management services provided by insurers ends
- **5 April 2019:** Removal of transitional automatic enrolment DB alternative quality easement
- **6 April 2019:** Mandatory increases to automatic enrolment DC contribution rates

  Pooled fund disclosure requirements in force

  Finance Act 2019 provisions in force

  Standard LTA increases to £1,055,000

  Scottish Budget tax band changes due to take effect

Automatic enrolment changes

Mandatory contribution increases

For DC pension schemes being used to meet an employer's automatic enrolment requirements, both minimum employer and overall contribution rates will rise from 6 April 2019. This is the second successive annual increase in minimum contributions and the last one which is currently scheduled to take place under legislation. The actual percentage increase which will apply in a particular scheme will depend upon the elements of income which are pensionable.

See our Alert for action points for employers and trustees.

Automatic enrolment thresholds for 2019/20

The DWP has confirmed the automatic enrolment thresholds for the tax year 2019/20:

- the earnings trigger (for establishing eligibility) will remain at £10,000 (it has been at this level since the tax year 2014/15)
- the qualifying earnings band (used for calculating DC contributions under the statutory default mechanism) will continue to be aligned with NIC rates, ie £6,136 for the lower level of qualifying

earnings and £50,000 for the upper limit.

Alternative quality requirements for formerly contracted-out DB schemes: removal of transitional easement

Employers with DB schemes used to able to demonstrate scheme quality for auto-enrolment purposes by the existence of a valid contracting-out certificate. When DB contracting-out was abolished on and from 6 April 2016, to ensure that a DB scheme could continue to qualify for auto-enrolment, employers could use either the "Test Scheme Standard" (see our Alert for details) or "the cost of accruals" basis. The latter is based on the cost to the scheme of the future accrual of active members' benefits, and is applied at benefit scale level, rather than at scheme level.

As the "cost of accruals" test was difficult to satisfy in practice, a temporary easement was introduced (see our Alert for details). Regulations provided for a transitional period during which employers of schemes that satisfied the DB contracting-out conditions on 5 April 2016, and which had not changed the benefits in their schemes, could apply the cost of accruals test at scheme level. This easement ends on 5 April 2019.

Formerly contracted-out DB schemes used for auto-enrolment which currently employ the easement should therefore ensure that, from 6 April 2019, they comply with either of the alternative quality requirements outlined above.

Investment disclosure: pooled funds

New measures relating to the disclosure of information on a scheme's pooled funds come into force on 6 April 2019. The changes apply to those schemes (or sections of schemes) which are required to produce a chair's statement.

Trustees must inform members, in their annual benefit statement, that information about the funds in which they are directly invested is available on request. Members will be limited to one request every six months.

On making a request, a member must be provided with specified information corresponding to the investment options in which the member was invested at the time of his or her request or, if there has been no change to the member's investment options, on another date from up to six months earlier. This means that, for the most part, trustees will be permitted to update pooled fund information on a six-month cycle.

Finance Act 2019

The Finance Act 2019 contains provisions broadening an exemption that gives tax relief on employer premiums paid into life assurance policies. The provisions also apply to contributions to qualifying recognised overseas pension schemes ("QROPS").

The legislation takes effect from 6 April 2019.

VAT exemption and regulated insurers

On 1 April 2019, HMRC ends its policy which currently allows regulated insurers to treat supplies of pension fund management services to schemes without special investment fund ("SIF") status as VAT exempt (see our Alert for further detail).

The change was intended to take effect from 1 January 2018, but HMRC agreed to a postponement in order to provide insurers with more time to take action.

If you have any questions on any of the above, **please speak to your usual Sackers contact.**

Sacker & Partners LLP
20 Gresham Street
London EC2V 7JE
T +44 (0)20 7329 6699
E enquiries@sackers.com
www.sackers.com