Watson French
INDEPENDENT FINANCIAL PLANNING
& INVESTMENT MANAGEMENT

Pensions Bulletin

The New Year may have only just started but 2014 is already shaping up to be an extremely busy one for pensions.

This bulletin considers some of the various pension changes to be implemented or announced in 2014.

Call us if you have questions or require assistance.

Pension Allowances

The annual allowance and the standard lifetime allowance (SLA) will be reduced respectively to £40,000 and £1.25 million from tax year 2014/15.

The reduced SLA will be accompanied by two new forms of transitional protection – fixed protection 2014 and individual protection.

Anyone likely to be affected by these changes needs to take professional advice on how to take full advantage of the current allowances and whether it will be advantageous to elect for either or both of the new transitional protections.

Automatic Enrolment

A further 38,000 employers with between 59 and 499 employees (as at 1 April 2012) will be required to automatically enrol their eligible employees during 2014.

Revised earnings thresholds will apply for 2014/15.

The remaining provisions of the Automatic Enrolment (Miscellaneous Amendments) Regulations 2013 – SI 2013/2256 will be implemented from 1 April 2014. These will extend the joining window and contribution deadlines for new members (contact us for details on this amendment).

The current Pensions Bill, which is expected to receive royal Assent by Easter 2014, includes powers to exclude certain jobholders (e.g. those with enhanced or fixed protection) from automatic enrolment.
This should help to avoid the loss of such protection which would otherwise have occurred where such individuals were automatically enrolled in a scheme and failed to opt out.

A charge cap is likely to be imposed in respect of money purchase schemes used as qualifying schemes for automatic enrolment purposes. This will follow from the Government's consultation on such a charge cap.

The power to include such a cap has already been included in the provisions of the current Pensions Bill.

State Pensions

The current Pensions Bill contains:

• The framework for the new single-tier state pension to be introduced from April 2016.

• Provision for periodic reviews of the State Pension Age.

• The end of Defined Benefit (DB) contracting out from April 2016.

• A statutory override to permit rule amendments in private sector contracted out DB schemes to allow for the loss of the contracted out rebate from April 2016.

Courtleigh House, 74-75 Lemon Street, Truro, TR1 2PN – Tel 01872 225885 Fax 01872 225886
Website www.watsonfrench.co.uk email enq@watsonfrench.co.uk

Defined Contribution Schemes

The revised definition of money purchase benefits is expected to take effect from 6 April 2014. This follows the Government's consultation on this, and will overturn the July 2011 decision of the Supreme Court in the Bridge Trustees case. However, transitional provisions may exempt many pre July 2011 decisions from being revisited.
Following earlier consultation, a finalised assurance framework for master trusts is expected from the Institute of Chartered Accountants in England and Wales in the Spring of 2014.

Defined Benefit Schemes

Following its 2013 consultation, the Pensions Regulator will issue an updated funding code of practice, which is expected to take effect from July 2014. This will take into account the new objective in the current Pensions Bill to minimise any adverse impact on the sustainable growth of an employer.

Defined Ambition Schemes

The Government is expected to set out its response to its consultation in 2013 and consult on draft legislation in 2014. Such draft legislation is expected to include new definitions of Defined Ambition and Defined Benefit arrangements and make the necessary changes to the preservation, revaluation, scheme funding, employer debt and PPF levy provisions to enable Defined Ambition arrangements to be introduced.

Transfer of Small Pension Pots

The Government announced in April 2013 that it would be bringing in legislation to introduce the 'pot follows member transfer provisions' for transfers of £10,000 or less. Provisions to achieve this have been included in the current Pensions Bill and draft regulations are expected to be issued in the Spring of 2014 after the Pensions Bill has received Royal Assent. Initially it is expected that this will apply only to pots that have arisen from auto enrolment arrangements.

This will be accompanied by the abolition of short service refunds in respect of Defined Contribution occupational schemes.

Annuities and Decumulation

The Financial Conduct Authority (FCA) may well set out the results of its thematic review of annuities. The Government may also set out the results of the combined deliberations of the DWP and the Treasury on annuities and decumulation.

In the Spring of 2014 the Association of British Insurers (ABI) will be setting out its response and recommendations for reform, following its review of retirement needs.

Steve Webb, the Minister for Pensions, has called, in an article in the Telegraph, for a review to be undertaken on the ability to switch annuities.

Disclosure of Information

The revised disclosure of information provisions for occupational and personal pension schemes will take effect from 6 April 2014.

The Financial Reporting Council is amending the statutory money purchase illustrations provisions to reflect the above new regulations.

The new rules introducing inflation adjusted illustrations for personal pensions become mandatory from 6 April 2014 (although these could have been used, where desired from April 2013).

SIPPs (Self Invested Personal Pensions)

In November 2013, the FSA initiated its third thematic review of SIPP operators. It seems likely that the results of this review will be published in 2014.

Should you have any questions or require further information please do not hesitate to contact Stephen Watson or Nicholas Wood on 01872 225885 or email enq@watsonfrench.co.uk

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