

Is this the beginning of the end for the occupational scheme?

With so many details to cover and boxes to tick before A-day, organisations will be up against the wall to complete all the changes in time, says **Mike Sarjeant**

At the risk of preaching to the converted, whoever fiendishly attached the simplification label to the significant pension changes that take effect from 6 April 2006 is destined for greatness.

Am I alone in wondering if it is possible to cover all the angles when there is so much detail to study and yet there are still many areas which currently remain unclear? Is this revenge for all of us who work in the field of pensions and historically have had a love of detail, to give us the ultimate pension Sudoku puzzle?

How many of the boxes shown below can you safely tick for your own organisation and its pension scheme as either being dealt with or a plan in place?

1. Internal dispute resolution
2. Employment consultation
3. Changes to additional voluntary contributions
4. Relaxing protected rights rules
5. Changing preservation requirements
6. Trustee knowledge and

7. understanding
8. Member-nominated trustees (MNT)
9. New pension allowances (contributions and fund values)
10. Tax charges
11. Early retirement age
12. Form of retirement benefit
13. Trivial commutation
14. Death benefits
15. Pensions and divorce
16. Investment
17. Unapproved schemes

Inevitably, the real challenge is to review the critical areas with the key decision-makers within the relevant company. There are some real opportunities to increase the flexibility of occupational schemes, especially in terms of personal contribution limits. For most people, the opportunities will mean there is the option to contribute substantial sums in the future – probably more than most individuals could ever afford. In the longer term, this may well influence the pattern of saving, with significant payments being made in the five to

10-year period before retirement. Phasing retirement also has improved flexibility. The old cliff edge of working one day and being retired the next could now be a thing of the past. Organisations will need to refine their employment policy to balance the needs of the business with those of the individual. You would expect that a gradual reduction of working hours with commensurate partial taking of retirement benefits to become more commonplace. The only restrictions being administration, capability and cost.

There is a sting in the tail created by these changes and these arise from what the relevant pension scheme documentation provides in terms of earnings and benefit caps. It is imperative to review the relevant scheme to make sure that when the earnings cap disappears, there is not an inadvertent increase to the scheme liabilities. And why is it that the new regulations are not automatically overriding, as has been the case previously for most substantial legislation changes?

Business pressure and lack of required detail have meant that most organisations have sought to introduce the minimum that they need, but even so, there will be significant costs in formalising these changes. This can only increase the pressure on occupational schemes and make companies wonder whether a personal pension route would be cheaper and less time consuming in the long run.

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