

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 04/06

Pension Protection Fund (PPF)

Just a few points on the PPF.

1. Calculations will not reflect any bulk transfer that has occurred since the last Valuation unless PPF is advised. Please make sure that the Scheme Actuary has advised the PPF on all our clients, where applicable.
2. The Board of the PPF has indicated that it intends to introduce an element of the total levy that relates to the degree that the assets of the Scheme are invested, in a way that does not match the liabilities of the Scheme, although this will not apply until 2007/2008 at the earliest. The PPF has not yet given any indication of how this investment related levy may be determined.
3. The Scheme based levy is now approximately £140 for every £1m of PPF liabilities.
4. The maximum risk based levy has now been capped 0.5% of the Schemes liabilities.
5. The scaling factor is 0.53%.
6. Contingent assets will be included in 2006/2007. The relevant forms are on the Pensions Regulator web-site.
7. No risk based levy will be payable on schemes that are over 125% funding on PPF (is this a new target?).
8. The risk bands are now 100.
9. All schemes will have to submit a PPF Valuation by 31 March 2008.
10. Contingent Assets can include (as long as standardised forms of document are issues):
 - group company guarantees
 - security provided over cash, real estate or securities
 - letters of credit and bank guarantees that are structured to have a minimum 12 month maturity.

Enhanced Protection and Life Cover

1. Please note that premiums paid towards death benefits will be treated as Money Purchase contributions for both the annual and lifetime allowance.

Currently if an individual registers for Enhanced Protection they cannot make any further contributions to Money Purchase Schemes after 5 April 2006.

2. Payment of a guaranteed lump sum life assurance benefit on death of a member is a "defined" pension benefit and needs to be tested against the lifetime allowance. If the lifetime allowance is exceeded as a result of the life assurance cover there will be a 55% tax charge on the excess.

If an individual is already covered prior to A-DAY and membership continues, their Enhanced Protection is not lost even if contributions are continued as 1 above. However, there could be a problem for any new hires.

ACTION: if any new employee has Enhanced Protection individual advice is needed

A problem appears to arise when there is a claim. The life cover increases from zero to the full sum assured. This may be a problem where we are offering the maximum £1.5m

Immediate questions are:

1. Does this mean that even though a discretionary payment is made that this counts as part of the individuals who had died allowance? YES!
2. If it is, then are all other benefits over £1.5m taxable at 55% including the return of the value of the individual contributions?

This will have implications for all high earners.

What are the other options:

- spouses pension
- make sure all benefits do not exceed £1.5m
- forego tax relief on premiums and set up life assurance cover outside the Pension Scheme.

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