

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 08/07

1. Pension Protection Fund (PPF) Levy

The PPF has recently advised the following with regard to future risk based PPF levies.

- a. It has been confirmed that investment strategy will not be included as a part of the risk based levy.
- b. The PPF may review the funding level at which funds become exempt from paying the risk-based part of the PPF levy. Currently schemes do not have to pay if scheme assets exceed 125% of PPF liabilities, affecting around 600 schemes.

2. Age Discrimination – Ill Health

The age discrimination legislation is complicated and there are areas that need careful interpretation. An example of this is ill health early retirement.

Ill health early retirement benefits can still be enhanced, taking into consideration the member's prospective service in the scheme.

However, the exemption in the legislation allows only service to be projected up to the date the member is entitled to take his benefits.

In many schemes this age is actually lower than normal retirement age (often as a way of dealing with equalisation of male and female benefits in the past).

So, for example, normal retirement age may be 65 but members can actually take their pension at age 60.

Therefore only service to age 60 should count! Trustees should review the ill health rules and take legal advice before deciding how to deal with this and confirm the position to the members.

3. Trivial Pension Commutation

One of the outcomes of A-DAY and the Simplification exercise was that the process for commuting small pension benefits on the grounds of triviality became more complicated and time consuming.

This is because: -

- a. All of an individual's benefits in all their pension arrangements must have a total value of less than 1% of the lifetime allowance (currently £16,000).
- b. It has to be crystallised between ages 60 and 75.
- c. It has to be commuted within a 12 month period.

However, the HMRC have confirmed that the new tax regime will allow Equivalent Pensions Benefits as provided under the “old” State Graduated Scheme (EPB) only pensions to be commuted with few restrictions.

This is deemed to be a separate authorised payment, as long as the following requirements are met: -

1. The commutation must relate to EPB benefits only.
2. There are no age restrictions (subject to the Scheme Rules).
3. Individual consent is not required as long as Trustees give two months written notice to the members last know address.

The same tax rules apply.

Action: Trustees whose members only have EPB benefits should consider a commutation exercise

JULY 2007

This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or Paul Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS. DL: 020 8916 2129. Email: paul.couchman@premierpensions.co.uk, if you require definitive advice