

## PREMIER PENSIONS MANAGEMENT

### LEGISLATION UPDATE : 15/06

#### Primary / Enhanced Protection

This update note summarises the key points in relation to individuals who wish to register for primary or enhanced protection which took effect from “A” day – 6 April 2006.

#### Process for Registration

- Prior to registering for protection, individuals need to obtain statements from **all** their pension providers of the value of their total pension rights.
- Inland Revenue checks will need to have been made to make sure their benefits do not exceed the old limits. Before applying for Enhanced Protection any excess will need to be surrendered.
- To register, Form APSS200 needs to be submitted by 5 April 2009 for protection to be valid. If retirement is due soon registration should be as soon as possible. The individual **must** complete and sign the Form.
- HMRC will issue a certificate containing a unique reference number confirming details of the protection. At retirement this reference number needs to be provided to the Scheme Administrator.
- Individuals need to retain the initial valuations and statements for at least 6 years after completing the Form. HMRC has the ability to review the information used.

#### Primary Protection Summary

This is where the value of A-day benefits will be expressed as a percentage of the current lifetime limit (£1.5 million for 2006/2007 tax year) and that percentage will continue to be exempt from any tax recovery charge. Thus for example, a person with a total fund valued at £2.25 million on A-day will always be able to have 150% of the limit, whatever level it is in the future, and only incur a tax charge on the excess over 150%.

- Once applied and accepted, this cannot be lost in the future.
- It is not necessary “per se” to restrict future accrual or contributions, however the individual would wish to be advised of the additional pension accrual or contributions made after 6 April 2006 as there would be an additional tax charge on this element.

#### Enhanced Protection (EP) Summary

This is where before A-day, anyone could cease active membership of their Scheme and their ultimate fund, however much it was, would not be subject to a recovery charge when they retired in the future. This option can be revoked at any time before age 75. This is more restricting than Primary Protection and:

- Further accrual should have ceased at 6 April 2006.
- EP can be lost if relevant pension benefit accrual/contributions occurs after 6 April 2006, such as:
  - In Defined Benefit Schemes relevant benefit accrual is complicated. In the majority of cases no further benefits can accrue. In rare cases, benefits may increase as long as this is less than 5% or RPI of lower.
  - In a Defined Contribution Scheme, this occurs if any contribution is made to a pension scheme on or after A-DAY, except for an Appropriate Personal Pension (APP), or to maintain an existing life assurance policy.
  - With continued life assurance cover there should be no major change to the policy (i.e. increase).
  - EP can also be lost on transfer from Defined Benefit Schemes but not from Defined Contribution Scheme.
  - If EP is lost it cannot be reinstated. Many individuals are therefore registering for Primary Protection as well to provide additional protection in the event that EP is lost in the future.

The information in this bulletin is based on our current understanding and should not be relied upon when making individual decisions. Individual Financial Advice from a qualified individual should be sought.

**MAY 2006**