

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 26/06

Overpayments Made in Error

Many pension schemes have Rules or practices which allow them not to pursue overpayments (e.g. on the death of a pensioner) below a certain amount, if they cannot be recovered or because recovery is considered to be disproportionately expensive.

An example would be where pension payments are made after the recipient has died, when the delay is due to the Scheme Administrator being notified, resulting in one or more pension instalments actually being paid after the date of death.

These payments are unauthorised payments and would, until the new legislation, be taxable.

However, HMRC has considered this and confirmed that providing the payment was:-

- made in error
- was less than £250
- was not a lump sum (only relates to pension)
- relates to a pension paid after A-DAY.

They do not have to be included in the Scheme Event Report nor does the recipient need to report it on their own self assessment return.

Trustees should take this new position into consideration when making decisions on recovering payments.

Life Assurance Only Members

There is wording in the new Regulations that could potentially stop Occupational Schemes from having life assurance only members.

The DWP has decided not to change the definition in the Regulations.

Therefore life assurance only members may be in breach unless a link to another pension scheme can be established such that the life assurance benefits are seen as supplementary.

The DWP has confirmed that the following are not considered a breach: -

- opt-out members
- members in the waiting period.

The TPR has issued guidelines with examples on this to allow Trustees to decide whether a breach has occurred.

If there is a breach (you should contact your legal advisers for an opinion on this) you will need to establish a separate Life Assurance Scheme.

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This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or P 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