

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 01/08

NEW PENSIONS BILL

The new Pensions Bill which was published on 05 December 2007 covers the following:-

Personal Accounts

1. As expected employers will need to automatically enrol employees aged between 22 and State Pension Age who earn over £5,035pa into the Personal Accounts Scheme from 2012.
2. Employers must automatically enrol employees to the exempt scheme and cannot require employees to provide information or make any choice before joining.
3. Employees who are already members of an exempt scheme will be exempt, provided that the exempt scheme qualifies to be used for automatic enrolment.
4. To be exempt, Money Purchase/Defined Contribution schemes must have employers contributions of a minimum 3% of eligible earnings and total contributions must be at least 8% of the same earnings. Eligible earnings are earnings between £5035 and £33,450 in 2006/7 earnings terms.
5. For a Final Salary/Defined Benefit scheme the scheme will need to be contracted-out on the reference scheme test or broadly provide benefits of at least 1/120th.
6. The Pensions Regulator will have a role in ensuring Employers meet their obligations.

Other changes

7. Contracted out rights of a member's former spouse, following a Pension Sharing Order on divorce will be abolished.
8. The Cap on revaluation of deferred benefits will be reduced from 5%pa to 2½%pa in respect of future accruals after January 2009.
9. The designated Stakeholder Scheme requirement will be removed but employers will still have to facilitate payments for employees who are Stakeholder members.
10. Post April 2020 the calculation of additional State pension will be simplified.
11. Sharing of rights to PPF compensation on divorce will be allowed.

Summary

Undoubtedly the introduction of personal accounts will change the nature of pension provision in the UK, though there are still several major hurdles to overcome:

- levelling down issue;
- mis-selling due to loss of pension credits;
- the complex administration;
- major communication to companies.

The other minor changes, especially simplification, are to be welcomed.

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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