TISA

Response by TISA to:
Normal Minimum Pension Age Transitional Provisions Regulations

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270-member firms involved in the supply and distribution of savings and investment products and associated services. Our members include the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, FinTechs, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

Our work, your influence

With a focus on four key workstreams that best support the consumer and UK financial services, TISA has become a leading industry voice and ally for delivering consumer focused initiatives.

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **three distinct workstreams**:

1. **Consumer Protection**
   Protecting the best interests of UK consumers in their financial journeys.

2. **Consumer Access**
   Considering issues that could directly impact access to financial products.

3. **Effective Products**
   Examining key considerations and legislation relating to products across the investing and saving landscape.

All groups focus on both strategic and technical elements of policy/regulation. Key outputs from our workstreams can include recommendations to government and regulators on developing a financial services framework that protects and benefits UK consumers, finding solutions to operational/infrastructure challenges and developing standards of good practice on the interpretation and implementation of new regulation.

We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out **more about TISA here:** https://www.tisa.uk.com/about-tisa/

Draft legislation comments

Not article specific.

- We find the references to a member being "aged between 55 and 56 (inclusive)" on or before 5 April 2028 unhelpful. Having considered the drafting, we are comfortable that it is intended to capture members who are aged 55 or 56 on 5 April 2028. In our view, it would have been clearer if the regulations stated this explicitly.

  We note, however, that this formulation may have been adopted for consistency with existing provisions in the Order, for example former Articles 44 and 45, which referred to members being "between age 50 and 54 (inclusive)" on 5 April 2010.

  Whilst we consider that the proposed drafting achieves the intended policy outcome and therefore does not regard this as a substantive issue requiring amendment, we thought it worth noting as a point relating to the clarity of the drafting.

Article 43A

- We believe Article 43A needs to be extended to cover payments from a scheme pension or lifetime annuity made on or after 6 April 2028 and before the member reaches NMPA where the member became entitled to the scheme pension or lifetime annuity under a registered pension scheme on or before 5 April 2028 and the first payment was made on or before that date. We think this is needed because Pension Rule 1 under s.165 FA04 provides that:

  No payment of pension may be made before the day on which the member reaches normal minimum pension age, unless the ill-health condition was met...

  As we read it, this Rule applies to all instalments of the pension not just the first payment. Without an extension, it would mean that if a pension or annuity came into payment before 6 April 2028 at age 55 or 56 (in respect of a member who does not have a protected pension age), instalments of that pension or annuity paid on or after 6 April 2028 and before the member reaches age 57 would not be authorised.

- We believe the same issue as above applies in relation to Conditions A & B. Condition B(a) applies where some or all of the assets designated into drawdown were used to purchase a short-term annuity on or before 5 April 2028 and the first payment from the new annuity is made on or after 6 April 2028. But what if the first payment is made before that date? Subsequent payments made on or after 6 April 2028 and before the member reaches age 57 also need to be covered by this transitional protection (where a member does not have a PPA).

Article 43B

- It is currently allowable to pay our a PCLS in instalments within a 12- month period of that entitlement arising. Article 43B needs to be extended to cover a scenario where entitlement to a PCLS arises on or before 5 April 2028, the first instalment of the PCLS is made on or before that date but subsequent instalments are made after that date. Without this change, it means that for those impacted, the additional instalments paid out on or after 6 April 2028 would be treated as unauthorised - as per *(c) no payment of the relevant lump sum had been made on or before that date.*

General comments

- The wording refers throughout to "the member had become entitled" which will precede the date of payment. Previous unrelated HMRC guidance refers to entitlement being created at the point the member has completed all actions required to enable the scheme to process the request. Can you confirm if that guidance retains its consistency for the purposes of these regulations? E.g. if the complete crystallisation request is received by the scheme from a member aged 55 or 56 without PPA just prior to 6 April but is not processed until on or after 6 April due to backlogs, it will still be an authorised payment.

- The timely publication of supporting guidance and clear examples would assist schemes in establishing robust operational processes and developing clear member communications. We note that guidance relating to inheritance tax (IHT) changes is being issued close to the implementation date, which may reduce its practical value and limit the time available for effective preparation. However, the collaborative nature between HMRC and industry on the implementation of IHT has been very beneficial. Could a similar approach be taken to NMPA?

- We assume that Drawdown to Drawdown transfers for members below NMPA on or after 6 April 2028 are unaffected but would appreciate confirmation.

- Our understanding is that where a member with a protected pension age of 55 transfers benefits into an arrangement with a scheme-specific lump sum entitlement available at age 57, the member may be unable to access those transferred benefits from age 55 without forfeiting the scheme-specific lump sum, given the requirement to crystallise all benefits simultaneously. We would welcome consideration of whether regulations could be amended to allow both protections to be retained, thereby avoiding unintended detriment to members.

- For those who fall within the affected age group without a PPA who have submitted a request for a series of annual crystallisation events on a drip feed basis, will the new NMPA impact that schedule? If an instruction to crystallise an annual amount to achieve a targeted income based on PCLS and taxable income was received by a scheme from a member aged 55 or 56 without PPA before 6 April 2028, would that instruction remain valid for all scheduled crystallisations on or after 6 April 2028? Or would future crystallisations be treated as unauthorised payments? If it is the latter. this may result in members having to drawdown higher levels of taxable income in the interim period until the new NMPA is reached to reach their target income level. This could cause pots to be eroded faster – an alternative option would be to simply allow those who have crystallised to continue to do so.

- This may create a spike in consumers within the affected age group accessing their PCLS earlier than they would have, in order to retain flexibility that they would have otherwise lost for up to two years.

- Concerns remain regarding the retention of PPA 55 on individual transfers where an unqualifying right existed.

The consensus view among legal advisers, both at the time the legislation was introduced and subsequently, is that the legislation is drafted in a way that means PPA 55 cannot expire. HMRC previously indicated that it is for individual schemes to determine whether they will administer PPA 55, meaning that, in practice, the protection could effectively be lost where a scheme chooses not to track or apply it.

However, where benefits are subsequently transferred to another scheme that does administer PPA 55 and given the prevailing legal interpretation that the protection cannot lapse, it would appear that the protection should be capable of being reinstated. The difficulty is that the receiving scheme may not have tracked the protected rights separately from other benefits within the arrangement. As a result, if the benefits are later transferred again, a subsequent scheme may have no practical means of identifying and reinstating the protection.

We are concerned that this could give rise to future member complaints where individuals have inadvertently lost the benefit of PPA 55 without being aware of it, despite legal opinions suggesting that the protection should still apply.

Can HMRC provide further clarification on how schemes should treat PPA 55 in these circumstances, including whether protections should be regarded as surviving transfers where a scheme has not administered or tracked them, and what information schemes are expected to retain and pass on to receiving schemes.

- To support effective retirement planning and ensure members are aware of the forthcoming changes, we recommend that HMRC complements industry-led communications with a targeted public awareness campaign ahead of implementation in April 2027. While providers and schemes will play a key role in member engagement, a coordinated government-backed campaign would help maximise reach, improve understanding, and ensure individuals have sufficient time to consider the implications of the changes as part of their retirement planning.

- In light of the increase in the NMPA to 57 and broader policy objectives to support longer working lives, consideration should be given to increasing the age 75 threshold to age 77. This would preserve the 20-year gap which currently exists between earliest access age and the point at which tax benefits are typically lost.