

RETIREMENT ROUNDUP

TISA'S RETIREMENT NEWSLETTER



Please find the second edition of Retirement Roundup. We hope you find it useful, please do give us your feedback and do let us know if you have colleagues who would benefit from receiving a copy.

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In the News

Money Purchase Annual Allowance

Following the consultation which closed on 15 February 2017, it was announced by the government at Spring Budget 2017 that the proposed reduction to £4,000 will proceed with effect from 6 April 2017. This is a disappointing outcome and will impact on the growing number of employees phasing in their retirement in conjunction with drawing down income.

QROPS transfers

A further announcement in the Budget was to introduce a tax charge of 25% on certain QROPS transfers requested on or after 9 March 2017. The transfer will be taxable unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the EEA or the QROPS is provided by the individual's employer. HMRC have been tightening rules around QROPS transfers in recent years, however this tax is the most aggressive action taken to date. The transferring scheme will be responsible for assessing whether the tax charge is due and deducting this from the fund value before transferring. With no notice period given, this meant providers needed to adapt procedures overnight. Tax charges will also apply to a tax free transfer if within five tax years, an individual becomes resident in another country so that the exemptions would not have applied to the transfer. We are not sure how Brexit will impact these rules, this is an area discussed in the Retirement Technical Committee and we will be clarifying this with HMRC. Full guidance regarding the tax charge can be viewed [here](#).

Pension Freedoms tax windfall

HM Treasury was expecting an extra £0.3 billion tax in 2015/16 generated from the pension freedoms, however the actual figure received was five times that at £1.5 billion. This is due to larger withdrawals than expected being taken. It's hard to gauge how many of these withdrawals were the right course of action for individuals but it raises concerns that many withdrawals are made without guidance or advice. As at January 2017, £9.2 billion had been flexibly accessed.

Cridland State Pension Age review

The Pensions Act 2014 requires the government to review State Pension age every 6 years. The eagerly awaited independent review was published on 23 March 2017 - a detailed document which considers many factors impacting on the State Pension. Key points to note were:

A proposed increase to 68 between 2037-2039 with further increases restricted to one year per decade

A universal SPa with potential access one year early on a means tested basis

Removal of Triple Lock after 2020

A lump sum entitlement to those who defer SPa and people over SPa can partially Drawdown

Mid-life MOT to help plan for later years

Auto Enrolment to allow couples to save into a combined pension pot - recognising certain life events result in a partner taking time out of work

It will be interesting to see how many of these proposals are taken on board by Government and to what degree. We shall find out by 7 May 2017 when the Secretary of State's final report is published.

Please click [here](#) to view the report.

A GAD periodic SPa report was also issued on the same day. Not as wide ranging as the Cridland review, focusing more on statistical and mathematical data. To enable an individual to receive a state pension for 33.3% of their adult life, this showed an increase to 68 in 2039-2041 and 69 in 2053-2055. To enable an individual to be in receive a state pension for 32% of their adult life, this showed an increase to 68 in 2028-2030, 69 in 2040-2042 and 70 in 2054-56. Please click [here](#) to review the report.

A useful summary of both reports can be viewed [here](#).

Pension contributions flying high

A recent survey showed personal pension contributions jumped almost a fifth to reach a record level of £24.3 bn for 2015/16. This is the first year that pre recession levels have been surpassed. It also showed Self-Employed contributions standing at £1.7 bn which is 50% lower than 2007/08. Our Auto Enrolment response has recommended the Self-Employed are brought into Auto Enrolment.

If you have any queries or comments on the Roundup, please email renny.biggins@tisa.uk.com

Don't wish to receive these emails? Please email jennifer.smith@tisa.uk.com

In Store for 2017

Auto Enrolment Review

A TISA AE working group has been established to address the various requirements which emerge. The deadline for responding to initial questions has now passed and we have submitted our response. We expect there will be further work to do as the review progresses through this year. If you would like to join the group and play a part in shaping future responses, please email renny.biggins@tisa.uk.com.

Scottish Rate of Income Tax

Although not effective until April 2018, providers should be gearing up to make system changes to allow them to claim the appropriate tax relief on contributions based on an individual's residency status. There are still uncertainties in some areas around the practicalities, an industry working group is being established by DWP to work through these issues.

Pensions Dashboard

The prototype has now been seen by HMT and it will be presented to industry stakeholders at a series of events in April. The full consumer launch is expected in 2019. We believe it should be mandated in legislation for all pension schemes to supply data to the dashboard when their members request it. However, we are concerned the Treasury appears to currently think otherwise.

LISA launch

The new Lifetime ISA will launch on 6 April 2017. Seen by some as an alternative to a pension, it will interesting to see what the initial take up is. A recent survey showed over a third would put more into a LISA than a pension. Only a few providers appear to be launching a product on the day, however we may see new entrants later on if these prove successful.

TISA NEWS

Retirement seminar

Robo—Pensions: The Digital Revolution 24th May 2017

Join us as we consider evolving digital advancements in consumer engagement and question whether a proactive approach or inertia leads to the best outcomes. For further details and to book, [please click here](#)

Master Trust seminar

Master Trust—Scheme Best Practice 7th June 2017

With the Pensions Schemes Bill 2016/17 expected to apply from October 2018 it would be prudent for Master Trust schemes to review/update existing practises now, to ensure they are in the best possible position to obtain authorisation from TPR within the six-month window and meet the stricter ongoing requirements under the new regime. This seminar looks at five key areas facing Master Trusts and identifies what constitutes best practice both today and in the new regime. It will appeal to existing and potential Employers/Trustees of Master Trusts, Third Party administrators, Pension Scheme members and Pension Professionals

Further details will be available shortly.

Consultation responses

Technical Changes to Automatic Enrolment:

Submitted Friday 3rd March

To read TISA's response to this consultation [please click here](#)

Automatic Enrolment Review Initial Questions:

Submitted Friday 24th March

This is an important review as AE moves to the next stage - coverage, engagement and contributions being the three main areas.

To read TISA's response to this consultation [please click here](#)

Retirement Technical & Policy next meetings

Technical Committee: Tuesday 6th June 14:00-16:00
 Vanguard, The Walbrook Building, 25 Walbrook, London

Policy Council: Tuesday 20th June
 Standard Life, The Gherkin, London

TISA members have access to the Retirement Technical helpdesk, where we are happy to provide responses to technical queries and liaise with the appropriate bodies to resolve regulatory gaps.

They also have the opportunity to join the Retirement Technical Committee and Policy Council, where we look to resolve industry issues and help shape the future of UK Retirement in line with our manifestos. Additional working groups are set up to deal with specific areas of interest and importance, the latest being the 2017 Automatic Enrolment Review working group.

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