TRAVERS SMITH

What's happening in Pensions

Issue 44 *February 2014*

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Pension Protection Fund

Pension protection levy 2014/15

The PPF has published its determination and accompanying documents for the 2014/15 pension protection levy, including details of the requirements for certifying and recertifying contingent assets such as guarantees. Key points to note are as follows.

- The levy estimate for 2014/15 will, as originally proposed (see **WHiP Issue 42**), be £695 million, up by about 10% from £630 million for 2013/14. The levy scaling factor and scheme-based levy multiplier remain unchanged from 2013/14. The levy rules are largely unchanged.

- It had originally been proposed that the language of the trustee certification as to the ability of a guarantor to satisfy a Type A contingent asset (guarantee) be changed for 2014/15. This change will now not take place this year and will be consulted upon again for the 2015/16 levy year. For 2014/15, therefore, it still reads:

  > *"The trustees have no reason to believe that each certified guarantor, as at the date of the certificate, could not meet its full commitment under the contingent asset as certified."*

  The contingent assets guidance does, however, recognise that *"no reason to believe"* is too strong and that if isolated negative information is outweighed by a number of positive factors then the negative factor should not prevent the certificate from being given.

- The 2014/15 contingent assets guidance is even firmer than it was last year in stressing that trustees should consider whether a guarantor would be able to satisfy the certified guaranteed amount in circumstances where the employer, and potentially the whole group of companies, including (if applicable) the guarantor, is insolvent. If the guarantor is also a scheme employer, then its ability to pay its own section 75 debt, as well as the guaranteed sums, should also be considered.

> **PPF 2014/15 levy page:**
> **http://www.pensionprotectionfund.org.uk/levy/Pages/1415_Levy_Determination.aspx**

- There is a change allowing contingent assets (of any type) to be recertified even if they were not certified for the previous levy year, so long as they were certified for 2009/10 or later and have remained in place since then. This is intended to avoid trustees recertifying contingent assets in years when they will make no difference to the levy (which they might otherwise do because the annual recertification process is much simpler than the process for fresh certification).
- The PPF has learned that Dun & Bradstreet (to be replaced by Experian but not until 2015/16) will be introducing a new methodology for UK insolvency scores from the beginning of 2014. The PPF does not know what impact this will have but has decided not to make any changes to the levy rules because of it. The PPF gives a Dun & Bradstreet telephone number for any enquiries about this.

The deadline for certifying or recertifying a contingent asset is 5pm on 31 March 2014. Deficit reduction contributions paid before 1 April 2014 must be certified by 5pm on 30 April 2014. Block transfers made before 1 April 2014 must be certified by 5pm on 30 June 2014.

Levy appeal: foreign employer

The High Court has overturned the decision of the Deputy PPF Ombudsman in the *West of England Ship Owners Insurance Services* case (see **WHiP Issue 39**), ruling that the PPF was correct to charge the scheme a 2010/11 pension protection levy that was higher than it would have been if up to date information had been submitted to Dun & Bradstreet Luxembourg.

The scheme in question had a Luxembourg-registered employer. It had submitted accounts to the Luxembourg companies registry but not to Dun & Bradstreet Luxembourg. Unlike D&B UK, D&B Luxembourg does not check publicly filed company accounts, so the employer's failure score for the pension protection levy was calculated based on 2007 accounts and was much worse than it would otherwise have been. The trustees complained that they were not to know that D&B operated differently in Luxembourg in requiring financial information to be submitted directly to it.

The High Court ruled that the PPF Board was required by the 2010/11 levy determination to use the D&B Luxembourg score and had no discretion in the matter.

Insolvency scores for the pension protection levy

The PPF has announced that pension protection levy payers will have to wait longer than previously indicated (which was late 2013) to see the new Experian insolvency scores that will replace the Dun & Bradstreet scores for the 2015/16 pension protection levy year. No new date is given.

Announcement:
http://www.pensionprotectionfund.org.uk/levy/Pages/PensionProtectionLevy.aspx

Statutory employers

The Pensions Regulator has updated its statement *"Identifying your statutory employer"* in the light of the Court of Appeal judgment in the *Olympic Airlines* case (see **WHiP Issue 40**). In that case, a scheme was not able to enter the Pension Protection Fund despite pension protection levies having been paid (and no automatic right to a refund of those levies). This was because the employer, which had suffered only an overseas insolvency event, did not have a sufficient UK establishment or economic activity at the time an application was made to wind up its UK presence.

Statement:
http://www.thepensionsregulator.gov.uk/docs/identifying-your-statutory-employer-statement.pdf

The Regulator's updated statement warns trustees of schemes with an overseas employer that similar issues could arise for their scheme. The new section of the statement reads as follows:

"23. Where a scheme has an overseas employer, trustees will need to consider how this may impact on the scheme's ability to access both ongoing funding and to enforce debts in the employer's jurisdiction. Trustees should be mindful of the fact that any assets located in the UK will be available to a wider pool of creditors and not just creditors of the UK branch and may be moved offshore without or at short notice.

24. Trustees will also want to consider the scheme's ability to enter the PPF. In particular, trustees are encouraged to be vigilant as to the extent of the economic activity being conducted in the UK and any decline in that activity. In the event that there is insufficient economic activity in the UK (eg where the UK branch office is not conducting any external economic function), this may impact on whether it will be possible to commence a UK insolvency process. Trustees should be ready to act quickly to protect the scheme's position in the event of overseas insolvency proceedings being instigated in respect of the employer.

25. Overseas insolvency proceedings do not constitute a 'qualifying insolvency event' in relation to PPF entry. This means that, if there is no UK insolvency process, there is a risk that the scheme will not be able to enter the PPF. It may fall to the trustees as creditors of the employer to instigate UK insolvency proceedings. For employers registered within the European Union (excluding

Denmark), trustees will need to consider the availability of either primary or secondary winding up proceedings in accordance with the European Insolvency Regulation. Where the employer is registered outside the European Union or in Denmark, trustees will need to consider whether they are able to issue proceedings in the UK including the possibility of petitioning for winding up under Part V of the Insolvency Act 1986."

It is not clear that trustees would in all cases be able to *"act quickly"* or that this would make a difference to their position, but urgent advice should certainly be taken. Trustees with an overseas scheme employer might also consider whether to ask for the scheme employer to be replaced by a UK registered company.

The PPF's approach to restructuring and insolvency

The PPF has published a fact sheet on its approach to agreeing to restructuring deals. It explains very briefly why it sometimes enters into agreements to take on schemes of struggling employers and the seven main principles it applies when considering whether or not to do so.

PPF fact sheet:
http://www.pensionprotectionfund.org.uk/news/pages/details.aspx?itemID=350

In these cases, a scheme employer or its business is typically separated from its pension scheme liabilities by way of either (a) an arrangement to apportion its section 75 employer debt to another company or companies or (b) a "pre-pack" administration of the employer and a sale of its business and assets to a new company. The business can then be taken forward without the burden of the pension scheme liabilities and the PPF assesses the scheme. Such courses of action usually require clearance from the Pensions Regulator in order to avoid the issue of contribution notices. This puts the Regulator and the PPF in a position to negotiate.

The principles that the PPF will apply in these situations, which reflect its existing practice in this area, are as follows.

*1. Insolvency **has** to be inevitable – this means that we will have to take on the pension debt whatever happens.*

2. The employer's pension scheme will receive money or assets which are significantly better than it would have received through the otherwise inevitable insolvency.

3. What is offered to the pension scheme in the restructure or rescue is fair compared to what other creditors and shareholders will receive as part of the deal.

4. The pension scheme will be given 10 per cent equity in the new company if the future shareholders are not currently involved with the company. It will receive 33 per cent if the parties are currently involved.

5. We need to make sure the pension scheme would not have been better off by the Pensions Regulator issuing a contribution notice or financial support direction.

6. The fees charged by the bank(s) are reasonable where the deal involves a refinancing.

7. The other party pays legal fees incurred as part of the deal for both ourselves and the scheme trustees."

DC pension charges

Ministerial statement:
http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140123/wmstext/140123m0001.htm

The Pensions Minister has announced to Parliament that the Government's proposal to cap charges on default funds used for automatic enrolment (see **WHiP Issue 43**) will now not be implemented before April 2015. The reason given was that this would give employers at least 12 months' notice of the final proposals. The Government is, however, still *"strongly minded"* to introduce a cap. A response to last year's consultation will be issued in due course.

Scheme returns: new requirements

Pensions Regulator guide:
http://www.thepensionsregulator.gov.uk/docs/scheme-return-changes-db-hybrid.pdf

The Pensions Regulator has published *"Changes to your scheme return"* for DB and hybrid schemes. It lists the information requested in annual scheme returns, with new requirements highlighted. The new information now being requested includes the following.

- **Hybrid schemes** are now asked for a lot of detailed new information, including as to the nature of any DC or DB (including GMP) underpin. Much of this information may not be readily available, so additional time should be allowed to gather the required information.

- Schemes with **asset-backed contributions** in place are asked: how the scheme's interest in the SPV was funded; the term of the income stream; and the net present value of the income stream in the scheme accounts.
- Schemes are asked if they have completed or offered an **incentive exercise** in the last 12 months (eg, a pension increase exchange or transfer inducement exercise) and, if so, the numbers of offers and acceptances.

Same sex marriages

Announcement:
https://www.gov.uk/government/news/first-same-sex-weddings-to-happen-from-29-march-2014

The Government has announced that same sex marriages will be allowed in England and Wales from 29 March 2014, several months earlier than previously indicated. In due course, civil partnerships should be capable of conversion into marriages but this is not expected to be possible until late 2014 at the earliest. A Scottish bill to allow same sex marriages has been passed but is not expected to take effect until the autumn. No Northern Ireland legislation is currently being considered.

The Marriage (Same Sex Couples) Act 2013 (see **WHiP Issue 41**) gives same sex spouses the same status as opposite sex spouses and the Equality Act 2010 requires equal treatment. For pensions purposes, however, the 2013 Act treats same sex spouses in the same way as civil partners and so allows the restriction of same sex spouses' survivor benefits under pension schemes to benefits based on pensionable service since 5 December 2005 (with one exception: post-April 1988 contracted-out rights).

Regulations (see para 44, Schedule 1):
http://www.legislation.gov.uk/uksi/2014/107/contents/made

Regulations will give trustees a power to amend their scheme by resolution in order to reflect the new requirements (and to go further and provide full retrospection if the employer consents). This is the same power that was given when civil partnerships were introduced. The power will be useful where otherwise section 67 of the Pensions Act 1995, relating to the protection of subsisting rights, would prevent or make difficult the amendment, eg, for schemes where giving a survivor's pension right to a same sex spouse would mean that another dependant, such as a child, would no longer benefit (or would benefit to a lesser degree). The power will apply from 13 March 2014.

The Employment Appeal Tribunal has heard the appeal in *Walker v Innospec*, concerning the lawfulness of restricting civil partner's pension rights to benefits accrued since 5 December 2005. The Government has joined the appeal and the decision is awaited. That case, and a Government review due to be completed by 1 July 2014, may result in schemes being required to provide both civil partners and same sex spouses with the same (or substantially similar) benefits as those for opposite sex spouses. Please see **WHiP Issue 38** for more detailed background.

Derivatives: EMIR reporting obligations

From 12 February 2014, all UK pension schemes will be required by the EU's EMIR regulation to report details of all their derivative transactions (OTC and exchange-traded) to a registered trade repository. Please see our briefing notes **EMIR reporting: are you ready?** and **EMIR: Where are we now?** for details.

VAT on fees paid for pension scheme services

HMRC brief:
http://www.hmrc.gov.uk/briefs/vat//brief0614.htm

Following the European Court's decision in the *PPG Holdings BV* case (see **WHiP Issue 41**), HMRC has revised its policy on employers' treatment of VAT paid on fees for fund management and administration services.

In the *PPG* case, the European Court ruled that a Dutch employer which had established a pension scheme as a separate legal entity, as required by law, could deduct the VAT that it (rather than the scheme) paid on administration and investment management fees. This was on the basis that the liability was not passed on to the scheme. The Court ruled that such deductions can be made if the existence of a direct and immediate link with the employer's economic activities is apparent from all the circumstances of the transactions in question, which was the case in *PPG*.

HMRC previously allowed employers to deduct VAT paid on fees relating to the administration of their occupational pension scheme but not in relation to investment management services. Where the same provider supplied investment management and administration services and charged a single fee for the two, HMRC allowed employers to assume a 70%/30% split between investment management and administration charges.

It had been thought by many that the European Court decision in *PPG* would mean that HMRC should now allow employers to claim VAT deductions for investment management charges as well as administration charges that they pay. HMRC has, however, taken a much narrower view. Its new policy, effective from 3 February 2014, appears to be as follows.

- HMRC will not accept that VAT paid on a supply of only investment management services is deductible by the employer.
- Where the services *"go further than the management of the investments"*, they may be general costs and so deductible. No examples are given of what this might include.
- HMRC will not accept that VAT is deductible by an employer where the investment management or administration services supplies were not made to the employer (taking into account, but not exclusively, whether the employer has commissioned and paid for the services – which, of course, in relation to investment services at least, it will not have).
- From 3 August 2014, after a six month transitional period, the 70%/30% split can no longer be applied: an actual split must then be calculated.
- Where the employer pays the fees but the pension fund ultimately bears the cost of the services, eg, by reimbursing the employer or offsetting them against employer contributions, the employer must account for an equivalent amount of output VAT.
- Employers may claim VAT refunds (subject to a four year limitation period) if application of the new policy means that they have accounted for too much VAT. They cannot, however, assume a 70%/30% split for this purpose.

The *PPG* case concerned a DB scheme. HMRC's new policy applies to DC and DB schemes but HMRC notes that the outcome of another pending European Court case (*ATP Pension Service A/S*) may affect its policy in relation to DC schemes.

Asset-backed contributions

Press release:
http://www.frc.org.uk/News-and-Events/FRC-Press/Press/2014/January/FRC-challenges-the-reporting-of-companies-classify.aspx

The Financial Reporting Council is clamping down on companies who use special purpose vehicles to make asset-backed contributions (ABCs) and then reclassify pension liabilities as equity instruments in their accounts. The FRC says that some of the ABC arrangements it has seen have included additional features apparently intended to allow this. It says that it has already taken action resulting in all the companies concerned restating their accounts.

Employer's duty of trust and confidence

Determination:
http://www.pensions-ombudsman.org.uk/determinations/docs/2013/dec/po-636.doc

The employer's duty of trust and confidence to its employees has been considered by the Pensions Ombudsman in Mr Bradbury's ongoing dispute with the BBC. The Ombudsman found that was no breach of the duty, sometimes also known as the duty of good faith, when the BBC contractually imposed an annual cap of 1% on pensionable salary increases under its final salary pension scheme.

When the High Court heard Mr Bradbury's appeal (see **WHiP Issue 34**) against the Ombudsman's original determination in this dispute, the judge held that he could not consider this issue because it had not been determined by the Ombudsman. The question therefore reverted to the Ombudsman. The High Court judgment had outlined arguments available to the BBC in defence of the complaint and the Ombudsman considered those arguments in this new determination.

The Ombudsman determined that the scheme's substantial deficit, the alternative career average option offered (under which there was no cap on pensionable pay increases), and the more radical measures taken by other employers in relation to their DB pension scheme deficits meant that the BBC's actions were not irrational or perverse, or actions that no reasonable employer in its position would have adopted. Looking at it objectively, rather than from Mr Bradbury's subjective perspective, the BBC's conduct was not severe enough to damage seriously the relationship of trust and confidence.

Mr Bradbury had argued that the BBC had a collateral purpose of forcing out long-serving, underperforming employees. The Ombudsman considered, however, that it was clear that the BBC's principal purpose was to address the scheme deficit and it was not credible to suggest that this other alleged purpose was the true one. He pointed out that the BBC was more likely to lose its best workers than its underperforming ones, since the better ones could perhaps be tempted to work elsewhere by more generous benefits.

Automatic enrolment

We have updated our briefing note on **Automatic enrolment** to reflect recent developments.

Pensions Bill: simplified requirements for DB schemes
Amendments to the Pensions Bill have been agreed which would give the Government power to introduce regulations specifying alternative quality requirements for DB schemes used for automatic enrolment. Much of the detail is yet to be decided but the Bill provisions reflect the following general principles.

- DB schemes could count as qualifying schemes if contributions of at least a specified rate of "relevant earnings" are required to fund the benefits, across the whole scheme (or perhaps scheme section) or for at least 90% of active members. The level prescribed must be at least 8% of relevant earnings and is likely to be different for the whole scheme test and the 90% of members test. Consideration will be given as to how "relevant earnings" should be defined and the period over which the test is to be applied.
- DB schemes that are DC with a guaranteed element would be allowed to be treated as DC schemes for automatic enrolment purposes. Further consideration will be given to the types of scheme that will be allowed to choose this option.

Pensions Bill:
http://services.parliament.uk/bills/2013-14/pensions.html

DWP paper:
https://www.gov.uk/government/publications/pensions-bill-delegated-powers-supplementary-memorandum-13-january-2014

Contractual enrolment
The Pensions Regulator has issued a note explaining the difference between automatic enrolment and contractual enrolment (under which workers are enrolled in a qualifying scheme before the automatic enrolment duty arises). It is concerned that many employers are referring to contractual enrolment as automatic enrolment and may have misunderstood the legislative requirements

Pensions Regulator note:
http://www.thepensionsregulator.gov.uk/docs/contractual-vs-automatic-enrolment.pdf

Earnings trigger and qualifying earnings band
The following automatic enrolment thresholds (annual figures) will apply from 6 April 2014. The new figures have been determined on the same basis as the current ones.

	Current 2013/14 figure	Proposed 2014/15 figure	Derivation of figure
Earnings trigger:	£9,440	£10,000	Same as the income tax personal allowance
Qualifying earnings – from:	£5,668	£5,772	Same as the lower earnings limit for NICs
Qualifying earnings – up to:	£41,450	£41,865	Same as the upper earnings limit for NICs

Announcement:
http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm131217/wmstext/131217m0001.htm#131217m0001.htm_spmin12

Order:
http://www.legislation.gov.uk/ukdsi/2014/9780111108161/contents

Automatic enrolment: hybrid and average salary schemes
The Government has issued draft regulations intended to resolve issues with the automatic legislation as follows, from 1 April 2014.

They confirm that hybrid schemes can phase in contribution rates for their DC arrangements in the same way that schemes that provide only DC benefits can. This was always intended but it was arguable that the legislation did not achieve the policy intention.

They amend the conditions for a career average scheme to be a qualifying scheme by extending the options for revaluing active members' benefits to allow schemes to qualify if their rules provide for revaluation in line with a measure other than price inflation, eg, national average earnings. In order to qualify, they must fund for at least LPI revaluation (ie, CPI or RPI up to 2.5%) and include reference to this in their statement of funding principles (or equivalent document). (This is the same test that applies to schemes that apply only discretionary revaluation.)

Draft regulations:
http://www.legislation.gov.uk/ukdsi/2014/9780111108918/contents

Failure to inform member of rule change

The Pensions Ombudsman has found Worcestershire County Council (WCC) liable for maladministration, partly (a) for failing to notify a member that he needed to make his application for an ill health early retirement pension before a certain date, in order to avoid the effects of an adverse rule change, and partly (b) for not expediting the process.

The Teachers' Pension Scheme regulations were amended in December 2006 so that ill health retirement applications received after 5 January 2007 were subject to new provisions which introduced two tiers of incapacity benefit. Under the new "total incapacity benefit", the enhancement available was lower than that which was available under the old provisions.

Mr Dent began his application in September 2006 and WCC provided him with information stating what his enhancement would be under the old provisions. In October 2006, WCC

Determination:
http://www.pensions-ombudsman.org.uk/determinations/docs/2013/nov/po-403.doc

wrote to Mr Dent saying they were arranging an appointment for him to see their medical adviser. Mr Dent asked for his appointment with the medical adviser to be postponed because he had just undergone a medical procedure. The appointment was delayed until 19 December 2006. The medical adviser reported to WCC on 5 January 2007 and it forwarded Mr Dent's application to the scheme on 9 January 2007. He was then granted the lower ill health pension enhancement.

Mrs Dent brought a complaint against WCC on behalf of her late husband and on her own behalf as recipient of a lower widow's pension.

The Ombudsman found that whilst WCC were aware of the deadline, it was extremely unlikely that Mr Dent would have been aware (not least since the statutory instrument introducing the reforms was not laid before Parliament until 7 December 2006). The failure to make Mr Dent aware of the situation, which was very relevant in his circumstances, was maladministration by WCC.

It was also maladministration not to have expedited the medical advice, for example by asking the medical adviser to report before Christmas or to advise without seeing Mr Dent, which was not required by the scheme regulations.

The Pensions Ombudsman directed WCC to pay Mrs Dent arrears of Mr Dent's fully enhanced pension and to increase her corresponding widow's pension via a lump sum for arrears and by buying an annuity to top up her scheme pension (because the scheme would not agree to an augmentation even if paid for). He also awarded £500 for distress and inconvenience and simple interest on the arrears payments.

Pensions Regulator: moral hazard powers

Case report:
http://www.bailii.org/ew/cases/EWHC/Ch/2013/4019.html

In *Re Storm Funding Ltd*, concerning the Lehman Brothers Pension Scheme, the High Court has ruled on the scope of the contribution notices that the Pensions Regulator may issue following failure to comply with a financial support direction. It held that the Regulator may issue contribution notices to more than one target which in aggregate require payment of sums exceeding the employer's section 75 debt (actually or notionally calculated). This means that it may recover more than the actual or notional employer debt(s). (A single contribution notice cannot demand more than the actual or notional section 75 debt(s).)

Lifetime allowance: individual protection

Summary of responses:
https://www.gov.uk/government/consultations/pensions-tax-relief-individual-protection-from-the-lifetime-allowance-charge

Draft legislation:
https://www.gov.uk/government/publications/finance-bill-2014-draft-legislation-overview-documents

HRMC has published a summary of responses to its June 2013 consultation on individual protection 2014 (IP14) against the reduction of the lifetime allowance to £1.25 million from 6 April 2014. Amended draft Finance Bill 2013/14 provisions and draft regulations have also been published.

The most significant change to the original proposals (which we set out in **WHiP Issue 40**) is that IP14 will now be available to members who have enhanced protection (but not if they have primary protection). Enhanced protection is better than IP14 but individuals with both these forms of protection will be able to fall back on IP14 if they lose their enhanced protection.

Comments on the draft legislation are requested by 4 February 2014. HMRC will publish guidance on the final legislation.

State pensions and contracting-out

Please see our briefing note **State pension reform and the end of contracting-out** for more details on state pension reforms and the abolition of contracting-out from April 2016.

State pension increases

All three main political parties have pledged to keep the "triple lock" system for increasing the state pension until at least 2020. This involves increasing the pension by the highest of (1) the annual increase in the Consumer Prices Index; (2) the annual increase in national average earnings; and (3) 2.5%. Increases are measured to September each year.

Single tier state pension

Ministerial Statement:
http://www.parliament.uk/documents/commons-vote-office/December%202013/3%20December/9-DWP-SingleTierPension.pdf

In a written Ministerial Statement, the Pensions Minister has confirmed that the minimum qualifying period for the single tier state pension will be ten qualifying years. (Seven to ten years had been proposed but examples in Government publications had used ten years, so this was expected.)

The end of contracting-out: GMP reconciliation

From April 2014, HMRC will offer a scheme reconciliation service to allow schemes to check membership and GMP data against HMRC's records. This is being offered in connection with the end of contracting-out in April 2016.

Announcement:
http://www.hmrc.gov.uk/news/srs-coeg.htm

Government review of pensions bodies

The Government has announced the outcome of its triennial review (see **WHiP Issue 40**) of the roles of the Pensions Regulator, the Pensions Advisory Service, the Pensions Ombudsman and the PPF Ombudsman. These bodies are considered to be fit for purpose and will continue in their current form with their separate roles. A more comprehensive review is expected during the course of the next Parliament.

Review outcome:
https://www.gov.uk/government/publications/triennial-review-of-pensions-bodies-2014

Scottish income tax relief

From April 2016, income tax in Scotland may be higher or lower than in the rest of the United Kingdom, depending on the rates set by the Scottish Parliament. In May 2012, HMRC confirmed that pensions tax relief was expected to be granted on Scottish as well as UK income tax. HMRC has now confirmed the following.

- Under "net pay" contribution arrangements (generally used by occupational pension schemes), tax relief will be automatic because income tax is paid on the income after pension contributions have been deducted.
- Under "relief at source" contribution arrangements (generally used by personal pensions), pension providers claim basic rate income tax relief from HMRC. They will be able to do this for Scottish income tax too. The providers will have to identify Scottish income tax payers in order to do this (HMRC will help them to do it). These new arrangements will not come into effect until April 2018, in recognition of the current *"challenging environment"* for the pensions industry. Until then, HMRC expects to identify Scottish taxpayers and make adjustments directly through PAYE tax codes or self-assessment. (These methods will also continue to be used for claiming higher rate tax relief.)

HMRC announcement:
http://www.hmrc.gov.uk/news/scottish-rate.htm

Switching annuities?

The Pensions Minister has told the Daily Telegraph that he would like to introduce an option for annuity holders to switch providers while the annuity is in payment.

News report:
http://www.telegraph.co.uk/finance/personalfinance/pensions/10551266/Government-plans-reform-to-end-UK-pension-system-lottery.html

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If you wish to discuss any points arising from this note, please speak to your usual contact in the Travers Smith Pensions team or to one of the Pensions partners: Paul Stannard, Peter Esam, Philip Stear, Susie Daykin and Daniel Gerring.

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