



Pensionline Spring 2004

A Newsletter for Pension Scheme Managers and Trustees from Hillier Hopkins LLP

Welcome to our latest Spring newsletter. In this edition we outline the recently published Pensions Bill and review industry reaction. We have no doubt that employers will be asking trustees to consider possible amendments to existing pension arrangements over the course of the next 12 months in order to take advantage of the opportunities available under the Bill and/ or to simplify the administration of their schemes in line with these proposals.

Also, in this edition, we review the pension regulator, OPRA's, recent relaxation of Trustee requirements and celebrate a significant milestone in the history of OPAS, the seriously undervalued Pensions Advisory Service. Finally, as we go to press, the Prime Minister, Tony Blair, has indicated that the government may well be considering providing compensation to members who have lost their pension benefits due to the employer's insolvency. But first, the Bill.

Pensions Simplification - or not?

The Finance Bill was published on 8 April and contains most of the details of the Revenue's proposals for Pensions Simplification. However, with 157 pages on pensions, some industry commentators have questioned how simple it can be. Having said that, the new regime will replace eight different existing tax regimes, so that has to be good news. The proposals take effect on 6 April 2006.

The two key controls under the new regime were originally announced in the Pensions Bill, published in February this year. They involve:

- a lifetime limit (£1.5m in 2006) on the amount of pension saving that can receive tax relief; and
- an annual allowance (£215,000 in 2006).

Specified increases in these limits have been announced for the years up to and including 2010 but no indication has been given as to the rate of increase (if any) to be applied after that date.

Others changes taking effect include:

- the ability for 25% of the total pension fund at retirement to be taken as tax free cash; and
- an opportunity for members to draw benefits and continue working for the same employer.

The National Association of Pension Funds welcomed the proposals but expressed concern that there was nothing in the Bill to address major issues such as the much needed simplification of the State Scheme; encouragement for employers to continue to provide worthwhile pensions for their employees; nor incentives for individuals to save for retirement.

Pensions Protection

Another initiative announced in the Pensions Bill involved the setting up of a Pensions Protection Fund (highlighted in our Autumn Pensionline). The Fund aims to provide compensation for members of underfunded defined benefit (or final salary) schemes where the employer has become insolvent. It is estimated that approximately 60,000 members of schemes, such as that of Allied Steel and Wire, have lost benefits to date. Until now, it was never the intention that the protection provided should be retrospective.

However, in the face of vociferous lobbying by affected members and their Unions, the Prime Minister, Tony Blair, has indicated that there may be some compensation for those individuals who, under past legislation, were compelled to contribute to their employer's scheme and have seen no benefit for those contributions. It appears that there would be a deal of sympathy for such a move by Members of Parliament of all colours. We await further announcements with interest.

OPAS comes of age

The government's Pensions Minister, Malcolm Wicks, joined other guests at the recent anniversary party to celebrate the founding of OPAS, 21 years ago. OPAS, now known as the Pensions Advisory Service, was the brainchild of one Margaret Grainger. Starting out in 1983 with less than fifty advisers and no guarantee of funding, OPAS was the first independent source of help for individuals with pension problems. Over the years, tens of thousands of people have had somewhere to go for independent help with their pension queries, both before and since the creation of the Pensions Ombudsman and OPRA. Today there are 525 advisers, who in 2003 dealt with 47,000 calls to their Helpline and 12,000 written enquiries. Their name and address is included in every pension scheme booklet and every Trustees' Report. A tremendous achievement. Happy Birthday, OPAS, and many more!

OPRA - Better late than never

In keeping with their new risk-based approach, as recommended in Alan Pickering's Simplification Review, OPRA has relaxed its requirements for Trustees to report late payment of contributions. In the future, Trustees will no longer have to report isolated incidents, or small amounts, of late payment where the contributions have been received inside 90 days of the due date and where steps have been taken to avoid future late payments. However, Trustees will still be required to report contributions that are outstanding for 90 days or more or where there are indications of further likely problems such as the employer's inability to pay or possible misuse of contributions.

Clearly, Trustees have a duty to monitor receipt of contributions and will generally rely on regular and timely reports from their administrators in this respect. Ultimately, of course, the scheme audit will highlight any problems in this area. For details of the Hillier Hopkins pension scheme audit service, please contact Phil Collins on 01923 232938 or e-mail phil.collins@hhllp.co.uk.



Our pension audit team will be happy to discuss any issues relating to occupational pension schemes.
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