

Pensions News

Issue 5 July 2012

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1. In Tynwald

Last month Tynwald approved the making of the Social Security Legislation (Benefits) (Application) (No.2) Order 2012 (SD 0280/12) and the Pension Schemes Legislation (Application) (No.2) Order 2012 (SD 0282/12).

The Social Security Legislation (Benefits) (Application) (No.2) Order 2012 applied the following statutory instruments to the Isle of Man (as modified), each relating to the State additional pension scheme –

- (a) the Social Security Pensions (Flat Rate Introduction Year) Order 2011 (SI 2011/2953);
- (b) the Social Security Revaluation of Earnings Factors Order 2012 (SI 2012/187);
- (c) the Social Security Pensions (Low Earnings Threshold) Order 2012 (SI 2012/188); and
- (d) the Social Security Pensions (Flat Rate Accrual Amount) Order 2012 (SI 2012/189).

Item (a) provides that the introduction year for the start of the accrual of the flat-rate element of the state second pension – which replaces the 40% accrual rate in the first earnings band – is the 2012-2013 tax year.



Department of Social Care

Rheyyn Kiarail y Theay

Item (b) directs that the earnings factors relevant to –

- the calculation of the additional state pension in the rate of any long-term benefit or of any guaranteed minimum pension or to any other calculation required under Part 3 of the Pension Schemes Act 1993; and
- the revaluation of state scheme pension debits and credits,

are to be increased for the tax years specified in the Schedule to the Order by the percentage of their amount specified in that Schedule. The percentage for the tax year 2011–2012 is 1.8%. The percentages for earlier tax years are increased so that the earnings factors for those years are revalued at 2011–2012 earning levels.

Item (c) directs that the low earnings threshold for tax years following the 2011-12 tax year is £14,700.

Item (d) directs that the flat rate accrual amount for the 2012-13 tax year and subsequent years is £88.40. It will be revalued each year by reference to changes in average earnings.

The Pension Schemes Legislation (Application) (No.2) Order 2012 applied the following statutory instruments to the Isle of Man (as modified)–

- (a) the Occupational Pension Schemes (Contracting-out and Modification of Schemes) (Amendment) Regulations 2012 (SI 2012/542);
- (b) the Pensions (Institute and Faculty of Actuaries and Consultation by Employers – Amendment) Regulations 2012 (SI 2012/692); and
- (c) the Pensions Act 2008 (Abolition of Protected Rights) (Consequential Amendments) (No.2) (Amendment) Order 2012 (SI 2012/709).

Item (a) –

- specifies a new fixed rate percentage for revaluing guaranteed minimum pensions;
- introduces new provision allowing pension scheme trustees to modify their scheme rules in order to amend or remove rules making special provision for the protected rights of members where those rules are no longer required or where the rules no longer reflect a statutory provision, consequent on the abolition of contracting-out on a defined contribution basis on 6th April 2012; and
- makes a minor clarificatory amendment to earlier pension schemes legislation.

Item (b) replaces references in existing pension schemes legislation to “the Institute of Actuaries” and to “the Faculty of Actuaries” with references to “the Institute and Faculty of Actuaries”, which is the new body formed by the merger of the Institute of Actuaries and the Faculty of Actuaries.

Item (c) further amends certain pension schemes legislation as a consequence of the abolition of contracting-out of the additional state pension scheme on a defined contribution basis on 6th April 2012. The changes made remove the protection given to protected rights in bankruptcy proceedings and remove the prohibition on assigning protected rights payments, as such payments will no longer be identifiable after the abolition date.

If you would like to read SD 0280/12 or SD 0282/12 please contact Nick Gough nick.gough@gov.im and we will provide you with a copy.

2. Abolition of contracting-out on a defined contribution basis – trustee information requirements

We would like to remind the trustees of former appropriate schemes and money purchase contracted-out schemes which were contracted-out immediately before 6th April 2012 that they must provide scheme members with certain information about the abolition of contracting-out on a defined contribution basis.

The trustees should have told scheme members that the scheme has ceased to be an appropriate scheme or money purchase contracted-out scheme (as the case may be) no later than 5th May 2012.

The trustees must also provide scheme members with the following information no later than 5th August 2012 if they have not already done so –

1. The date on which the scheme ceased to be an appropriate scheme or money purchase contracted-out scheme (as the case may be) (i.e. 6th April 2012).
2. A statement that, as a result of no longer being a member of a contracted-out scheme, the member may build up entitlement to an additional state pension from the date the scheme ceased to be an appropriate scheme or money purchase contracted-out scheme (as the case may be).
3. A statement that explains that the member's protected rights will become ordinary scheme rights under pensions legislation from the date that the scheme ceased to be an appropriate scheme or money purchase contracted-out scheme (as the case may be), and that where the member is married or has a civil partner, there is no longer a statutory requirement for the scheme to provide a survivor's pension or annuity.

3. More information on Department of Social Care legislation

We recognise that some aspects of DSC pensions legislation are not straightforward and to help improve understanding of them we intend to use Pensions News to provide some explanation and background to the following topics –

1. Remaining contracting-out matters
2. Disclosure of information to scheme members and other persons
3. Indexation and revaluation of benefits
4. "Preservation requirements"
5. Additional voluntary contributions
6. Pension sharing on divorce/dissolution of marriage/civil partnership
7. Assignment, forfeiture and bankruptcy re pensions
8. Transfer of pension benefits
9. Winding up of pension schemes, insolvent employers, etc.
10. Sex discrimination in relation to occupational pension schemes.

If you think this would be useful, then please contact Nick Gough nick.gough@gov.im to tell him which subjects you would like more information about.

Of course, we cannot give you a detailed explanation of the law in Pensions News, but we hope you will find whatever we say is helpful.

4. UK developments

There have been a number of recent developments in the UK, which may be of interest –

a) New Pensions Bill introduced in Queen's Speech

A new Pensions Bill was introduced in May's Queen's Speech. The main elements of the Bill will –

- Replace the current state pension system with a new single tier pension, set above the level of the basic pension credit means test (currently estimated to be set at around £140 per week).
- Bring forward the increase in the state pension age to 67 between 2026 and 2028; and
- Commit to ensuring that the state pension age is increased in future to take into account increases in longevity.

You can read the [Queen's Speech](#) and accompanying [briefing notes](#) are available on the United Kingdom Government Cabinet Office website.

b) FSA's Pensions (Transfer Value Analysis Assumptions) Instrument 2012

The Financial Services Authority has recently published policy statement PS12/8, setting out tighter rules that advisers who are regulated by the FSA must follow when advising on transfers of pension benefits from defined benefit schemes to personal pension schemes. The new rules are found in the Pensions (Transfer Value Analysis Assumptions) Instrument 2012, which amend the FSA's Conduct of Business sourcebook. You can read PS12/8 [here](#).

c) UK Government's plan to cut pensions red tape

As part of its Red Tape Challenge, the UK Government is asking people who have to deal with the bureaucracy of pensions to tell them which Regulations they think are too burdensome so that they can be improved. There are 3 pensions sections for comments –

1. Private Pensions
2. Pensions Protection (not very relevant to Isle of Man schemes)
3. General Pension Comments.

You can read what people have said and even comment yourself by following this link

<http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/pensions-regulations/>

You can also read what was said about State pensions by following this link <http://www.redtapechallenge.cabinetoffice.gov.uk/pensions/state-pensions/>.

5. Contact us

We hope that you have found this information useful. If you have any comments or queries about any of it please contact Nick Gough nick.gough@gov.im.