



### DC savers

#### From 27 March 2014

- Increase the capped drawdown limit from 120% to 150% of an equivalent annuity.
- Reduce the minimum income requirement for flexible drawdown from £20,000 to £12,000.
- Increase from £2,000 to £10,000 the maximum size for small lump sums that can be taken from one registered scheme regardless of saving in others.

*If extended to DB schemes, this could be a useful derisking opportunity because, as far as legislation goes, it can be done without member consent.*

- Allow three such small lump sums from personal pension schemes instead of the current maximum of two.

#### From April 2015

- From age 55 and without need for a minimum pension, allow drawdown of any amount as income or lump sum. To be taxed, in either case, as income instead of the current 55% for full drawdown. The tax free lump sum remains available.

*Freedom of access could stimulate pension saving or lead to its rapid dissipation when savers reach age 55. The Government's hopes for the former rest in part on the new requirement for impartial advice. In the balance too is the long term success of auto-enrolment. How annuity providers react to a shrinking market will be key.*

- Savers must be offered free and impartial face-to-face advice when approaching retirement.

*There is no detail yet on what occupational pension schemes will be required to do to facilitate advice, whether trustees or employer will have to do it, or who will pay. At a minimum it seems likely trustees or employer will have some responsibility for the choice and quality of the adviser.*

### DC and DB savers

- Increase the trivial commutation limit from £18,000 to £30,000 (taking account of savings in all registered schemes).

*DB schemes looking to derisk need the consent of individual members for this. They may be happy to give it.*



### DB schemes

- Consult on how far, if at all, to extend the above options to DB savers. If the decision is against, there may be new restrictions on transfers to DC schemes to safeguard the stability of DB schemes and their role in the wider economy.

*In the worst case, large scale transfers from DB to DC schemes could see a lot of money currently earmarked for pensions being spent on short term needs instead.*

### Liberation

- Powers for HMRC to bear down on pension liberation by denying or withdrawing registration. There will be a fit and proper person test and a test of whether a scheme's true purpose is to provide pensions. Changes start to take effect from 20 March 2014.

*A needed and welcome development but some irony in its arrival at the same time as open access from age 55.*

### Technical

- Consult on options to simplify the rules on dependants' pension to ensure they are fair and to reduce administration.
- Consult on amending or abolishing the rule that prevents individuals aged 75 and over from claiming tax relief on pension contributions.

- Qualifying non-UK pension schemes (QNUPS) - consult on ways to give equivalent treatment to QNUPS and to UK registered schemes to remove opportunities to avoid inheritance tax.

## State pension

- Voluntary National Insurance contributions (VNICs) - for 18 months from October 2015, allow VNICs so those who reach SPA age before 6 April 2016 can top up their additional state pension. Pricing will be fair and the maximum additional amount available will be £25 a week.

## Pensioner bonds

### From January 2015

- Launch of a choice of fixed-rate (up to 4% is mooted) NS&I savings bonds (up to £10 billion) for people aged 65 or over.

## Public sector schemes

- Remove the option to transfer out to DC schemes because the cost would fall to the tax payer in the many unfunded public sector schemes. For consistency, the proposal is to treat funded public sector schemes the same way (but this might

change if a decision is made to allow transfers to DC from private sector DB schemes).

## And one they made earlier

- From 6 April 2014, introduce individual protection 2014 (IP14) following the reduction in the lifetime allowance to £1.25 million. IP14 will give an LTA of the value of pension savings on 5 April 2014 up to a maximum of £1.5 million.

## More information

If you would like more information, please get in touch with your usual contact in our pensions team or:



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