

STAKEHOLDER PENSIONS

Draft Guidance and Model Rules



11th July 2000

1. The tax regime for stakeholder pensions was proposed in a joint DSS and Inland Revenue consultation document issued on 16th September 1999. The main legislation covering these changes forms part of the Finance Bill currently before Parliament and accompanying regulations have already been issued in draft.
2. This document offers a brief commentary that covers draft Pension Schemes Office guidance (IR76), model scheme rules and model establishing documents.
3. Copies of the guidance and model rules can be accessed on the Inland Revenue site at www.inlandrevenue.gov.uk or by e-mailing stakeholder@ir.gsi.gov.uk and including "subscribe guidance" in the subject. Printed copies can be obtained by telephoning 020 7438 7514.
4. Comments on the draft guidance and model rules are invited by Friday 28th July 2000 and should be sent to:

Stakeholder Pensions Team
Pension Schemes Office
Yorke House
PO Box 62
Castle Meadow Road
Nottingham
NG2 1BG

Or e-mailed to stakeholder@ir.gsi.gov.uk

Commentary on IR 76 (2000)

5. The new draft is entitled "Guidance Notes on Approval of Personal Pension Schemes (including Stakeholder Pension Schemes)", and covers new legislation for stakeholder pension schemes, pension sharing on divorce and income withdrawal.

6. A summary of the main changes is set out below. We have tried to keep changes to a minimum, to assist customers accustomed to using the existing version. We have however taken the opportunity to make some minor corrections and clarifications.

Part 1 now includes contact points for NICO (COEG) and Opra.

Part 2 has minor amendments only (in 2.1 and 2.12).

Parts 3 and 4 now include clearly marked separate guidance for the period from 6 April 2001.

Parts 5, 6 and 7 have each been split into 2 sections (A and B) covering the periods before and after 6 April 2001. The existing Parts have not been changed apart from some updating in the examples and one or two corrections and clarifications.

Part 8 is unchanged apart from 8.3.

Part 9 is incomplete (we still have to cover multiple pension dates and annuitisation), but has been substantially amended to include changes for pension sharing on divorce and income withdrawal review dates. Paragraph 9.4 has been extended to include an unintended omission from the 1999 version.

Part 10 is mainly unchanged. 2 new paragraphs (10.27 and 10.28) have been added and all subsequent paragraphs renumbered. Some clarifications have been made in 10.13, 10.14, 10.16 and 10.35 (old 10.33).

Part 11 will follow as soon as the investment regulations have been laid. These regulations will be issued for consultation later this year.

Part 12 will follow as soon the new transfer regulations (which are being issued for consultation in draft form simultaneously with the IR76) have been laid.

Part 13 and 14 have been substantially amended to reflect the changes from 6 April 2001. Part 14 has been split into 2 sections covering the

periods before and after that date. Part 14A is unchanged apart from minor corrections and clarifications.

Parts 15, 16, 18, 19 and 21 have minor amendments only.

Part 17B has been added to cover new information requirements from 6 April 2001.

Part 20 has been amended to take account of special discontinuance requirements for stakeholder pension schemes.

Part 22 is new and gives guidance on contracting-out for stakeholder pension schemes.

Part 23 is new and gives guidance for schemes wishing to convert from Chapter I to Chapter IV approval. This is based on the conversion regulations, which are being issued for consultation in draft form simultaneously with the IR76, and is therefore subject to change.

Part 24 is new and gives information on the role of Opra and the registration of stakeholder pension schemes. This is based on DSS draft regulations, and is therefore also subject to change.

Appendix I has been expanded to include definitions introduced by the new legislation. 2 and 3 are unchanged.

The existing Appendices 4 to 18 are mainly unchanged and have not been included at this stage. Appendices 4, 7 and 8 will become obsolete with effect from 6 April 2001.

Appendices 19 to 21 are new. 19 is the member's application checklist. 20 will be the transfer application checklist (awaiting final form of transfer regulations). 21 gives guidance on appeals currently contained in the contracting-out leaflet CA14F.

Commentary On Model Documents

PERSONAL PENSION SCHEMES including Stakeholder Pension Schemes and contracting out

7. The model documents for personal pension schemes are for use for schemes which apply for approval from October 2000 onwards with an effective date of approval from 6 April 2001 or later.

The drafts include the following:

- deed poll capable for use for a scheme set up by an insurance company or friendly society
- trust deed for use by any provider which may use a trust based scheme
- trust deed for schemes converting (or partly converting) from Chapter I approval to Chapter IV approval.
- model rules.

Establishing Documents

8. This is the first time that we have proposed a model establishing document. Until now, such documents have been non-standard. Our intention is to make the process of obtaining tax approval more simple to assist providers, some of whom are likely to be involved with the conditions of Chapter IV for the first time.

Model Rules

9. There are currently 2 versions of the model rules: one for tax approval only and one which includes contracting out as an appropriate personal pension scheme. They use different terminology and are structured in a different way.

10. It is proposed to have one version only for the future. This version will include requirements relating to tax approval, stakeholder status, and contracting out (whether on an APP basis or COMPs basis). But the version will be capable for use where stakeholder status or contracting out do not apply.

11. The model rules include a schedule at the end. Schemes will use this to indicate which facilities are on offer and which parts of the model rules have been adopted. This new feature is intended to ease the approval process.

12. As well as a text version of the new rules we have supplied a Word version marked to show differences from the existing version of the model rules. In making comments, recipients may find it easier to mark changes on the text and e-mail back the amended version.

Individual Membership

13. This will be in the form of contracts ('arrangements') which will continue to be in non-standard form. The terms of these contracts must not, of course, conflict with the establishing document or rules.

Model Package

14. We hope that, by making model documents available, we will be making administration easier and cheaper. This is particularly important for schemes seeking registration as a stakeholder pension scheme.

15. Use of the model is not compulsory. But its use will enable speedier examination for approval and registration, and we therefore want to know that the model meets the needs of schemes. We would like to have comments which suggest improvements to bring about workable documents which both enable compliance with the legislation but also serves as a day to day guide for scheme administration.