

Customer Forum Meeting - 3 June 2009

The terms of reference for the PSS Customer Forum are:

The Forum is established as a consultative body between Pension Schemes Services and its customers

- To discuss operational issues of general interest*
- To raise understanding/awareness of issues common to all parties*
- To seek customer views and discuss solutions to areas of operational difficulties*

Attendees

Paul Reynolds	-	Aries
Dave Sadler	-	Aviva
Andrew Roberts	-	Barnett Waddingham
John Hayes	-	Capita (on behalf of Prudential)
Stephen Tripp	-	Capita Life & Pensions
Kevin Phillips	-	D A Phillips
Tania Inge	-	Friends Provident
Christine Layton	-	Legal & General
Kelly-Jo Bird	-	Mattioli Woods
Bob Champion	-	MC Trustees
Veronica Husband	-	Prudential
Pam Jeffels	-	Prudential
Philip Clarke	-	Rowanmoor
Colm McLaughlin	-	Scottish Widows

HMRC Pension Schemes Services (PSS)

Sarah Mee
Graeme Morgan
Andrea Ronan
Peter Seedhouse
Amanda Thornber
Ann Walker

Agenda item 1 - Welcome and introductions

HMRC welcomed everyone to the meeting and passed on apologies from Corrine Robinson, Felicity Collington and Fiona Griffiths all of HMRC who were unable to attend due to travel difficulties.

Agenda item 2 – Action points outstanding from 27 November 2008 meeting

AP2 – Industry Visits Programme

HMRC has had one expression of interest so far and will take this forward. Further invitations would be welcomed and HMRC confirmed that they would also be happy to consider any proposal to visit PSS.

AP3 – Draft Legislation

On the agenda as item 3.

AP5 - PSR Guidance

Additional online guidance has been included online since April.

Agenda Item 3 – Draft Legislation

The item was raised initially at the last Customer Forum where concern was expressed by Forum members that there was a communications gap regarding the progress of Regulations.

To address this issue, HMRC propose to circulate to Customer Forum and Joint Working Group members a table detailing the target date for the Regulations to be in force and the timing of consultation. The table would be updated and circulated on a quarterly basis.

The forum requested that the draft SI number be included on the table.

Post Meeting Note: This is not possible because the SI number is only allocated when Regulations are laid before Parliament, when they are allocated the next number in sequence.

HMRC pointed out that the updates should not be relied on for planning purposes; the table would be a guide only and timings could be expected to change for a variety of reasons. Forum members confirmed that the information would nevertheless be very useful to have.

New AP1 The first version of the spreadsheet will be circulated with the minutes of the Customer Forum to show the current position on all currently pending Regulations.

Agenda Item 4 - New Authorised Payment Regulations – 2009/1171

The issue raised was:

“Scheme administrators are trying to embed the process for repayments after death. Reg 15 confirms that pension payments up to 6 months after death are now authorised. Clarification was sought regarding when a payment is classed as unauthorised or not. For example, if pension payments continue for seven months, is it only the payment in the seventh month that is unauthorised or do all seven months of payments become unauthorised?”

If just the final (i.e. seventh) month’s payment is unauthorised the result could be that very small amounts could end up being reported, as unauthorised payments as monthly pension payments can be as low as £10. Will the current £250 de minimis amount set out at RPSM12101040 continue to apply?”

HMRC confirmed that the regulations provide a 6 month window after death regarding a payment made being classified as authorised. In the example

provided, the seventh payment would be classed as unauthorised. A £250 de minimis limit would be applied however.

Forum attendees pointed out that Scheme Administrators have no control over when they are notified of a death; this notification could be made over six months after the member's death. The question was raised as to why the six months period of grace couldn't run from the date of notification to the scheme administrators. It was explained to attendees that the Regulations have been laid and the period of notification for authorised payments runs from the date of death.

HMRC said that where it is not possible for HMRC to identify payments as authorised they will raise a charge and Scheme Administrators should appeal if the payment is within the six month window and therefore authorised. HMRC make every effort to identify whether a payment is authorised or not and if it is identified as an authorised payment an assessment won't be raised. HMRC confirmed that an amendment to the Event Report could also be made by a Scheme Administrator.

Agenda Item 5 - Triviality Research Document Published on 2nd May 2009 raised by Norwich Union

The issue raised was:

"A piece of research was undertaken a year ago to look at triviality and the new regulations. What are HMRC's plans with the findings of the research? Are there any intentions to 'fix' the issues highlighted? Are there any plans to extend the research to cover a bigger sample and if so would information from Forum members be sought in order to identify customers who have had triviality payments

One of the areas identified as causing a problem was 'the information offered by providers' – is this likely to lead to HMRC being prescriptive about what information Scheme Administrators have to give to taxpayers in this situation.

HMRC said that there were no plans to carry out further research. The research had intentionally been specific, looking at a very narrow field, and had been undertaken as part of a wider review of the trivial commutation rules that was being carried out by HMRC. As a consequence of that wider work a number of changes are being introduced through the Authorised Payments Regulations 2009 that apply with effect from 1 December 2009.

HMRC is not going to be prescriptive about what information Scheme Administrators give, however the suggested message in Newsletter 9 will be updated and re-issued by HMRC in the lead up to the Regulations going live in December.

To address the issues highlighted by the research, HMRC staff have been reminded about how to deal with these repayment cases and have been provided with additional guidance. It was suggested by Forum members that issues remain surrounding HMRC staff's understanding of trivial commutation

and how this is dealt with. It wasn't understood why people on low incomes were being taxed at 40% and then had to reclaim the tax paid.

Post Meeting Note: The payments are taxed this way as a consequence of the payer having to operate the emergency code procedure in accordance with the PAYE procedures.

Agenda item 6 – Change in Minimum Pension Age

The issue raised was:

What plans, if any, do HMRC have to highlight/publicise the change in minimum pension age from 50 to 55 and what timescales?

HMRC said that where RPSM has references to the minimum pension age, these include the fact that it will rise to 55 in April 2010. It is also mentioned on the Scheme Administrator fact sheet. HMRC will be giving some further publicity to the changes over the coming months and would welcome Forum members' thoughts on what would be helpful and also feedback on what stage Forum members had themselves reached on this.

It was acknowledged by the forum attendees that HMRC's main responsibility was to the scheme administrators and that the responsibility lay with the scheme administrators to remind their customers of the change. The attendees felt however, that it was useful for them to have something from the HMRC that they could refer their customers to.

Some scheme administrators had written to all of their clients to inform them that the change is coming up and explain how this may affect their retirement plans. Some scheme administrators are carrying out research into how clients are affected and some had not yet taken any action at this point.

HMRC asked whether it was thought there were any groups at risk of being missed. The response was that the main issue they were aware of was that there was misunderstanding about the position of those who would be below 55 at April 2010 age and had drawn some but not all of their benefits.

Agenda item 7 Customer Understanding

The challenge for HMRC PSS was to understand what customers needed to make it easy for them to get right what was required under the pensions tax legislation.

HMRC recognised that before they could get that understanding they needed to know more about customers' business - their drivers, what it is that influences them, how they operate, and how that then affects interactions with PSS.

Everyone is working against a background of tight budgets and often reducing resources and it is essential that HMRC should only ask for what is

really needed. HMRC aims to make it as easy, fair and cost effective as possible for customers to comply.

Views would be very much welcomed on how PSS could best start what is a large and complex piece of work to gain additional understanding about their customers and what the points of pain are in their dealings with PSS and why.

It would be 'needs' not 'wants' that would be focused on. It would be impossible to satisfy the wants of all customers and even if that could be done it still might not meet the needs.

Feedback was requested from the group on the key things about PSS' service that have 'bugged' them - because they make life difficult or make customers not want to bother. Feedback was also requested on any areas where customers felt they had had particularly good service.

Attendees raised the point that different practitioners provide different services and have different customer bases so the 'point of pain' for one organisation is not necessarily the same as for another.

Attendees also felt that HMRC's motivation and requirements are not always transparent. They often don't understand why they have to provide HMRC with certain information; they felt for example that overseas transfers was a huge area of work for them with little gain.

Further feedback included:

RPSM / guidance

- RPSM sometimes very widespread across all areas- have to look in many of the sections.
- Delay in RPSM updating.
- Unclear guidance (often based on subjective interpretation of legislation).
- The 'one-offs' are not specifically dealt with- there are a lot of these, we have to guess what HMRC are want/expect us to do
- RPSM updates- getting even better- but it would really help to explain what changes have actually been made.
- PSS are very helpful and supportive when we have issues to refer or need more guidance on RPSM.

Understanding of customer

- Not appearing to understand what impact legislation has on our systems and processes.
- Lack of understanding of work required to administer pension schemes.
- Unwillingness to allow genuine mistakes to be rectified (e.g. if legislation is interpreted differently).
- Helpful staff but constrained by prescriptive legislation, lacking discretion of pre A-Day.

Communications

- Delays in, or lack of, response.
- Bad at following up on submitted PSRs.
- Helpful telephone enquiry section on technical matters.
- Good at consulting (but not sure what is done with that)

IT enhancements

- No funds for improvements. Customers have to spend to comply.

Policy issues

- Uncertainty about when legislation is going to be in place.
- Regulations often unclear / ambiguous.
- Good at writing lots of complex legislation to solve simple perceived problems.

Finally, attendees were asked what the reasons were for contacting PSS. The following points were made:

- For reassurance in writing because they have on occasion received conflicting advice so they want something they can show their clients.
- Concerned to get it right because the penalties for getting things wrong could be severe; particularly helping them to decide/understand whether something is an authorised or unauthorised payment.
- It was suggested that it would be helpful if PSS provided more Frequently Asked Questions on the website.
- Attendees said they would like greater clarity about what processes, records and controls HMRC would expect them to have in place.

HMRC thanked the group for their feedback which would be very helpful to PSS in developing its service.

Any Other Business

QROPS – update requested by attendees

The list of countries is not likely to be changed soon. The request remains on the IT enhancement list but when bidding for funding, this is considered of lower priority to other changes.

New AP2 HMRC to check the position regarding Australia and New Zealand.

HMRC Update: The list of countries will not be amended. This is an EU and EEA list and is linked to a number of functions within Pension Schemes Online. If the country is a non EU or EEA country then Customers should use "Other" and enter the country name in the next field.

GMP payments

When paying pension benefits, scheme administrators have no confirmation of what the GMP payment should be so they are forced to estimate from

their records what the payment is. This is invariably wrong which causes problems.

New AP3 HMRC will pass this issue on for consideration and response, and will provide a contact in the National Insurance Contributions Office for this.

Special Annual Allowance

What is the HMRC guidance regarding refunding contributions which take a member above the Special Annual Allowance? Specifically this refers to inadvertent contributions made over the Special Annual Allowance. Is the refund able to reflect investment loss/gain or should it simply be the amount of the actual contribution?

New AP4 HMRC to consider and provide a response.

HMRC Update: The tax rules on permitting refunds is designed to enable a member to obtain a refund of a contribution paid inadvertently, and which may otherwise lead to a special annual charge of 20%. Guidance on refunds is set out in Chapter 11 of the Technical Guidance on the Special Annual Allowance as available on the HMRC website.

The amount refunded, if the contribution was paid under the relief at source method as used mainly in personal pension schemes, should be the gross amount and not the net amount originally paid. However, the scheme administrator should not also make an alteration to the original amount claimed to HMRC.

The amount of the refund should not exceed the amount of the original contribution. So the rules on the calculation of the refund do not provide for any specific addition to reflect any investment build-up from the fund concerned. And whether a refund is made is dependent on the agreement of the scheme.

Scheme Sanction Charge

Attendees asked for an update on the review looking at the scheme sanction charge. HMRC advised that the review had recently been completed however at this point no further information is available.

PAYE – Overpayment/underpayment

Attendees asked whether the accounts could be sent out at the same time as this would make it easier for scheme administrators.

New AP5 HMRC to pass this on to the appropriate area for consideration and response.

Online Services

The HMRC Online Service representatives requested any comments / feedback regarding the online service.

Attendees raised a point regarding situations where PSRs were issued but PSR removed from the system and PSR not required further – but scheme administrator/practitioner not notified.

New AP6 HMRC to feed this back to the appropriate operational teams.

HMRC Update: The information provided by the Forum has been passed to the relevant Operational Team.

HMRC contacts

Attendees requested that HMRC provide details of who to approach in HMRC on pension tax issues in the various different offices and locations.

New AP7 HMRC to provide details.

HMRC Update: HMRC aim to provide guidance and information on our web pages (www.hmrc.gov.uk/pensionschemes) that will answer most enquiries. You can also e-mail your enquiry to us (using the "Contact Us" button at the top of our web pages, detailed above). If you need to contact us by telephone, we ask all customers to use our helpline numbers, except where responding to a contact from HMRC where a direct line telephone number has been quoted. Helpline numbers are published on our web pages.

Timescales surrounding geared penalties for AFT

Attendees have had cases where the AFT penalties have been paid off, but over a year later another geared penalty is received. HMRC confirmed that there is a process for dealing with geared penalties and acknowledged that there should be a shorter period for receiving them.

New AP8 HMRC to feed this back to the appropriate operational team.

HMRC Update: The information provided by the Forum has been passed to the relevant operational team.

RPSM

The pages of RPSM regarding annual returns of information on member contributions should provide a link to the specification.

Last time this was missed. Attendees requested that this be included in the news page of the Pensions web pages.

New AP9 HMRC to investigate and advise.

HMRC Update: We are arranging to insert a link to the specification from RPSM 05301120. The 2007/08 specification remains current for the 2008/09 returns.