

Pensions Update

141

20th March 2003

Please pass a copy of this Update to everyone in your organisation who needs to see it. The category of schemes covered by this Update is shown below. Italicised terms are explained in the glossary at the end.

Category:	Occupational and Personal Pension Schemes, including <i>FSAVCs</i>
Action:	Mailing list customers should insert the attached replacement pages to their paper manuals. On-line customers should note the revisions that have been made to the on-line versions of <i>PN</i> , the <i>FSAVCs PN</i> supplement and <i>IR76</i> .
Current Position:	Certain amendments to guidance were outstanding following changes and clarifications announced in a number of earlier Updates.
Summary:	This Update sweeps up a large number of outstanding amendments. Where there are new clarifications these are identified in the text of this Update.
Enquiries:	0115 - 974 1600 Printing / mailing issues for paper versions of this Update: see footer*.

141: Amendments and Corrections to Guidance

1. This Update announces a number of corrections and amendments to published guidance, following changes announced in a number of earlier Updates. In the rare instances where there are new clarifications notified for the first time, these are identified in the text of this Update.
2. The on-line version of *PN*, *IR76* and the *FSAVCs* supplement on the 'pension schemes' featured area on the Inland Revenue website (www.inlandrevenue.gov.uk) have been amended with all the changes listed in this Update. For identification purposes amendments are marked in the text with a turquoise background.
3. Mailing list customers will find replacement pages enclosed for the amendments listed in this Update. For identification purposes amendments are marked on the paper-based text with a grey background.
3. The following amendments have been made to *PN*:
 - New 3.16 to cover the admission of part-timers (paragraphs 20 - 25 of Update 27)
 - 4.4 - new cross reference
 - New 6A.30-32, describes how annuities subject to a pension sharing order should be adjusted (paragraphs 13 -15 of Update 84)

- 7.7 - additional paragraph at the end of 7.7, dis-applies the easement on applying the pension debit to individuals who have retired (paragraph 12 of Update 84)
- New 7.38 about two-stage benefit payments, first announced in Update 40 (old 7.38 becomes 7.39 encompassing content from previous 7.39)
- 7.40 - unnecessary sub-heading removed
- 7.49 - 7.58 renumbered to accommodate new paragraphs below
- New 7.49 to cover paragraphs 4 and 5 of Update 27
- New 7.50 to cover paragraph 6 of Update 27, and paragraph 1 of Update 68
- New 7.51 to cover paragraphs 3, 9 and 10 of Update 27, and paragraphs 2, 3 and 4 of Update 68
- New 7.52 New paragraph 7.52 to cover paragraph 5 of Update 68
- New 7.53 to cover paragraph 9 of Update 27
- 7.55 - renumbered as 7.60, and amended to deal with comments in paragraphs 17 and 18 of Update 27 on commutation factors
- 8.12 - corrected heading formatting
- 8.17 - amended to reflect current contracting out requirements, with additional paragraph at the end, covering changes in how pension credit rights should be dealt with in cases of serious ill-health commutation. – paragraph 17 Update 84
- 10.21 - amendment for two-stage transfer payments
- 10.22 - amendment for two-stage transfer payments and to give clarification about transfers on or after a low normal retirement date
- 10.31-32 & 10.35 - new lump sum certification requirement for members of certain schemes with agreed low normal retirement dates
- 10.36 - new cross reference inserted
- New 10.41a-f paragraphs about two-stage transfer payments: first announced in Update 40
- New 10.41g about supplementary transfer payments: first announced in Update 40
- 10.42 - “DSS” changed to “Department for Work and Pensions” and “Pension Schemes Office” changed to “IR SPSS”
- 10.44 - amended for two-stage transfers
- 10.47(c) - reinsertion of amendment that was first inserted by Update 132 but then accidentally deleted. Also inserts an amendment to cover for regulations per Update 85
- New 10.55 covering the background to mis-selling
- New 10.56 covering redress to pension vehicle securing benefits
- New 10.57 covering redress - tax free under s148 FA 1996

- New 10.58 covering instatement in an occupational pension scheme
- New 10.59 covering reinstatement in an occupational pension scheme
- New 10.60 covering "excess" contributions
- New 10.61 covering return payment before compensation into an occupational pension scheme
- New 10.62 covering "excess" retained in a personal pension scheme in paid-up form
- New 10.63 covering income from investments as actual returns by scheme's main fund or additional voluntary contribution
- New 10.64 covering further contributions for past years
- New 10.65 covering contributions exceeding 15% of remuneration
- New 10.66 covering the situation where a member retires before redress is paid
- New 10.67 covering the situation where contributions can be made to a personal pension scheme when waiting for the personal pension scheme to go into an occupational pension scheme
- 13.9 - new reference to the updated ABI Funding Guidelines. Also amended to make it clear that once the choice between using either final remuneration or current remuneration for funding calculations is made, it should be used consistently.
- 14.8 - amendment for two-stage transfers - first announced in PSO Update 40
- 16.06 - expanded to reflect paragraphs 10 & 11 of Update No 29
- 16.08 - expanded to reflect paragraph 10(iii) of Update No 47
- 16.17 - incorporating lump sum certification requirement for members of schemes with an agreed low normal retirement date
- 16.18 - new cross-reference inserted
- 16.21 - amended in line with paragraph 12.14 of IR76(2000)
- 16.56 - new cross-reference
- New 16.94 - 16.96 - incorporating requirements from updates 33 and 64
- 17.27 & 17.28 - amended to reflect current contracting out requirements
- 18.4 - amended to reflect how a PS5 documentation certificate is not required when submitting a new application where standard documentation is used - first announced in Update 47
- 19.1 - amended to incorporate Update 6 policy that prior warning will be given before approval is withdrawn.
- 20.04 - further bullet point added about lists of schemes that Pensioner Trustees act for
- 20.64 - correction to reflect the amendment to regulation 4(2)(a) of the [SSAS Regulations](#)

- 21.05 - Added reference to form PS 257
- 21.6 - **easement** meaning that IR SPSS need not be notified if a departing employer wishes to remain in a centralised scheme (for less than 12 months) whilst it sets up a new scheme for its employees. The easement is dependant on the rules of the centralised scheme allowing for continued participation.

If the rules have no provision for continued participation in these circumstances then it will be necessary to submit amendments to IR SPSS and obtain prior clearance. Prior clearance will also be required where the period of temporary participation is likely to exceed twelve months.

Any enquiries specifically on this point should be addressed to Alan Hackney on 0115 974 1643

- New 21.25 about the abandonment of a participation by an employer in a centralised scheme
- 22.03 – deleted. 22.4 has been split into two parts (new 22.3 and 22.4)
- Glossary – insertion of ‘Allowable Maximum’ and ‘Permitted Maximum’ figures for 2002/03
- A13.21 - new cross references

4. The following amendments have been made to the [FSAVCs](#) supplement to [PN](#):

- New Appendix 8 - to go into the FSAVC supplement to IR12. As the entire appendix is new, neither turquoise nor grey shading is used: so as to help legibility.

5. The following amendments have been made to the [IR76](#):

- New 4.46 - 4.48 incorporating requirements from Updates 33 and 64
- New 8.10 explains how pension credit rights should be treated in incapacity cases
- 9.8 - has been renumbered as 9.8a
- New 9.8b allows for an annuity to be split by a pension sharing order (paragraph 18 of Update 84)
- 9.38 - has been renumbered as 9.38a
- New 9.38b allows for a pension fund in drawdown to be split subject to a pension sharing order (paragraph 19 of Update 84)
- New 9.38c clarifies how the member’s fund in drawdown should be treated after it has been subject to a pension sharing order (paragraph 20 of Update 84)

6. There have also been a number of very minor changes, such as the updating of some cross-references where their target paragraphs have been renumbered. These are not listed.

Glossary

FSAVCs : Free Standing additional voluntary contribution scheme: an approved scheme to which the employer does not contribute and which provides benefits additional to those provided by a scheme to which the employer does contribute – see Glossary to PN for full definition.

IR76 : Inland Revenue Guidance Notes for Personal Pension Schemes (Including Stakeholder Pension Schemes).

PN : Practice Notes (IR12): Inland Revenue Guidance Notes for Occupational Pension Schemes.

SSAS Regulations : The Retirement Benefits Schemes (Restriction on Discretion to Approve)(Small Self-administered Schemes) Regulations 1991 [SI 1991 No 1614] – amended by regulation 5 of the Retirement Benefits Schemes (Restriction on Discretion to Approve)(Small Self-administered Schemes)(Amendment) Regulations 1998 [SI 1998 No 728]

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