HYMANS ROBERTSON

Administration matters

Welcome to our regular bulletin on current issues affecting pension administration

As a valued client of Hymans Robertson, we hope you find this bulletin useful for your in-house administration team.

Welcome to the second edition of Administration Matters in which we offer some nuggets of information from the pensions industry which you may find useful in your administrative role.

In the wake of post-Brexit Britain, thankfully there do not seem to be many burning issues for administration. However, there are one or two observations we have made that we thought it would be useful to share.

Overseas pensioners and exchange rates

The recent drop in the value of the pound has created ripples with pensioners living abroad, as many have seen the spending power of their pension reduced. As a result we have seen an increase in requests for payment methods to be changed. The actual details of what the administrator can or cannot do will be described in the Scheme rules and that should always be your first port of call. It is important to remember when responding to members' requests that any pension payments made to an account that is not held in the name of the recipient could be deemed an unauthorised payment with the usual taxation penalties.

Transfer of Safeguarded Benefits

From 6 July 2016, this became a little bit easier with the commencement of section 34 of the Bank of England and Financial Services Act 2016. This act allows an Appointed Representative to advise on transfers of safeguarded benefits (broadly defined benefits) to a flexible (broadly money purchase) arrangement. Until now the written confirmation of advice (required where the unreduced transfer value is over £30k) has had to come from the principal firm. Of course it must be remembered that the requirement to check that the member has received financial advice in these circumstances still remains part of the administrator's responsibility on behalf of the trustees.

Potential Changes to Scheme Literature and the new State Pension

Changes to the State Pension in April 2016 could potentially leave individuals slightly worse off than in the past. This issue has the biggest impact on those with large GMPs who reach State Pension Age during the early years of the new State Pension. It has arisen because pension schemes do not have to provide increases on pre 6 April 1988 GMPs or post 6 April 1988 GMPs in excess of 3%, the 'missing' increases effectively being provided as part of the pensioner's State Pension. This is no longer the case for those individuals who reach SPA on or after 6 April 2016.

Although this is not an issue for the pension scheme itself, it would be wise to review any scheme literature and communications to individuals for references to increases on GMP being provided by the State. This will help to avoid any future complaints that the information provided is misleading.

As always, your feedback and comments on the topics we cover in Administration Matters are welcome.

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