LCP INSIGHT CLARITY ADVICE

SSAS update

“Are you being scammed?”

December 2021

We are now seeing a return to the increasing of regulations that govern pension schemes, including SSASs. This has started with changes to the requirements for the transfer of certain pension benefits, which are a target for scammers.

In this update

The pandemic has given scammers more opportunity for transfer and investment scams.

Scammers will often approach out of the blue with promises of greater investment returns, via unusual, high-risk investments or with promises of "unlocking" pensions or provide greater access to funds.

The Pensions Regulator (TPR) has a great deal of information on scams and how to avoid them on their website, which can be accessed **here**.

> *The good news is that SSASs already offer trustees and members the greatest flexibility of investments and benefits that are possible within pension scheme rules.*

Trustees and members who receive such an approach can ask us for assistance. As a rule of thumb, the old adage "if it looks too good to be true..." applies the same today as it ever did.

Increased regulations had already started to be planned pre-pandemic but as a result of the recent spike in scams, new rules came into effect recently that are designed to help protect members from pension transfer scams.

New requirements for the transfer of pension benefits

Following a consultation earlier this year by the Department for Work and Pensions (DWP), regulations have now been laid before Parliament which are designed to help protect members from pension transfer scams. They will require trustees and pension providers to increase their due diligence on the receiving arrangement and give them the power to stop transfers they consider fraudulent.

The new regulations came into force on 30 November 2021. From that date, certain conditions must be met for the transfer to proceed. Full details can be found on our recent **News Alert**.

For SSASs this is likely to mean that any member wishing to transfer benefits into the SSAS will have more hoops to go through. They are likely to be required to complete and provide more paperwork than previously, which will inevitably increase the timescales involved. Among other requirements, members will be required to prove an employment link with the Sponsoring Employer of the SSAS and provide a schedule of proposed contributions to be paid to the SSAS on their behalf.

Where a member is unable to provide sufficient details, they will be directed to "MoneyHelper" (a service provided by the Money and Pensions Advice Service) to set up a guidance session. The purpose of the session is to:
"help identify common risks involved in transfers, highlight the dangers of pension scams and allow the member to consider whether to proceed with their transfer".

The member will be required to provide evidence in the form of a unique reference number from MoneyHelper that they have done so.

> *The Pensions Regulator (TPR) has set out a practical guide to the new regulations (click here to read them).*

Our viewpoint

Protecting members from transfer scams is a good thing, even if the additional due diligence delays bona-fide transfers.

However, the regulations may hit transfers into SSASs hardest. The new requirements may be a significant obsticle for transfers for family SSASs where not all family members are employed by the Sponsoring Employer and for older SSASs where a member may just want to consolidate their pensions under one roof, but the employer has been dissolved.

Members with some form of Lifetime Allowance protection may also not be able to provide a schedule of contributions, as any contributions can invalidate their protection.

These points are "amber" rather than "red" flags and we hope that pension providers will be pragmatic when considering whether to agree to such transfers.

Other technical updates for SSAS trustees

There are a number of technical changes that apply now or will in the near future which trustees should be aware of, summarised in the sections below.

1. Covid easements removed

Last year, HMRC introduced some temporary easements to the rules as a result of coronavirus to help trustees with some of the problems caused during the pandemic. This included the ability for scheme trustees and their sponsoring employers to agree temporary rent or loan repayment holidays without all the usual supporting evidence.

Those temporary easements have now been removed. Any trustees considering a request for a rent or loan repayment holiday should contact us for further assistance.

2. Lifetime Allowance frozen at current level

In our previous update we reported that the Lifetime Allowance (LTA) was due to increase in line with CPI from the 2021/22 tax year. In fact, it has been frozen at £1,073,100 for 2021/22 and it will remain at this level until 2026.

The LTA sets a limit on the value of total pension savings an individual can build up across all schemes before extra tax is payable. Funds are normally tested against the LTA when the individual starts to draw them (or at age 75 if earlier).

The freeze means that some people will pay more tax, compared to if the LTA had increased in line with CPI as expected.

For individuals with funds above the LTA, some LTA protections are available from HM Revenue & Customs which may reduce the extra tax payable. Please contact us for further details.

3. Update on the change to the minimum pension age

As previously reported, the Government has confirmed that the normal minimum pension age - ie the age from which individuals can start to draw their pension benefits - will increase to age 57 (up from 55) with effect from 6 April 2028.

Broadly, the change will affect anyone born from 1971 onwards, who will need to wait a few more years before they can start to draw their pension benefits.

4. HMRC online services – migration to the "Managing Pension Schemes service"

We have many times in the past reported that HMRC intend to migrate their online service from the "Pension Schemes Online service" to the "Managing Pension Schemes service". This has been much delayed (for a variety of reasons) and so it's quite possible we will be reporting on this many times again in the future! However, we understand that HMRC now expect this migration to take place in "spring 2022".

In the meantime, trustees should ensure that whoever is registered with HMRC online logs on to the existing service and checks that the details shown are correct and up to date. HMRC intend to delete any "old" records and so whoever had registered, but not logged on recently, will need to reregister.

In addition, they can also register with the Managing Pension Schemes service here in preparation for the migration. Please contact us for any assistance required.

Clients who established a new SSAS with us in the last year will already be registered with new service and do not need to take any action.

Why a SSAS with LCP?

LCP is one of the UK's leading pension consultants. Our top priority is to deliver the right solutions for our clients, whether they are large or small, based on an understanding of their scheme and consulting needs.

We act as professional advisers to our SSAS trustee clients to help guide them with pensions legislation and assist them with the administration of the scheme.

We differ from other SSAS providers as we do not act as a Trustee and so are not co-owner of the assets nor co-signatory on the bank accounts. For example, our SSAS clients don't need us to separately authorise payments from the SSAS bank account. This enables our SSAS clients to retain complete control of their SSAS, its cash and investments. Our approach is to get involved only to the extent our clients want us to, allowing them to stay in control, while being proactive when appropriate, such as when legislation changes.

We offer our SSAS clients a personalised service, and pride ourselves on long-standing, successful relationships with our clients – most of whom have been with us for many years.

Regulatory reporting requirements 2020/21

A reminder for all those connected with SSAS of the regulatory reporting requirements.

HM Revenue & Customs (HMRC)

HMRC requires Scheme Administrators to submit reports online. Their deadline for the submission of their reports for the 2020/21 tax year is 31 January 2022. Failure to meet the deadlines will result in automatic fines.

HMRC Scheme Return 2020/21

After a break last year due to the pandemic, HMRC have issued requests for the completion of their Registered Pension Scheme Return for the 2020/21 tax year.

Whoever has registered with HMRC online as Scheme Administrator should check the scheme's noticeboard on HMRC's website to see whether a notice to complete a return has been received for the 2020/21 tax year and, if it has, arrange its completion. Please let us have a copy of any submitted return in due course.

Where LCP has been appointed as Authorised Practitioner we have already written to those clients with a note of the requirements. Where we have not been so appointed, the Scheme Administrator must check and complete any required submission. We are happy to act as Authorised Practitioner if desired - please contact us for details.

HMRC Event Report 2020/21

In addition to the scheme return, HMRC requires an Event Report to be submitted if certain events occur during each tax year. We have set out opposite some further information on the reportable events to help trustees determine whether or not an Event Report may need to be submitted. If a report is necessary the Scheme Administrator will need to arrange for its completion. If there is any doubt as to whether an event that has occurred needs to be reported, please let us have details and we will advise accordingly.

Where we are aware that a reportable event has occurred we have already written to clients regarding the next steps that need to be taken to submit the report. If a reportable event has occurred and LCP has been appointed as Authorised Practitioner we can submit the report. Otherwise, the Scheme Administrator must arrange for the submission of the report.

Reportable Events 2020/21

The Regulations set out numerous separate events covering many areas, most of which are unlikely to apply to schemes ordinarily. However, to help the Scheme Administrator determine whether an Event Report may be required, we have summarised in the box to the right the type of events that require reporting.

Generally, the reportable events fall into two main areas: scheme events and member events. Please review the following list of events and if you think any of them may have occurred during the tax year please let us know as a matter of urgency so that we can advise whether it needs to be reported.

Transfers to Qualifying Recognised Overseas Pension Schemes are reported separately and must be reported within 60 days of the transfer.

Scheme events

- Unauthorised payments[1].
- The purchase or sale of any Taxable Property[2] (or, if already held, any income received from such property), at any time during the tax year.
- A change in membership between certain bands (ie where the number of members has increased from 1 or above 11 or decreased below 2 or become 0).
- The wind up of the scheme.

Member events

- A member commences receipt of their benefits before normal minimum pension age - normally only possible on ill-health grounds.
- Commencement of benefits (or at age 75, if tested) where the member's funds from all schemes have exceeded the standard Lifetime Allowance and the member has relied on any form of Lifetime Allowance protection.
- A lump sum is paid to a member who has any form of Lifetime Allowance protection.
- A lump sum is paid to a member that represents more than 25% of their share of the fund.
- Lump sum death benefit payments that amount to more than 50% of the Standard Lifetime Allowance that was applicable on the date of the member's death.
- The Trustees are required to issue a 'Pension Savings Statement' (usually when contributions paid in respect of a member exceed the Annual Allowance).

[1] An unauthorised payment is a legally defined term and includes, for example, a loan to a scheme member.

[2] Taxable property is a legally defined term and includes, for example, residential property, works of art etc. If in doubt, please contact us.

Regulatory reporting requirements 2020/21

A reminder for all those connected with SSAS of the regulatory reporting requirements.

The Pensions Regulator's (TPR) scheme return

TPR is a separate government body to HMRC and they request completion of their own scheme return which is different to that requested by HMRC.

TPR requests the completion of their scheme return normally on a rolling three-year basis for schemes with two or more members. Although TPR usually provides trustees with notification of the requirement by post this is not always the case. We suggest that trustees regularly check the TPR's Exchange system (via their website www.thepensionsregulator.gov.uk) to see whether a return is due. TPR aims to give six weeks for the completion of the return and has the power to fine trustees for failing to do so.

As a reminder, TPR now ask trustees to confirm when they last checked the data they hold on their members to ensure it was complete and up to date. This is perhaps more appropriate to larger schemes, but TPR have adopted a blanket approach.

We would not normally expect trustees of SSASs to have a problem confirming their members' "common data"; after all it is generally data about themselves, and with the assistance of their professional advisers, the "scheme specific data" shouldn't be a problem, providing things like scheme accounts etc are up to date. Whether the data is readily to hand is another matter!

We can assist our clients meet the requirements by providing scheme and member statements which show the common and scheme specific data we hold with some appropriate commentary. We can also be appointed to complete TPR's scheme return on the trustees behalf if desired. Please contact us for assistance.

Information Commissioners Office (ICO) registration

Trustees should remember to renew their registration with the ICO on an annual basis. The easiest way to do so is to simply pay the renewal via direct debit. Contact us for any assistance.

INSIGHT CLARITY ADVICE

Any questions?

If you would like any assistance or further information on the contents of this SSAS update, please contact Peter Clarke or Patrick Moriarty or email enquiries@lcp.uk.com.

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This update does not constitute advice, nor should it be taken as an authoritative statement of the law.

At LCP, our experts provide clear, concise advice focused on your needs. We use innovative technology to give you real time insight & control. Our experts work in pensions, investment, insurance, energy, financial wellbeing and business analytics.

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