Questions and answers for trustees of group defined contribution occupational pension schemes

You should read this leaflet with the booklet 'Important changes affecting your Equitable pension scheme – a guide for trustees of group defined contribution occupational pension schemes'.

1. When do the new rules start to affect my pension scheme?

Most of the changes will come into effect from 6 April 2006. This date is commonly referred to as 'A-day'.

2. What changes will directly affect what I do as a trustee?

You will continue to run your pension scheme as you have done in the past. Members will continue to join and leave. You will, however, notice that when a member leaves the pension scheme (either retires, dies or leaves service) the information we provide is different from what you will have seen before. Our booklet describes the main changes.

3. I have heard that trustees and administrators will no longer monitor how much is paid into the pension scheme by a member. Is this true?

Yes. From 6 April 2006 there is no limit on the number of pension schemes a member can belong to. This means that we will be unable to monitor the contributions being paid for a member. Your members will need to tell the Inland Revenue (HM Revenue and Customs) about their pension contributions on their tax return form.

4. A member was hoping to have saved more than £1,500,000 in their pension fund for their retirement. Do the new rules prevent them doing that?

No, they can still build up a fund as large as they like. However, if their total pensions savings and benefits go over their lifetime allowance when they retire, they may have to pay some tax (see section 3 in our booklet 'Transitional arrangements').

The member may want to get independent financial advice for help in this area.

5. As a trustee, what do I need to do if one of the scheme members has a large fund?

You need to make sure that you tell all your members about the future changes. You could use appendix A in our booklet 'Important changes affecting your Equitable pension scheme – a guide for trustees of group defined contribution occupational pension schemes' to do this. If a member is granted enhanced protection or primary protection by HM Revenue and Customs, please make sure you tell us (section 3 of our booklet explains these terms). Most importantly, if they are granted enhanced protection, keep in mind that any further contributions paid for them or by them into your pension scheme will cause them to lose that protection.

6. How will the changes affect my members who want to take part of their pension fund as tax-free cash when they retire?

Normally, everybody will be able to take up to a quarter of their pension fund as tax-free cash. Our booklet provides more details about those members who may have the right at 5 April 2006 to take a larger tax-free cash sum.

7. Do I need to do anything now?

If you have members considering applying for enhanced protection of their pension savings, read ‘Members with very large pension savings – enhanced protection’ in section 3 of the booklet and consult your pensions adviser. If you have members, or somebody on their behalf, who are currently contributing more than the annual allowance to all the pension schemes they belong to, you may want to suggest that they get independent financial advice.

8. What else do I need to remember to do?

Section 4 of our booklet ‘Actions for trustees’ gives you a list of the areas where as a trustee you need to take some action. We suggest you read this section carefully.

9. Will I be able to offer more flexibility and choice at retirement for the scheme membership?

Yes. The new rules will allow you to offer pensions to members before they retire and there will be a wider range of choices for members from when they take their benefits. However, this is not something we will offer.

From 2010, you will not usually be able to allow members to take their benefits before age 55.

10. What is the lifetime allowance?

Usually the lifetime allowance for a member is the same as the standard lifetime allowance. Their lifetime allowance may be higher because they have been given protection of their benefits at 5 April 2006 by HM Revenue and Customs. It could also be higher or lower because they have received or paid a divorce credit or received or paid a transfer value from or to an overseas pension fund.

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