Normal Minimum Pension Age:
Proposed Cross-Industry Approach to Transfers

Introduction

This document consults on a proposed approach to a key issue arising from the increase in normal minimum pension age, with the aim of applying it across the pensions industry. Transfers with a protected pension age of 55 or 56 need a common approach going forward, and a retrospective exercise is needed to capture transfers since 4 November.

The document:

- Lists HMRC requirements and outstanding questions for them and other regulators
- Proposes a cross-industry register
- Sets out an approach to the retrospective exercise
- Proposes an approach to future transfers aligned to that agreed by transfer communities

It was produced by a cross-industry group (for membership, see Annex) brought together by industry bodies ABI, PASA, PLSA and TISA. Please respond to any of the industry bodies listed by Friday 15 July with answers to the following questions:

1. Do you agree with the approach overall?
2. Do you agree with the status of the document as a 'cross-industry approach'?
3. Do you have any comments on the details of the proposed approach?
4. Do you agree with the proposed start date and target end date?
5. If you agree a register should be maintained, who should maintain it, and is your firm or scheme willing to pay for this?
6. Should the standard information for transfers include older protected pension ages?
7. Are there any regulatory issues that need to be clarified, or impacts if they are not clarified?

HMRC requirements

From 6 April 2028 the Normal Minimum Pension Age will increase from age 55 to age 57. This increase does not apply to a uniformed services pension scheme such as an armed forces pension scheme. There are three scenarios where individuals will have a protected pension age of 55.

> ***Original scheme protection***
>
> *Applies to members of a pension on 4 November 2021 where the scheme rules in place on 11 February 2021 gave an unqualified right to take benefits earlier than age 57.*

Block transfer protection

Applies to two or more members who transferred on or after 4 November 2021 as part of a single transaction from a pension scheme where they had an age 55 protected pension age. The age 55 protected pension age applies to all their pension benefits in the receiving pension scheme, including benefits to which NMPA previously applied.

This type of block transfer protection is <u>not</u> prevented by the individual being a member of the receiving scheme for more than twelve months.

- Impact on industry: It is likely that pension schemes will have received block transfers from schemes with an age 55 protected pension age. This could include transfers not previously classed as a block transfer due to the member transferring more than 12 months after joining the receiving pension scheme. It is possible that neither the member nor the transferring scheme will be able to confirm whether the member had a protected pension age

Individual transfer protection

Applies to members who make an individual transfer from a scheme where they had an age 55 protected pension age. Only the transfer value, plus or minus any growth or loss on that value, will have the age 55 protected pension age. All existing benefits, future contributions, future transfers, and associated growth/loss will have the age 57 normal minimum pension age. The proportion of the pension attributed to the transfer value will need to be separately identifiable from the remainder of the pension.

- Impact on industry: It is likely that pension schemes have received individual transfers from schemes with an age 55 protected pension age and that neither the member nor the transferring scheme will be able to confirm whether the member had a protected pension age.
- It is possible that from April 2028 members will consolidate pensions in a pension with an age 55 protected pension age before transferring back to their original pension scheme take pension benefits from age 55.

Pension schemes could contain members:

- With a standard NMPA of 55, increasing to age 57 on 6 April 2028
- With a protected pension age of 55 or 56 due to original scheme protection
- With a protected pension age earlier than age 55 due to a block transfer where they must take all scheme benefits at the same time to use that protected pension age
- With an age 55 protected pension age due to a block transfer where they do not need to take all scheme benefits at the same time to use that protected pension age.

- With an age 55 protected pension age due to an individual transfer on or after 4 November 2021 where the protected pension age only applies to the transferred pension value plus or minus any growth

These differing pension ages may affect regulatory illustrations, data provided to Pension Dashboards, Lifestyling, and timing of retirement communications. Members will want their details passed between ceding and receiving pension schemes.

Outstanding questions: HMRC

The group identified several outstanding questions for HMRC and HM Treasury, or where views different across the industry. If these are not resolved, an industry solution will not work as effectively and will take longer to implement, as more schemes will remain uncertain about both past and future transfers.

- Confirmation as to whether a block transfer PPA could apply to block transfers received at any time before 4 November 2021 if the ceding scheme still existed on 11 February 2021.
- Confirmation as to whether non-protected benefits that are individually transferred into schemes that have 2028 protection inherit the protected age, or whether they retain the non-protected age and require ringfencing.
- Whether the right to a protected pension age is extinguished on individual transfer to a scheme that does not administer protected pension ages, and whether that scheme must record it as a separately identifiable benefit.
- Who is liable for any unauthorised payment made if ring-fencing has not been administered correctly in a chain of individual transfers.
- Where scheme rules (as at 11th Feb) allow members to select retirement dates or benefit ages, did this give them an unqualified right to an age 55 or 56 protection in principle and, or where their selected retirement date or benefit age had been changed to age 55 or 56 at any time before 4 November 2021
- Where scheme rules refer to the member having to meet certain ‘conditions’ before benefits can be paid that are deemed to be operational in nature (for example, having to complete application forms, provide evidence of identity, bank details etc.), did this give them an unqualified right to an age 55 or 56 protection?
- The legislation refers to an “actual or prospective right” to take benefits, but HMRC’s guidance refers to an “unqualified right”. Why is there a difference?

Proposed cross-industry approach: NMPA register

[Industry body] will create and maintain a central register of pension schemes which have confirmed whether their scheme rules in place on 11 February 2021 gave an unqualified right to take benefits at age 55 or 56. This is aiming to cover larger pension schemes, such as Group Personal Pensions or Master Trusts and may never cover all single employer schemes. The aim is to cover 80% of pension membership.

The register information will be basic. Scheme identifying information, contact details and whether 'all', 'some' or 'no' members had PPA55 or PPA56 original scheme protection. The format used would also work for any future NMPA increase and further transitional protection, e.g. PPA57.

The register will allow members and administrators to assess whether it is likely that a PPA is held. The register can also be used to indicate PPA prevalence as well as industry progress in determining whether a PPA is held. The register cannot be used to conclusively determine whether a scheme member had a PPA as members of schemes without original scheme protection could have a PPA due to a transfer from another scheme.

Example

Provider	**Scheme**	**Contact**	**PPA55**	**PPA56**	**PPA57** (if needed in future)
Provider A	Scheme 1	PPA55@providerA.co.uk	All	None	None
Provider A	Scheme 2	PPA55@providerA.co.uk	Some	Some	None
Provider B	Scheme 1	PPA55@providerB.co.uk			
Provider C	Scheme 1	PPA55@providerC.co.uk	None	None	None

Proposed cross-industry approach: NMPA retrospective exercise

The legislation introducing Protected Pension Ages became effective from when it was announced and also applied to pre-announcement transfers. Members will have already transferred from pension schemes with original scheme protection and so have a protected pension age. Receiving schemes need to identify, record and track any applicable protected pension ages.

To ensure a consistent approach, ceding DB and DC schemes will be responsible for providing the receiving scheme with protected pension ages in a standard format. The intention is that each provider with an original protected pension age only contacts every other provider once, in bulk, acknowledging that there will be exceptions where information is received late or there are subsequent transfers.

To minimise administrative disruption, this retrospective exercise will start on **1 October 2022** with a target end date of **1 April 2023 [*NB the start date may change as it is intended to align with transfer communities implementing additional PPA information within future transfers*]**. Recognising that some pension schemes may require longer to obtain legal certainty, the target end date is on a 'best endeavours' basis. Consideration will need to be given to how the reconciliation work that does not take place during this work will be handled and whether HMRC should set a final date beyond 'best endeavours' and whether it is necessary for HMRC to mandate where the responsibility for sharing information sits.

The receiving scheme is responsible for receiving and storing protected pension age information, as well applying the relevant protection and communicating with affected members. The ceding scheme is not required to check that the receiving scheme can do so before providing this information. It is expected that schemes will work together if one scheme is providing protected pension age details for multiple transfers to another scheme.

If the member has subsequently transferred from the receiving scheme to another receiving scheme, then they will pass on the information to the new receiving scheme, undertaking any required calculations to enable them to do so.

As part of the retrospective exercise, ceding schemes will not contact receiving schemes just to confirm that no protection is held. The receiving scheme or the member may contact the ceding scheme for confirmation if they believe that a protected pension age might exist.

Proposed cross-industry approach: NMPA outside retrospective exercise

A scheme which has completed their retrospective exercise will still need to provide protected pension age information to receiving schemes. This will be for new transfers and when protected pension age information is subsequently received for previous transfers.

If this involves multiple transfers to the same scheme it is likely that the ceding scheme will follow the same process they used for the retrospective exercise. The information for individual transfers will be provided with each individual transfer.

Proposed cross-industry approach: NMPA transfer information

Whether as part of the retrospective exercise or as an individual transfer, protected pension age information will be passed on in a standard format using consistent terminology. This is in addition to existing transfer information and includes protected pension ages under 55 but doesn't include information in relation to protected tax-free cash.

The industry bodies intend to adopt the process and information used by transfer communities, once finalised. We anticipate that ceding schemes will be encouraged to include the following information in discharge forms for manual transfers:

- If the transfer includes protected pension age benefits
- The amount of the transfer amount that relates to a protected pension age
- The protected pension age that applies
- The amount of the total transfer amount that relates to a non-protected pension age

Consistent terminology ensures that there is precise communication between schemes. Member communications should not use industry jargon and should be designed so they are likely to be understood by the average member as well as meeting all other applicable requirements.

Example terminology

Name	Description	Abbreviation
Original Protected Pension Age	Applies to members of a pension on 4 November 2021 where the scheme rules in place on 11 February 2021 gave a right to take benefits earlier than age 57.	OPPA55 (age 55 protection) OPPA56 (age 56 protection) OPAA57 (age 57 protection – for future increases)
Block transfer protection	Applies to two or more members who transferred on or after 4 November 2021 as part of a single transaction from a pension scheme where they had an age 55 protected pension age.	BPPA55(age 55 protection) BPPA56(age 56 protection) BPPA57(age 57 protection – for future increases)
Individual transfer protection	Applies to members who make an individual transfer from a scheme where they had an age 55 protected pension age.	IPPA55(age 55 protection) IPPA56(age 56 protection) IPPA57(age 57 protection – for future increases)

Non-HMRC regulatory issues

The group also identified multiple regulatory and policy issues for bodies other than HMRC: HM Treasury, HMRC, DWP, TPR and the FCA.

- Whether there are plans to mitigate complications for members who are unable to take small pots or trivial commutation at the earlier PPA as the payment would not extinguish entitlements under the scheme; and if not, how communications to these customers should change.
- The need for transitional provisions as soon as possible for those turning 55 from 2026, as schemes are communicating with members now about their retirement planning.
- Some issues arise due to the member having tranches of benefits within the same scheme with different Selected Retirement Ages (SRA). For example, the member has selected age 55 and some benefits cannot be taken until age 57. Each identified issue will be compounded by any future increases to NMPA.
- Member communications when approaching retirement (wake up packs) will either need to be considered separately for each tranche of benefits or an assumed SRA will be used which is earlier or later than at least one tranche – FCA rules currently require communications from age 50 and at 5-yearly intervals. Potential DWP regulations, currently subject to a Call for Evidence, will need to take this into account.
- Schemes which lifestyle to an SRA will either need to lifestyle separately or change to a target SRA which is not aligned to the member’s intention.
- Members with benefit tranches with different SRAs in the same scheme will need separate SMPI statements and ideally these tranches separately displayed on Pension Dashboards.
- When deciding whether the stronger nudge applies on transfer, FCA rules cite age 50 which can be used to help determine whether the member is transferring for the purpose of taking pension benefits. This will either need clarification that this rule of thumb still applies; or to decouple from the current NMPA, move to being seven years before NMPA; or will need to be linked to NMPA or the member’s SRA.

Annex: Cross-industry group membership

Industry bodies

Maria Busca and Rob Yuille, ABI maria.busca@abi.org.uk / rob.yuille@abi.org.uk

David Pharo, PASA and Aon david.pharo@aon.com

Alyshia Harrington-Clark, PLSA Alyshia.Harrington-Clark@plsa.co.uk

Renny Biggins, TISA Renny.Biggins@tisa.uk.com

Representatives of industry bodies' members

Dave Sadler, Aviva

David Warwick, B&CE (providers of The People's Pension)

Jasmine Smiley, Fidelity

Uche Egenti, First Actuarial

Phil Warner, Hargreaves Lansdown

Gillian Bell, Hymans Robertson

Colin Clarke, Legal & General