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# CIPFA Pensions Workshop Pensions Data and Tax

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# Public Sector - Scheme record keeping

"Record Keeping Regulations" require Scheme Managers to keep records:

- Member information
- Transactions
- Pension board meetings and decisions

The Pensions Regulator Code of Practice 14

# Public Sector - Scheme record keeping

## Data Requirements

- Member Information
  - Prescriptive List of Data Items
  - Divorce Pension Debits/Credits
  - GMPs not mentioned directly but covered under LGPC bulletin 140
- Transactions
  - Pension Payments
  - Transfers
  - Leaver Payments
  - Written Off Amounts

# Public Sector - Scheme record keeping

## Responsibilities

- Employer Role
  - Scheme Procedures
  - Understanding of Requirements
- Reconciliation with the Employer
  - Movements
  - Addresses

# Impact of Poor Data

- Incorrect benefit calculations
- Unexpected behaviour from workflow processes
- Delays to bulk activities such as mandatory annual benefit statement production
- Member Self Service queries
- Reputation

# Real World Experiences

- Deferred member data typically has most problems
- Common data problems:
  - Gaps in history tables e.g. Salary
  - Temporary or missing NI numbers
  - Missing service dates
  - Missing elements splits
  - Missing or 'unknown' address
  - Incomplete pension increase histories
- Often find 'placeholders' instead of real data

# Root Causes of Poor Data

- Manual data entry
- No uniform standards for content and formats
- Duplicate data entry
- Approximations, unknown and default values being entered
- Software constraints
- Automation errors

# Public Sector - Scheme record keeping

## Scheme Activities

- Data Review Exercise
- Data improvement plan
- Reconciliation of member records
- Ongoing monitoring of data



# Fixing the Problem

- Data Improvement Plan - Priorities, Timescales, Resources
- Training Requirements
- Data updates - manual /automated
- System or Process Changes
- Audit Trails
- Third Party Tools and Services

# Annual Activities

- Measure your data at least annually
- More often is preferable
- Have a time-tabled plan and show progress
- Produce internal management summaries

# Management Reporting

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**DataSure**  
Data Validation Report  
For XYZ Pension  
Scheme

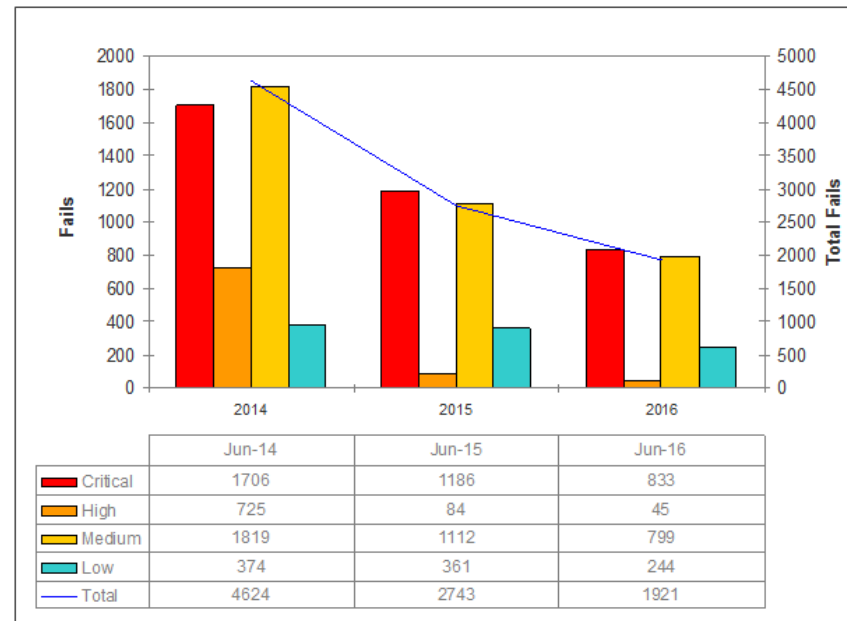


## Data Quality Improvement

With DataSure we can monitor the improvement in data quality over time. The results from this particular exercise will be saved for comparison against future data quality audits. Subsequent assessments using the same data checks will demonstrate the effect that a period of data cleansing has on the overall data quality of the scheme.

This chart will demonstrate this change in data quality over subsequent assessments.

Figure 2.1 | Improvements in data quality over time



# GMP reconciliation

- HM Treasury guidance issued
- Phase 1 - compare scheme and HMRC records
- Phase 2 - reconcile membership and GMP amounts
- Phase 3 - rectification
- Act now - time is running out!

# Pension taxation

- Annual Allowance:
  - Tapered Annual Allowance for high earners
- Lifetime Allowance:
  - Reduction to £1 million
  - Transitional Protections

# Pension reform and taxation

## Annual Allowance

- Restriction on tax favoured pension savings in a tax year
- Currently £40,000 (peaked at £255,000)
- Possible tax charge if limit exceeded
- Carry forward and Scheme Pays
- Reduced Annual Allowance for high earners (the taper) from April 2016

# Pension reform and taxation

## Tapered Annual Allowance

- Applies for tax years 2016/2017 onwards
- Individuals with “adjusted income” greater than £150,000 will have their AA reduced
- Taper subject to income floor of £110,000 (“threshold income”)
- AA reduced by £1 for every £2 of income over £150,000 (maximum reduction of £30,000)
- No special communication/reporting requirements for those affected

# Pension reform and taxation

## Changes to the Lifetime Allowance (LTA)

- LTA - a limit on the tax relieved benefits that can be paid to or in respect of an individual from registered pension schemes.
- Tax charge if overall level of benefits exceeds the LTA
- LTA reduced to £1 million (from £1.25 million) from 6 April 2016
- Two new transitional protections available from 6 April 2016



# Pension reform and taxation

## New transitional protections Fixed and Individual Protection 2016 (FP2016 and IP2016)

- When LTA decreases another form of transitional protection is produced
- Purpose is to protect benefits already accrued from a lifetime allowance charge
- FP2016 - Can protect value of benefits up to £1.25 million - no further benefit accrual allowed after 5 April 2016 or will lose FP2016
- IP2016 - can protect value of benefits as at 5 April 2016 if between £1 million and £1.25 million - further accrual possible
- Can make an interim applications for these protections now in writing - full application must be made once online system available

Thank you