

Employee Benefits Newsletter



Contents:

Pensions quality mark	1
Benefits at any age	2
Senior employees	2

Pensions quality mark for 2009



Securing the future of pensions

The National Association of Pension Funds is proposing a Quality Mark for pension schemes.

The details are yet to be finalised, but applications will open early in 2009. At these early stages the quality mark looks like a great opportunity for employers to demonstrate the value

of their schemes and for employees to understand more about the benefits on offer. How would your scheme stack up against these benchmarks? For the Quality Marks there are further

requirements for governance and communication.

Proposed Benchmark	Employer Contribution	Employee Contribution
Pension Quality Mark Plus	15%	0%
Pension Quality Mark	10%	0%
Personal Accounts, proposed Government Scheme (compulsory from 2012 for all employees)	3%*	4%



Are your senior employees at risk?

In April 2006 a lifetime allowance was imposed to limit the amount any individual may accumulate in pension funds throughout their life. Funds taken as cash over the allowance are subject to additional taxation at 55%.

If sizeable funds were built up prior to 2006 it is possible to protect against this tax charge, however the application must be made to the Inland Revenue by 5th April 2009.

The limit was set at £1.5 million and is set to rise to £1.8 million next year. The intention was that it would continue to rise with either average earnings or prices, however the Government announced in the budget that the limit will be frozen at next years rates until at least April 2016.

With this in mind is there anyone in your organisation who should consider protecting their pensions?

This could have very serious financial implications for your senior employees. Foster Denovo are offering a free assessment to companies that think their employees and directors could be affected. We believe this is worthwhile for individuals who may have either:

- Pension funds valued at over £1 million, or
- Deferred pensions within a final salary scheme or in payment of over £40,000 pa

For a free and confidential assessment please contact

garin.squires@fosterdenovo.com

Could some scheme members take their benefits at any age?

If you are considering 'winding up' an occupational pension scheme, did you know you can give certain members of any age the option to take their benefits?

Funds below £17,500 (from April) can be taken as a lump sum on wind-up. Typically schemes will have a large number of people with funds below this level, but the option is not offered.

It can make sense because rather than take the default option of a transfer, the individual can take the cash and usually pay it back into a pension as contribution and receive tax relief. This can mean a £17,500 pension fund is increased to a £20,416 fund for a higher rate taxpayer!

Of course some members will want to keep the cash, despite it being partially taxed. Even this could be a good idea if it were to pay off debts. Clearly this option should only be offered in conjunction with individual advice.

Call us

As always we would love to hear from you if you would like to discuss any of the issues raised in this issue. You can find us online at www.fdemployeebenefits.com alternatively feel free to call us on

0800 849 4008.