



## Contracting out...the end is near

The ability to contract out of the current state second pension (S2P) for those in Defined Benefit (DB) Occupational schemes will end on the 5 April 2016. From 6 April 2016 the Government will introduce a new single-tier state pension.

### What does it mean?

National Insurance Contributions (NICs) will increase by 1.4% for employees and by 3.4% for employers. Both employers and active members of DB schemes will lose their National Insurance contribution rebates.

### What do schemes need to do?

Employers and Trustees will need to assess costs and review the impact of this on funding. They will then need to decide what changes are need, for example; increase member contributions, reduce future service benefits, close the scheme to future accrual or to just absorb the additional costs.

The changes on the 6 April 2016 may even impact schemes without active members as this will depend upon the benefit definitions. Therefore it is also important to review the Scheme Rules to ensure they are not ambiguous and so open to challenge.

### HMRC scheme reconciliation service

HM Revenue & Customs scheme reconciliation service is available to ensure that only relevant members hold the liability and also that the liability is correct. Trustees however must register for this service before April 2016 as after this date it will be withdrawn.

#### Important!

- Seek advice on how the changes will impact the Scheme
- Formulate a plan of action
- Ensure members understand what is happening

## Investment scams

Those trying to steal money from individual's pension funds are increasingly offering to invest the cash into other scams.

In these scams often people are told they should invest their money in to fine wines or overseas property. However many of the companies involved are not regulated and nor are they qualified to give financial advice. It is thought that these fraudsters are capitalising on the new pension freedoms introduced in April 2015.

The scams include;

- Free pension reviews. People posing as independent financial advisers offer a free meeting in an attempt to access their pensions.
- Investment schemes for example property or fine wine. They typically suggest that investors can achieve long-term average returns of 12-15% a year or that wine is a better investment to shares.
- Fraudsters offer to invest the pension money in products without explaining what those products are.

#### How to avoid scams

- Seek independent financial advice before agreeing to a pension transfer
- Never give financial advice to cold callers
- Check to see whether the company is registered with the Financial Conduct Authority
- Never do anything in a rush

Pension liberation scams have in the past targeted cash in people's pension pots and have charged a fee for "liberating" it. However if the person is under the age of 55 they are liable for tax at 55% and so victims can lose more than half of their money in such scams.

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