ASSOCIATION OF CONSULTING ACTUARIES

Association of Consulting Actuaries Limited · First Floor (129) · 40 Gracechurch Street · London · EC3V 0BT
Tel: +44 (0)20 3102 6761 · Email: acahelp@aca.org.uk · Web: www.aca.org.uk

Date: 17 August 2023

To: HMRC at policypensions@hmrc.gov.uk and Catherine Batey at pensions.policy@hmrc.gov.uk

Dear All

Consultation: Draft legislation published for Finance Bill 2023-24: Abolishing the pensions lifetime allowance: response 2, on transition and reporting/disclosure

I am writing on behalf of the **Association of Consulting Actuaries (ACA)** in response to the consultation on Abolishing the pensions lifetime allowance[1] published on 18 July 2023 and the newsletter 152[2] issued on 20 July 2023.

The ACA welcomes the opportunity to provide input. Members of the ACA are all qualified actuaries – mainly Fellows of the Institute and Faculty of Actuaries. All actuarial advice given by our members is subject to the Actuaries' Code. Members provide advice to thousands of employers and pension schemes – with total assets exceeding £1 trillion – including most of the country's largest schemes – and increasingly consulting actuaries are now involved in a wide range of additional areas. We are therefore responding in the capacity of a representative body for professional advisors who provide advice to a range of occupational pension schemes.

If this project is to be completed in time for meaningful implementation on 6 April 2024 (including enabling decisions by stakeholders such as members to make decisions) the industry does need to know HMRC's decided direction of travel urgently. This includes two issues (transition and disclosure/reporting) where neither policy nor draft legislation has yet been published.

In order to assist with this, we are issuing our response in three parts. The first response (a separate letter also dated 17 August 2023) focused on an overall timing point, and issues of policy as published on 18 July 2023. **This letter (which should be read with the caveats on timing that appear in the first letter) cover some thoughts on transition and disclosure where the intended policy has yet to be published.**

We anticipate providing a third response on some more technical points.

[1] https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance

[2] https://www.gov.uk/government/publications/pension-schemes-newsletter-152-july-2023/newsletter-152-july-2023

Our comments are set out in the following Appendices.

We would be happy to discuss this matter further. Please contact Kirsty Cotton on 01737 274496 or Kirsty.cotton@wtwco.com or Karen Goldschmidt on 0207 4326621 or Karen.Goldschmidt@lcp.uk.com

Yours sincerely

Kirsty Cotton FIA **Chair-elect** **of the Pensions Taxation Committee**	**Karen Goldschmidt FIA,** **Retiring chair** **of the Pensions Taxation Committee**

On behalf of the Association of Consulting Actuaries Limited

Appendices:

1 Acronyms used (ILSA and ILSaDBA)

2 Transition: How a member's benefits crystallised before 6 April 2024 should impact available ILSA and available ILSaDBA thereafter

3 Disclosure of information required from administrators to members after 5 April 2024

4 Disclosure of information: using the pensions dashboards system

Appendix 1: Acronyms used (ILSA and ILSaDBA)

We will use the following acronyms in this response.

"Individual's lump sum allowance" (ILSA) - £268,275 (25% of the current LTA). This focuses on the tax-free element of retirement-related lump sums (i.e. the pension commencement lump sum (PCLS) and the uncrystallised funds pension lump sum) but also extends to any tax-free element of the various small lump sums.

"Individual's lump sum and death benefit allowance" (ILSaDBA) - £1,073,100 (the current LTA). As the name suggests, the ILSaDBA will cover any tax-free element of lump sums that is assessable against the lower ILSA, plus death benefit lump sums (in relation to a member who died under 75). It will also cover serious ill-health lump sums (paid before age 75) and any other authorised lump sums that have a tax free element if such exist.

Appendix 2 Transition: How a member's benefits crystallised before 6 April 2024 should impact available ILSA and available ILSaDBA thereafter

By transition, we mean how to account within the new regime, planned to be introduced from 6 April 2024, for benefits that have already been received/designated.

This is crucial for the position of members who approach the limits, and – for some – for their decisions about whether to draw benefits before or after 6 April 2024. The approach decided also has key impact on process and systems for schemes.

There are many aspects to this and it can often be the most complicated part of the legislation. We hope that there will be an industry meeting to discuss this and we expect to comment further following that.

However, in advance of that, we are writing on just one point: **it is our strong view that adjustments to the ILSA and ILSaDBA in respect of events that were BCEs prior to 6 April 2024 should be based on using total amounts crystallised, not on the tax-free lump sum elements taken.**

In the simple case where a member does not have any LTA or lump sum protections, we suggest that the tax-free limit of £268,275 is replaced with 25% of unused lifetime allowance as at 5 April 2024 (or equivalently, £268,275 is reduced by 25% of the value of BCEs occurring before 6 April 2024, (value here being BCE% x the member's personal LTA at 5 April 2024). Similarly, the lump sum limit of £1,073,100 should be replaced with the unused lifetime allowance. For the reasons given below, it would not be practical for members to provide the tax-free element of BCE lump sums taken prior to 6 April 2024.

We think that tax free elements of lump sums that were not BCEs should be ignored. (Please see our letter of 17 August 2023 on policy issues for the rationale.)

Our understanding is that schemes[3] are only required to keep records of payments made for six complete tax years[4]. Members need only keep pension records if they complete a self-assessment tax return and generally for 22 months after the end of the relevant tax year[5]. This means that neither schemes nor members may hold details of the tax-free element of historic BCEs.

By contrast, there is a requirement for schemes to provide, and members to retain and provide to other schemes, BCE statements which show the total percentage of the LTA used up by benefits drawn from the scheme. Hence our suggestion of using 25% of this number.

We discussed the possibility of using this "25% approach" as the default, but with members having the option to prove that they hadn't taken the full PCLS. This might be particularly helpful for BCE3s (increase to an existing pension) or BCE8 (QROPS transfer) where no tax free lump sum could have been involved – as well as the more intuitive case where the member could take PCLS but took none or less than the maximum. However, overall we rejected this on the grounds that the evidence required could be complex, and probably at minimum involve two letters that the member might have received at retirement – perhaps an options letter saying what the maximum permitted PCLS might be, and then evidence that the member took less than this. A bank statement of receipts would not provide sufficient information, and it will not be clear to members whether they had

3 https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm160200#IDACFMXH
4 Or until the sixth anniversary of the end of that scheme year if later. https://www.legislation.gov.uk/uksi/1996/1715/regulation/14
5 https://www.gov.uk/keeping-your-pay-tax-records/how-long-to-keep-your-records

taken the full maximum PCLS (see example below). In turn this might impose additional administration costs on schemes if members asked for information as to the PCLS they had taken from the schemes in which they had crystallised benefits.

Example

Member retired from a scheme in 2016 taking a lump sum of £15,000 and a pension before tax of £2,250pa. So a lump sum BCE of £15,000 and a pension BCE of £45,000. Did the member commute 25% of their benefit in the scheme?

If these were all DB rights, then the answer is yes. The PCLS is 25% of (20 x £2,250 + £15,000).

However, if the member had DC rights (or DB and DC rights) in the scheme, then the position is unclear. The member might have taken an UFPLS of £15,000 and no PCLS. Not all schemes permit members to use DC rights to provide the PCLS on their DB pension. So this would be a case where the member had tax free element much less than 25% of the package but would need to drill down (in many cases requiring expert help) into quite detailed information in order to work out whether or not they had received tax-free cash of less than 25% of the package; this would then need to be provided as evidence of the fact.

Clearly there are many other possible combinations.

Appendix 3: Disclosure of information required from administrators to members post 5 April 2024

Any approach to taxation which caps tax-free benefits from one scheme by looking at the benefits across all schemes involves both additional information provided by schemes, and additional administration received and used by schemes - and therefore scheme costs. Starting with the assumption that the member remains at the heart of the exchange (with the issues of reliance and potential error) this appendix considers the information that a scheme setting up benefit entitlements should be required to provide to the member .

Broadly, the choices on the information that a scheme must provide in such a context leads either to a small cost across all members who have drawn benefits, or a larger cost focussed on a smaller number of members who need additional assistance.

In summary there is no simple and robust approach, but this Appendix recommends that:

- **new processes are put in place for notifying members of the amount of the tax-free lump sum limit (£268,275) used up by PCLS and UFPLS**
- **the current process for assessing tax on death benefit lump sums continues (i.e. that these sums are paid gross and HMRC assesses the tax due afterwards – indeed after the end of the relevant tax year in order that the correct tax rate is charged)**
- **a similar process is put in place for serious ill-health lump sums as for death benefit lump sums.**

Please note that because it takes time to update systems and communications, schemes need to know, well in advance of 6 April 2024:

- How deductions from the new tax-free limit (£268,275) and lump sum limit (£1,073,100) are to be calculated.
- what data they will need to provide, seek and retain from members.

We have not considered what information should be provided in respect of pre-6-April 2024 BCEs as that depends on how these are taken into account (see Appendix 2 on Transition).

How should members be notified following payment of a tax-free retirement lump sum (PCLS) or uncrystallised funds pension lump sum (UFPLS)?	
What is the current system?	Under the current system, broadly, members receive a notification within three months of a benefit crystallisation event (BCE). Then if a member has an "actual (as opposed to prospective) entitlement to be paid a pension"[6], they receive a notification each year up to and including the tax year in which they attain age 75 (or, in the case of drawdown, extinguishes the drawdown fund if earlier). The member is then obliged to provide that statement to other schemes. What schemes do with those statements varies - PTM[7] explicitly leaves this to the scheme to design. Typically a first simple question might be "have you drawn any benefits at all (or designated into a drawdown fund) from pension schemes?" - and until recently for a large number of cases the answer may have been "no" i.e. the member is only having one set of BCEs in their life and that is the current scheme - see below for why this is changing. If the answer is "yes I have drawn benefits " the

[6] This includes where funds have been designated to drawdown. https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm164400

[7] https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm088400

How should members be notified following payment of a tax-free retirement lump sum (PCLS) or uncrystallised funds pension lump sum (UFPLS)?	
	scheme might either expect detailed information (by way of BCE statements or other sufficient information) and carry out its own testing; or might ask the member to self-analyse with the help of the PTM and further guidance from the (current) scheme.
Why are changes required?	We realise that going forward the only BCEs will be those linked to payment of lump sums – here we are using the term BCE as shorthand for when a test is required. *Increase in the number of BCEs* • Historically, most members with significant retirement benefits had DB pensions, and probably only one or two. Therefore for many members, there were only one or two BCEs. • The much cited[8], but now somewhat historic, figure is that the average individual will have eleven jobs over their lifetime. Changes in working patterns and automatic enrolment (together with employers reorganising pension arrangements and moving members into separate DC arrangements) have increased the number of pension schemes to which individuals belong, even if they have few job changes. • DC flexibility means that more people now choose to access their benefits by a series of separate BCEs rather than a one-off purchase of a pension. *Increase in the proportion of schemes where the only BCEs will be for a lump sum rather than pension* • Prior to 6 April 2015, there were few individuals who could access their retirement benefits without drawing either a scheme pension or a lifetime annuity. • The closure of private sector DB schemes combined with DC flexibility mean that more people have DC benefits at retirement and choose to take them as one or more lump sums. If they do so by a series of UFPLS then they receive a (cumulative) statement within three months of each UFPLS. If they do so by designating funds to drawdown, then they receive an annual statement for as long[9] as they have undrawn designated funds (or until age 75).[10] *Increase in the number of people with benefits that exceed a cap* • As the cap on tax-free cash continues to reduce in real terms, more people are likely to exceed the relevant limit. *Increase in the number of members where further tests are required decades after the first BCE* • Currently, a number of individuals have both DB and DC benefits. They may choose to draw their DB rights to provide a basic income and then access the DC rights when and if they need some extra cash e.g. for a car purchase, wedding etc. Conversely, some

[8] For example. https://www.gov.uk/government/news/thousands-more-make-contact-with-long-lost-funds
[9] Up to and including the tax year in which they reach age 75.
[10] There are many variations within these approaches. For example, some schemes offer immediate drawdown whereby a member designates funds to drawdown and then immediately draws the funds. In this case, the disclosures would be the same as if the member has taken a series of UFPLS.

<table>
<tr><th colspan="2">How should members be notified following payment of a tax-free retirement lump sum (PCLS) or uncrystallised funds pension lump sum (UFPLS)?</th></tr>
<tr><td></td><td>members might choose to use DC benefits as one way to supplement their income before they fully retire with their DB pension. Some people also chose to access their DC funds to top-up their income during Covid and are now back at work. Retirement is no longer a ‘one-off’ event and retirement benefits may be accessed over a period of years.

• As already noted, it is now more likely that a pensioner would have received one or more one-off lump sums but also have uncrystallised funds remaining elsewhere at death. Further, the draft legislation would test funds that had been designated to drawdown against the ILSaDBA on death if paid as a lump sum to a beneficiary (we are unsure as yet of the policy if the funds are moved to beneficiary’s drawdown). It is unlikely that the beneficiaries would be aware of a one-off lump sum, especially if it was drawn decades before death (the tenth anniversary of DC flexibility is just under two years away.)

The above points all mean that a system designed for individuals with just one or two pensions in payment is now creaking at the seams. We fear that a system which relies on individuals (or their beneficiaries) recalling the lump sums that they have received will become more and more likely to produce errors.

These issues are not directly related to the abolition of the LTA and so it would be possible to bring in a new recording/notification system at a date after 6 April 2024 – provided that schemes knew well before 5 April 2024 what data they would need to provide so that they could retain it.</td></tr>
<tr><td>What options are there for disclosure and record keeping going forwards?</td><td>1. One-off notification: Member gets a one-off notification and needs to retain that. For example, this is the approach currently used for each UFPLS. If this approach is retained, then there will be an increasing risk that members will lose records and therefore under report previous lump sums on subsequent events and so pension schemes will overpay tax-free cash. (As noted in Appendix 2, we suggest that the cap on the residual PCLS available should be based on amounts previously crystallised not the previous tax-free lump sum taken.) However if a one-off notification approach were to be followed then under-reporting of previous amounts would lead to part of the lump sum being treated as an unauthorised benefit.
2. Annual statements: Members are reminded each year up to age 75[11]. For example, this is the approach currently used for scheme pensions. For scheme pensions this is not a particularly onerous requirement as up-to-date contact information is required to ensure that the correct payments are being made and information will be provided in any event on the payments made. However, extending this requirement possibly to members with no further liability in the scheme would impose</td></tr>
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[11] Most members draw a scheme pension or lifetime annuity by age 75. In addition, this information ceases to be relevant on deaths after age 75. Hence, balancing administration and costs against the risk of under-reporting, we propose that ceasing these annual reports at age 75 would be sensible. Where a member had a BCE with a tax-free element after age 75, there would be a requirement to issue a statement within three months.

How should members be notified following payment of a tax-free retirement lump sum (PCLS) or uncrystallised funds pension lump sum (UFPLS)?	
	significant additional data and communication requirements. Many of these are the same as arise for dashboards (for example if a scheme winds up) and are explored in Appendix 4. below. Schemes could be given the choice to use this approach or that in 3. below. 3. **Using the pensions dashboards system:** Schemes are required to provide this information using the planned pensions dashboards mechanism (but perhaps with the flow of information back to a separate dashboard holding just HMRC information). We have explored this in more detail in Appendix 4. 4. **HMRC establish a database**. From some date (which we expect would be significantly later than 6 April 2024), this would be automatically updated based on RTI returns. In the meantime, schemes would rely on member notifications.
How might overpayments be dealt with?	If an overpaid PCLS would be treated as an unauthorised payment, then either • Where the scheme believed that the recipient was entitled to the PCLS, and was entitled to the PCLS in that amount, then we would ask that regulations could prescribe that it would be treated as an authorised payment in a similar way to current overpayments of pension[12]; or • HMRC should publish something along the lines of PTM086000[13] regarding the process to follow to obtain information and adjust benefits, and reassurance on applying for discharge from any unauthorised payment charges There would be additional tax to pay. We propose that HMRC would seek to reclaim the additional income tax due via the usual methods for reclaiming underpayment of income tax, rather than require the pension scheme to do so. Pension schemes would need to reissue notifications.

What process is appropriate for serious ill health lump sums?	
What is the current system?	For payments prior to age 75, under the pre-5-April 2023 system, administrators tested the serious ill-health lump sum against the available LTA and levied an LTA charge on benefits in excess of the LTA. Members receive a notification of the percentage of the LTA used up within three months of the benefit crystallisation event (BCE). The member is then obliged to provide that statement to other schemes.
Why are changes required?	We are still investigating whether the current system causes issues and will come back to you, however, we are aware that decisions often need to be made in days. As such, it might be appropriate to introduce a similar approach to assessing the tax due as for lump sum death benefits. Based on data provided for one large occupational pension scheme, we estimate that there will be a few thousand

[12] SI2009/1171 regulation 13
[13] https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm086000

	serious ill-health retirements each year and that probably only a few dozen of these might exceed the ILSaDBA. However, we note that as these limits reduce in real terms there is more likelihood that members will be impacted. Further, as the number of schemes increase, it is more likely that members may be dealing with more than one scheme at the same time and that overpayments could occur. This is especially true for serious ill-heath lump sums where payments can often be required in a very short time period (days), the member may be incapacitated and so not understand what information is required, or be unable to provide information on their rights in other schemes for near-simultaneous transactions.

What process is appropriate for death lump sums payable directly to the beneficiary?

We note that a test might be required in other situations for example on designating funds to beneficiary's drawdown. We haven't considered that in detail yet as the draft legislation does not include these events.

What is the current system?	Under the current system the scheme administrator: • Pays the benefit with no tax deducted. • Broadly, notifies the member's legal personal representatives (LPRs) the percentage of the Standard LTA expended by the payment, the amount and the date made - within three months of the final such payment • Broadly, notifies on request (and within two months) -though we understand most schemes do so voluntarily to the LPRs- the percentage of the Standard LTA expended by other crystallisations. Where relevant, LPRs inform HMRC that an amount in excess of available lifetime allowance (LTA) has been paid and provide details regarding the scheme and deceased member. This information must normally be supplied within 13 months of the date of death or, if later, (broadly) 30 days after the personal representatives become aware that entitlement to a death benefit has triggered an LTA charge (from April 2023 this is marginal rate). HMRC then ask the administrators for the identities of the recipients and the amounts paid to each, and HMRC assess the tax due.
Why should the current system for assessing tax due continue?	As noted in submissions following the Spring Budget announcement, the advantages of the current process are: • These lump sums need to be paid quickly at a time of real need. This necessitates sensitive handling of communications and the minimum of administrative roadblocks. • It is impractical to expect the LPRs, especially if they are a grieving relative, to be able to locate documents to establish a member's available allowance (currently within the LTA, from 6 April 2024 within ILSaDBA). In particular, it is these circumstances where it is most likely that the lump sum was paid years, perhaps even decades, earlier. • Most amounts are small enough to be tax-free so in most cases paying the gross amount will be correct. The disadvantages are: • Some dependants will get a back-dated tax charge.

	• Relies on LPR skills and information exchange Our preferred approach is that the current system continues unless a way can be found to digitally provide information. One amendment to the system (that may minimise the first disadvantage) could be to deduct tax (at a rate specified in guidance) where the total death lump sums payable under the scheme exceeds the headline limit, currently proposed to be £1,073,100. A further adjustment to minimise the first disadvantage would be to reduce the headline limit by the cumulative amount of any deductions which count against the tax-free limit which have been made by the scheme and in respect of which there is an ongoing requirement to inform the member. We expect that these amendments would reduce the discrepancy between the tax charge paid and that due, but it is unlikely to be correct (could be too much or too little) and so arguably complicates the information flows, assessment and collection/repayment of tax due. Where there is more than one beneficiary, guidance would specify how the excess over the limit should be split between beneficiaries.
Why should the current system of notification be retained?	Death benefits should generally be expected to be made soon after death and over a short period of time thereafter and so a one-off requirement to notify LPRs, after payment, of the amount used up is appropriate. There should be no ongoing requirement and this information should not be provided to dashboards. We understand that most schemes already voluntarily provide information on previous BCEs. Where a scheme has to provide ongoing information on BCEs, legislation could require this to be provide automatically as part of the notification of the death lump sum.

What data should the notification of a PCLS or UFPLS contain?	
What is the current system?	Under the current system, the notification contains the cumulative percentage of the LTA used up by BCEs under the scheme and BCEs under a previous scheme relating to assets subsequently transferred to the scheme.
Methodology for tax-free limit: Deduct cumulative total of PCLS and 25% of UFPLS. (Please see ACA's separate letter dated 17 August 2023 on policy issues as to why we don't think the tax-free portion of 'small' payments should be deducted). For scheme specific protected lump sums we understand that 25% of the value of the benefits will be deducted.	For as long as the limit remained fixed at £268,275 it would only make a rounding difference as to whether amounts or a percentage of the tax free limit are recorded (and deducted from ILSA and ILSaDBA). What is the intention if the limits were to change in future? Is there a possibility that amounts taken already should be similarly adjusted? Rise in limit Consider a member who retired on 6 April 2024 drawing a maximum PCLS of £268,275. The member has an uncrystallised DC pot of £500,000. If the tax-free limit was raised by 10% (rounded down) to £295,102 is the intention that the member could now draw a further PCLS of £26,827 or would the member's

historical PCLS also be increased by 10% to £295,102 so no further PCLS could be taken?

Reduction in limit

Consider a member who retired on 6 April 2024 drawing a PCLS of £250,000. The member has an uncrystallised DC pot of £500,000.

On 17 March 2025, the limit is cut by 25.4% to £200,000.

If a £amount basis is used, then the member cannot take any further PCLS.

If a percentage approach is taken, then at retirement the member has used £250,000/£268,275 = 93.18% (rounding down to 2 decimal places) of the tax-free lump sum limit. They still have scope to take 6.82% of the lower £200,000 = £13,640 as a further lump sum.

If the intention is to cap using £amounts, then recording an amount makes sense.

If the intention is to cap using a percentage, then it would make communications with the member easier if the scheme recorded a percentage of the standard tax-free limit rather than an amount. If the scheme recorded an amount, then it would be necessary to record the tax year of the event to apply the correct adjustment (assuming that any changes to the limit apply for complete tax years).

If the tax-free limit was cut, then how would the announcement be handled? Would it apply to:

- Lump sums paid after the date of the announcement: this would be extremely disruptive to those on the cusp of retirement, unless legislation is allowed to permit such payments that had been formally agreed; or?
- Lump sums paid after some future date, resulting in a rush to take a lump sum in advance of that date.

The effect of a cut is much more severe if the cap operates on a £amount basis rather than a percentage basis.

Finally, if there is a possibility that the higher 'lump sum limit' might change by a different percentage to the lower tax-free limit, and that this should be reflected in the amount offset, then even if the percentage cap is used, the tax year would be needed.

Overall, we suggest that the tax year is recorded **plus** either the cumulative amount during that tax year or the percentage used up in that tax year of the standard tax-free limit.

How should pre-6-April 2024 events be notified to members

As noted in Appendix 2, we are **strongly** of the view that adjustments for pre-6-April 2024 events should be based on the amount crystallised as a BCE and not the tax-free lump sum element. The approaches set out in this table assume that information will have been provided on BCEs.

The approach to take depends on the record keeping approach for post 6-April 2024 benefits, using the same approaches as described above.

Record keeping approach for post-6-April 2024 events	Implications for historic BCEs
One-off notification	No change.
Annual statement	Where already obliged to send annual statement, continue doing so and must include pre 5 April 2024 total benefit crystallisations percentage. Where not obliged to send an annual statement in 2023/24 (e.g. historical UFPLS), don't do so. If requirement to send an annual statement is triggered by a post 5 April 2024 event which requires the scheme to assess the scope to pay a tax-free amount, then mandatory to include pre 5 April 2024 events within the same scheme going forwards.
Pensions Dashboards system	Separate field on dashboard to show pre-5-April LTA % used up, plus a code for explanation (see below). LTA % used up would be mandatory to complete if: • already obliged to send an annual statement in respect of a BCE in 2023/24 or earlier. • a post 5 April 2024 event occurs which requires the scheme to assess the scope to pay a tax-free amount Options for code "Pre April 2024 LTA expended" would be: • 'As shown': if there is a % in the dashboard • 'Refer to statements': if clear from data that there would have been a BCE, but amount shown not calculated/provided • 'Check with administrator': if unclear whether a BCE had occurred • 'None': if clear no BCE.
HMRC database	Information that schemes will need to provide to HMRC in respect of pre-6-April 2024 events should be agreed and publicised in advance of 6 April 2024. It should not exceed the information noted above for dashboards. There is then a separate exercise for schemes to provide the information as at 5 April 2024 when the database is up and running.

Appendix 4: Disclosure of information: using the pensions dashboards system

As noted above, one option to streamline disclosure and record keeping requirements could be to use the pensions dashboards system. This Appendix provides further detail on this option. Some elements, such as those for data, would also apply to other approaches.

Overview

There are three parts to how dashboards will work:

a. **Dashboard:** An organisation sets up a dashboard. The Money Advice Service (MAS) will operate a dashboard. FCA regulated organisations can also apply to operate dashboards

b. **Matching:** A member logs on to the dashboard, their identity is confirmed by the government backed service (i.e. they are really Joe Bloggs) and then a request is sent to all pension schemes to see if they can find Joe Bloggs. Options are a match, partial match (when the member will be asked to provide additional information) and no match.

c. **Data:** For matches, the member then requests the scheme to release information to the dashboard (might be seamless) so that they (or their authorised financial adviser) can see it. Dashboards do not hold data.

Amendments required

In order for dashboards to be used to provide information to determine unused ILSA and ILSaDBA, amendments would be required. We have considered the potential changes to each part. Finally we consider the timing:

a. *Dashboard*

1. The lump sum data could be available through all dashboards, the MAS dashboard only, a separate dashboard, which would use the same 'matching' mechanism, but show only the lump sum data.
2. Government could consider allowing schemes access to the lump sum data in an analogous way to the current system of checking LTA protection through the lifetime allowance scheme administrator look-up service[14]. This would be new functionality – currently only a member and any 'delegate'[15] that they have authorised can view the data. We suggest that in order to meet data protection concerns, this would be easiest to achieve if the lump sum information was provided in a separate portal, so that schemes couldn't see anything other than the lump sum information.

Matching

3. Currently, pensioners (which includes anyone who has designated funds to drawdown under the scheme, including partial designations) are not included in dashboards. Using dashboards to provide information on tax-free cash sums taken would therefore require schemes to match individuals who would not be matched otherwise. Where there was a partial match this might require additional work for the scheme.

[14] https://www.gov.uk/guidance/pension-administrators-check-your-members-protection-status
[15] Potential delegates do not currently include pension schemes (SI2022/1220 Regulation 8(7)): https://www.legislation.gov.uk/uksi/2022/1220/regulation/8

4. Someone with no further liability in a scheme (eg post 100% UFPLS[16]) would not be included in dashboards. There would also be no other reason for the scheme to keep such members records up-to-date so there would therefore be a greater risk that such members would generate partial matches. Where there was a partial match this might require additional work for the scheme.

- *Data*

  1. Information on benefits taken, including UFPLS, are not included in dashboards. This would require additional information to be provided.
  2. If a scheme were to wind up, then records on past lump sum payments would need to be passed across to another provider for the sole purpose of displaying the information on dashboards. Additional legislation might be required to facilitate that and/or HMRC/PPF could take on this role.
  3. Schemes in PPF assessment are exempt from providing most information but would need to provide information on lump sum amounts.
  4. Dashboards can use data that is, broadly, up to a year old if already provided to the member. Conversely, regulations require that where a member ceases to be a relevant member then any pensions identifier is de-registered as soon as possible. This would include cases where a member retires or dies, but would not include a member taking an UFPLS in respect of some, but not all, of their benefits. HMRC and industry would need to consider appropriate requirements for the frequency of updating the tax-free lump sum information.

- *Timing*

  1. Schemes with 100 or more members will be required to connect to the dashboards ecosystem by no later than 31 October 2026. Smaller schemes are not yet in scope.
  2. We wouldn't want the more general dashboards development to be slowed down by work on the functionality to provide lump sum information.

Disclaimer

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[16] Someone who has taken an UFPLS but still has other 'uncrystallised' benefits under the scheme would be included in dashboards. There is no additional matching requirement for these members.