



PRESS RELEASE

ACA says HMRC must get Lifetime Allowance abolition rules sorted by October.

21 August 2023: The Association of Consulting Actuaries (ACA) has responded to the HMRC consultation on Abolishing the Pensions Lifetime allowance¹ and said it believes that October 2023 is a key point for the practicality of delivering this measure. By then, it is really important that key policy decisions have been made; core draft legislation has been released reflecting those decisions including any new (currently missing) legislation and revision where the extant release is out of line with policy, with a window for further consultation to make sure these are fit for purpose.

If this deadline is not met, the [ACA response](#) says the following consequences could arise:

- **Members could be forced to make decisions ahead of properly knowing all relevant facts.** For DC members, there is a statutory requirement for schemes to send out information at least four months ahead of the retirement date – and many schemes aim to send this out six months in advance. This provides an indication of how long the Government believes that a member needs in order to be able to properly consider their options. This is most relevant if there will be a change to the options available. As such, it is key that the industry has a final decision on the intention for taxed DB cash and transition as changes to this could have implications for many members.
- **Additional costs to schemes and pressure on scarce resources:**
There is unlikely to be time to update processes and letters – these would be sent to all retirees not just those who are in close to the new allowances. System changes take months, not least because changes are addressed sequentially, and each element locked down and tested before being released. This will impose additional costs from manual workarounds and queries from members where information is corrected by addenda. Further, for members impacted by the new allowances, manual calculations are likely to be required by expert staff and this will impose additional cost for work that with more time could be automated, so duplication of effort.
- **Unintended outcomes out of line with policy intent:**

ACA Chair, Steven Taylor, comments:

“The speed of the consultation, the fact that comments will have been gathered while some elements are likely to change or may not have yet been published, means that the industry will not have been able to consider the whole picture - let alone our usual measured line by

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<https://www.gov.uk/government/publications/abolishing-the-pensions-lifetime-allowance>

line checks - so errors are likely to slip through. We expect that some aspects of the legislation will not operate as intended – but that this will only be discovered when the measures are put into practice.

“And changes might feed through by default in unintended ways to change the operation of scheme rules. At A-day this was carefully controlled by temporary regulations under tax law and Pensions Act.”

ACA understands that the policy intent is to achieve the changes very quickly. Given the above challenges we wonder (without testing this out) whether using a mid-tax year date such as 1 October 2024 would be practical in law-making, to give more time for proper steps including extra stages of consultation.

The ACA has also written to HMRC covering some thoughts on transition and disclosure where the intended policy has yet to be published.

In July, ACA pointed out that currently DB schemes broadly only allow members to commute up to 25% of their benefits at retirement for a cash sum, alongside pension; lump sums beyond this are (unless a member has used up their lifetime allowance) unauthorised benefits attracting tax as much as 55% and so generally are not offered. The draft legislation released in July would significantly change this, with no limits on the size of PCLS, only a limit on the amount that is tax free.

ACA says it is grateful that HMRC have confirmed that this was not the intention (so that means the draft legislation will be changed), but the ACA response highlights some of the risks in the current draft as written.

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