

Autumn Statement 2011

Pensions



The key points made by the Chancellor this lunchtime during the Autumn Statement (formerly known as the Pre-Budget Report) were the following:

- The State Pension age will rise to 67 between April 2026 and April 2028 (eight years earlier than had been previously proposed). The Chancellor also announced that individuals who are currently within 14 years of receiving their state pension today will not be affected by this change. This follows the increase in the State Pension age to 66 from October 2020. It could impact upon occupational arrangements which offer a bridging pension or state pension off-set and may increase demand for flexible retirement from occupational arrangements.
- Legislation aimed at limiting the tax relief on asset-backed contributions made by employers to defined benefit schemes has been published today and will be included in the Finance Bill 2012. This follows the announcement made in the 2011 Budget and the related consultation that closed in August 2011. The legislation will take effect from 29 November 2011 and transitional rules will apply to existing arrangements. In broad terms, the new legislation will only permit upfront tax relief for arrangements which qualify as “structured finance arrangements” and also includes anti-avoidance measures to prevent employers structuring their arrangements specifically to meet the test. This may impact upon the way that some special purpose funding vehicles are structured.
- The Government also stated that it is working with UK pension funds and representative bodies (including the NAPF and the Pension Protection Fund) to earmark £20 billion of investment in UK infrastructure projects (in addition to the funding from the Treasury). This is only likely to be relevant to larger pension plans unless the infrastructure funds can be accessed through pooled arrangements.

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