NORMAL MINIMUM PENSION AGE INCREASE

What's New?

As life expectancy increases and people are spending a larger proportion of their life in retirement, the government is introducing new measures to reflect these increases in longevity and change how long we will remain in work and in retirement. This will be achieved increasing the normal minimum pension age from 55 to 57 on 6 April 2028. The expectation behind this legislation is that increasing the normal minimum pension age will encourage individuals to save longer for their retirement and improve their later life financial security.

Exceptions to the Increase

- Consumers who qualify as part of the new Protected Pension Age (PPA) rules;
- Consumers of certain uniformed public service pension schemes;
- Consumers with unqualified rights to take their pension at either age 50 or 55;
- Consumers who will retire on the grounds of ill-health.

The government is to provide further guidance on proposed transitional arrangements aimed at those who, for example, do not have a 55 to 57 PPA and have reached age 55 but not age 57 by 6 April 2028 and have started, but not completed the process of taking their benefits.

New Protected Pension Age rules

PPA is a protection regime for Consumers who already have a right to take their pension at a pre-existing pension age, rather than the prevailing NMPA. Where conditions for the new protection rules have been met, Consumers can take their benefits before age 57, but not earlier than age 55, after 5 April 2028.

There are many variables to factor into meeting the rules for the new PPA requirements, but put very simply, it will be determined according to each Consumers circumstances and the timing of individual transfers.

How will these changes impact your organisation?

Schemes that intend to accept transfers where a 55 to 57 PPA is held will need to have processes in place to identify, track and record them, particularly if there is a need to segregate funds that will be available from different ages. Organisations may choose to implement the change before 6 April 2028, so long as Consumers are duly notified of the increase in NMPA.

Summary

- Supports the government's fuller working lives agenda;
- Schemes who offer an unqualified right to a protected NMPA such as those with a PPA of 50 or 55 will see no change in respect of their current protected pension ages;
- Where there is no PPA in place, the new NMPA of 57 will apply, unless retiring due to ill-health.

How will this impact the Common Declarations?

Criterion's analysis suggests that there is no requirement to update the Common Declarations. It should be borne in mind that the Declarations exist so that the receiving scheme can capture statements and data from the Consumer needed by the ceding scheme to process the transfer:

- The ceding scheme is already likely to be the authoritative source of NMPA information; and

- The Declarations already have statements made by the Consumer that the ceding scheme is to make the transfer as set out in the application, and can share with the receiving scheme all relevant information needed to effect the transfer.

Next Steps

We would therefore like to welcome members of the Common Declarations Working Group to share your views and confirm if you either agree or disagree with our findings.

Should further discussion be warranted, we will be happy to organise a meeting to discuss in more detail.