

# The calm before Brexit

## UK Pensions Agenda

**September 2016**

**Advisers:** Eversheds LLP

**1 Responding to Brexit (DB)** – The priority for trustees and sponsors of DB plans following the EU referendum has been assessing the immediate and potential longer-term impact on their plan's funding position, investments and employer covenant. The vote has also led to opportunities to buy-out at attractive prices and it has highlighted the need to have effective contingency plans in place.

*Action: Assess impact of Brexit on plan and sponsor. Ensure suitable contingency plans are in place to deal with future 'shock' events. [Read more.](#)*

**2 Responding to Brexit (DC)** – Trustees of plans with money purchase benefits should by now have reviewed the performance of their plan's investment funds following the EU referendum to ensure this matches expectations. Trustees should also assess the suitability of the fund choices for members moving forwards and ensure that appropriate member communications are issued.

*Action: Review performance and ongoing suitability of investment funds. Decide on member communication strategy. [Read more.](#)*

**3 New DC Code and 'how to' guides** – The new **Code of Practice** for plans that provide any money purchase benefits (including AVCs) is now in force. It sets out the Regulator's expectations on issues such as trustee recruitment and training, diversity, scheme management and administration, assessing value for members and designing and monitoring investment strategies. Trustees are expected to assess the extent to which their plan complies with the Code.

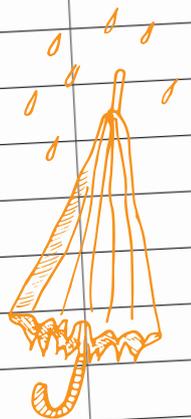
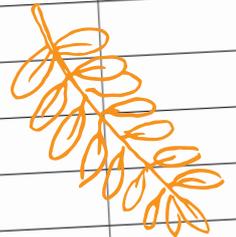
*Action: Assess extent to which your scheme complies with the new Code and take action to address any deficiencies.*

**4 Dealing with distressed DB plans** – The question of how best to deal with distressed DB plans is receiving a lot of attention at present. As part of this, the Work and Pensions Select Committee has launched an **inquiry** into the adequacy of DB pensions regulation and the sustainability of the PPF. The PLSA has also launched a **DB Taskforce** to undertake a review of the challenges facing DB plans.

*Action: Interested parties should ensure their views are represented in the current debate about the sustainability of DB plans and the suitability of DB regulation.*

**5 Don't forget your first annual DC governance statement!** – The Pensions Regulator has started to issue fines to trustees of plans with money purchase benefits who have failed to prepare their first annual governance statement on time. For plan years ending on or after 6 July 2015, the statement must be completed within seven months of the end of each plan year. It should detail how the trustees have discharged their DC governance requirements.

*Action: Check your plan's deadline for preparing the first Chair's statement. Review compliance with DC governance requirements and prepare statement. [Read more.](#)*





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**6 Automatic re-enrolment** – Larger employers are coming round to their first automatic re-enrolment date. There are subtle, but important, differences between the rules for automatic enrolment and re-enrolment. It is crucial that employers are aware of these. Employers also need to decide whether to apply the new exemptions from auto-enrolment.

**Action:** *Understand re-enrolment requirements and new exemptions. Select automatic re-enrolment date. Test payroll software. Prepare re-enrolment communications. Submit re-declaration of compliance.*

**7 VAT and pensions update** – HMRC has **extended** the transitional period before new rules on the recovery of VAT on pension plan costs (announced following the PPG case) are introduced by a further year, to 31 December 2017. This is to give itself more time to work out how to reconcile the new rules with pensions and financial services legislation. During this period, sponsors can continue to use the previous tax treatment if they prefer.

**Action:** *Assess options for recovering VAT under the new tax rules. Decide approach during the transitional period and continue to monitor developments. **Read more.***

**8 Trustee training high on Regulator's agenda** – In its new **Code of Practice** for schemes with money purchase benefits, the Regulator highlights the need for all trustees to identify knowledge and skills gaps and to have a training and development plan in place. The Regulator's paper on **21st Century trusteeship** also raises the prospect of an ongoing CPD requirement for trustees and the importance of succession planning on trustee boards.

**Action:** *Identify knowledge and skills gaps, undertake **relevant training** and ensure boards have an effective succession plan.*

**9 Cyber security** – The Pensions Regulator is urging trustees to ensure they (and their administrator) have a suitable cyber security strategy in place for their plan. This should include measures to protect the plan against cyber crime and cyber attacks that could disrupt plan activities.

**Action:** *Understand the risks posed by cyber attacks, develop a cyber security strategy and ensure suitable measures are put in place to protect your plan.*

**10 Internationally mobile workers and Brexit** – Employers with internationally mobile workers already have to address a number of pension and benefit-related issues including how to design and maintain the value of an individual's remuneration package, tax, eligibility for auto-enrolment and cross-border issues. Depending on the terms of Brexit, some of these issues may become more complex.

**Action:** *Assess potential impact of Brexit on internationally mobile workers.*

*Check out our **Brexit hub** for views on the legal implications of Brexit.*

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For more details on these or any other issues, speak to your usual Eversheds' adviser or email Francois Barker, Head of Pensions, at [francoisbarker@eversheds.com](mailto:francoisbarker@eversheds.com).

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