

Springing into action

UK Pensions Agenda

April 2018

1 Lifetime allowance – The lifetime allowance rose from £1,000,000 to £1,030,000 on 6 April 2018. There are no changes to the annual allowance.

Action: Ensure administrators are aware of the change and any references to the lifetime allowance in member communications are updated.

2 Disputes – The Pensions Advisory Service's dispute resolution function has moved to the Pensions Ombudsman. The intention is to provide a simplified service for members so a single body can assist with a dispute whatever stage it is at.

Action: Review member literature to make sure that people are directed to the right place. Note that the Ombudsman's office has also moved, contact details are [here](#).

3 White Paper – In the coming months, the White Paper promises consultation papers on extending the powers of the Pensions Regulator, changes to the funding regime, the introduction of a triennial DB chair's statement and new consolidation schemes. However, there are unlikely to be any changes to existing legislation until 2019 at the earliest.

Action: Monitor the position, particularly where a plan has a valuation date which might be affected if new proposals come into force in 2019. More details about the White Paper are [here](#).

4 Corporate governance and insolvency – The government is considering how it might improve corporate governance in companies approaching insolvency. There is a focus on the need for corporate groups to consider interests of stakeholders such as pension funds when taking key decisions and what appropriate recourse might be where this is not done.

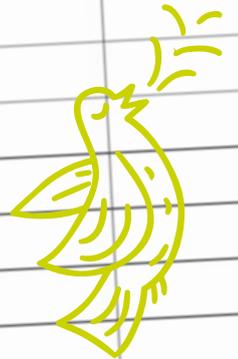
Action: No action is required at the moment but employers may wish to keep an eye on the progress of these **proposals** where corporate decisions are being made which may affect pension plans.

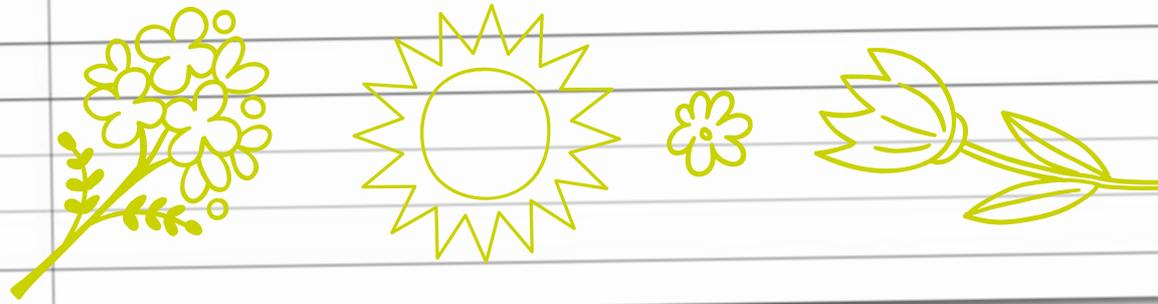
5 RPI/CPI – A recent case considered whether RPI could be said to have become an "inappropriate" index for measuring inflation. The court said it had not and it was impossible to conclude that "RPI is wrong and CPI is right, or even that RPI is more wrong (or right) than CPI as an estimate of the likely increase in cost of living for pensioners".

Action: If a switch from RPI to CPI is being considered, look carefully at the precise wording of the plan documentation. The White Paper confirms that the government is not planning legislation to allow plan wording to be overridden. Details of the case are [here](#).

6 GMP reconciliation – The deadline for submitting reconciliation queries to HMRC is 31 October 2018 and 29 June 2018 for requesting a re-scan of member data. A final scan will be issued to schemes in March 2019 and HMRC are no longer planning to communicate directly with members as the relevant information is on the government's website.

Action: Make sure any outstanding GMP queries are passed to HRMC by the relevant deadlines. More information about the final stages of the reconciliation process is [here](#).





7 DC disclosure and governance – New regulations will require additional information to be included in the annual benefit statement provided to DC members. There are also new requirements to make information available on a public website and to include additional information about charges in the annual chair's statement.

Action: Ensure that where DC benefits are provided (other than AVCs), arrangements are put in place to update the information given to members and make appropriate changes to the chair's statement. For more information about what is required and the deadlines for compliance with the new obligations, read [here](#).

8 Employer debt – From 6 April 2018, if an employer exits an underfunded multi-employer plan, there is a new mechanism for dealing with the debt that arises in relation to that employer's share of the underfunding. New provisions allow the employer and trustees to agree to defer payment of the debt until one of a number of prescribed events occurs.

Action: Consider whether this might be useful if any employer is leaving a multi-employer plan. However, pay careful attention to the circumstances in which this kind of arrangement can be brought to an end. Details about the new regulations are [here](#).

9 DC transfers – Changes have been made to regulations to allow DC benefits to be transferred without consent from 6 April 2018 where trustees obtain independent advice in relation to the transfer, the transfer is to an authorised master trust or the principal employers of the transferring and receiving plans are connected.

Action: If you are planning to make a bulk transfer of benefits to a new master trust or other arrangements, consider whether these **new requirements** will apply. The government is due to publish additional guidance on issues for trustees to take into account under these new provisions. For more information, read [here](#).

10 Transfers of contracted-out benefits – From 6 April 2018, it is possible to transfer GMPs and reference scheme test benefits without member consent to a plan which has never been contracted-out. The benefits to be provided in the receiving plan will need to comply broadly with the former contracting-out requirements.

Action: Where restructuring pension arrangements, these **regulations** are likely to make things easier so it may be worth considering whether transfers which were not previously possible might now be done.

11 Socially responsible investment – The government is intending to consult on a requirement to include policies on evaluating long term corporate governance and/or environmental or social issues in statements of investment principles alongside a statement of the trustees' policy on stewardship. This echoes an increased emphasis on such issues in the new European Pensions Directive.

Action: Be aware of an increased focus on the long term implications of socially responsible investment and the role of institutional investors in scheme governance. Consider these issues if changes are being made to an investment mandate. For more information read [here](#) and [here](#).

12 Master trusts – The Pensions Regulator has published a draft code of practice for master trusts which gives more detail about what will be required to show that those running a master trust are "fit and proper", the systems and processes that will need to be put in place and what is required for a master trust to demonstrate that it is financially sustainable.

Action: Where employers are considering moving to a master trust, check that the chosen provider is intending to apply for authorisation. The **draft code of practice** provides more details about what the authorisation process will entail.

Don't forget that the new European General Data Protection Regulation comes into force on 25 May 2018 and trustees and employers must take action to comply with it.

For more details on these or any other issues, speak to your usual Eversheds Sutherland adviser or email Francois Barker, Head of Pensions

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