Ascot Lloyd
0345 475 7500
info@ascotlloyd.co.uk
www.ascotlloyd.co.uk

PENSIONS BRIEFING

January 2019

The legislation train never stops

Happy New Year to all our readers. In this briefing we look at some of the key topics we think will be on the agenda for the year ahead.

1. Auto enrolment

The contributions increase again from 6th April to a total of 8%, of which the employer must pay at least 3%. This may lead to employees opting out of pension saving or electing to keep contributions at their existing level. Employees frequently underestimate the impact of either of these on their net income!

2. Collective defined contribution schemes

The aim of CDC is to provide members with something that is 'better than DC', without the employer needing to underwrite a DB promise. Contributions are pooled and invested by the trustees, meaning that members do not need to take investment decisions. This can be offset partially by the economies of scale and the wider investment options e.g. infrastructure projects. There is a 'target' benefit, but the emerging pension paid by the CDC can fluctuate in payment. This is an approach that has worked in the Netherlands for some years. The initial legislation will only cover single or associated employers which will require a large workforce to pool longevity risk and resources – Royal Mail is an example.

3. Overseas transfer charges

This applies to benefits transferred into qualifying overseas pensions - details are expected shortly, but it will come into effect from 24th April 2019. What a strange date but it is after Brexit!

4. Cold calling

This long-delayed ban came in to force on 9th January 2019. The pension cold call ban will not apply to texts, emails, or social media, just phone calls. It will not apply to calls from abroad. It will not apply to calls from firms you have dealt with. It will not apply to calls about other investments. It will not work.

5. GMP reconciliation service (DB)

HMRC have confirmed they cannot maintain their 3-month promised turnaround due to the volume of queries.

6. GMP equalisation (DB)

This is expected to take up a lot of trustee time in the coming 24 months as 'reconciliation' is replaced by 'equalisation'. The Judge is still to report on some of the related issues that were not included in the initial judgement.

7. Statement of Investment Principles

More changes are being introduced this year.

8. Chairman's Statement

This requires additional information to be disclosed especially in relation to environmental, social and governance considerations and for the statement to be available again on the employer's website.

9. Pensions dashboard

The Department for Work and Pensions (DWP) appears to want the private sector to take this forward. The problems of ensuring that all pension schemes provide compatible data remains, so we remain to be convinced as to its success.

10. VAT

Both the existing and new arrangements can be used by DB schemes to recover VAT on investment management expenses.

11. Pension advice allowance

This allows members to pay up to £1,500 to an adviser in respect of their DC funds, spread over 3 tax years. This may attract more interest this year as the annual allowance and tapering calculations continue to bite.

12. IORP11 – effective from 13th January

Imposes a duty on trustees to establish and operate an effective system of governance including internal controls. This must be proportionate to the size of the scheme and is assessed internally by the trustees. The Pensions Regulator is due to issue a code of practice, but it is likely to build on 21st century trusteeship.

13. The Pensions Advisory service

The Pension Advisory Service (TPAS) now only deals with general requests for information or guidance. Disputes are now dealt with by the volunteer resolution team (ex TPAS advisers), under the remit of the Pensions Ombudsman.

14. DB Funding (DB)

The Pensions Regulator has begun work on a new funding code, to assist trustees and allow enforcement action where needed – BHS and Carillion spring to mind. In the meantime, The Pensions Regulator expects trustees to look at:

- Dividend payment
- Covenant leakage e.g. inter company loans, executive pay etc.
- Transfer activity
- The impact of the Brexit uncertainty on the sponsoring employer

15. GDPR

The process established for 25th May will need to be reviewed. Cyber attacks are clearly a concern.

16. Section 75 debt (DB)

This only applies on an employer leaving a multi-employer scheme. Essentially another option has been introduced to make this process easier.

17. Disclosure of DC charges

Defined contribution schemes have until the renewal date of 6th April 2018 plus 7 months to make available new information. The Chairman's Statement is becoming more comprehensive with the requirement to publish charges and transactions costs, not only for the default fund, but for every other fund the members are accessing. This does not yet apply to group personal pension plans, but the thought of doing this for 1000+ funds beggars belief.

In addition, the information must be published on a web site which is open to the public. Our best guess at this time, is that employers will need to add a link to their website and then advise the members how to find it.

While this will add to existing transparency, we are not sure what the members will do with the information. They will be able to compare employer A with employer B, but we are not too sure what that will achieve.

18. Single Financial Guidance Body (SFGB)

This replaces Pension Wise, The Pensions Advisory Service and the Money Advice Service and is now in affect. A new name will be announced during the year as it is a bit of a mouthful at present!

19. Same sex couples (DB)

The legislation which allowed benefits to be limited to service from 5th December 2005 has been repealed. Full service rights now apply.

20. Lifetime allowance going up to £1,055,000

The lifetime allowance for the 2019/20 tax year will be £1,055,000 which is an increase from the current £1,030,000. Trustees should ensure that the new allowance is reflected in their administrative processes and consider whether any scheme literature such as the booklet or information on the scheme's website need to be updated to reflect the change.

21. Cohabiting partners (DB)

Ascot Lloyd has written to all its DB scheme members to remind them that payment of a spouse's pension on death is at the discretion of the Trustees, unless specifically in the rules. We may be responsible for an increase in the number of marriages!

22. Taxation

We have seen several individuals who have been caught by the legislation on annual and lifetime allowance, coupled with tapering. We have no doubt that members are being caught by surprise, because of the complexity and the fact that all income and pensions need to be combined to get a true picture. We anticipate that this will begin to become more publicised, particularly as it will catch public sector employees who receive an above inflation pay rise. Perhaps then we might see one of the allowances dropped and tapering simplified.

23. State pension age

In November 2018 this was equalised for both sexes at 65 and will now rise to 66 by October 2020. The Government has proposed a further increase to age 68, but no date has been set.

24. De-risking – offering more flexibility (DB)

An increasing number of DB schemes are offering members additional flexibility at the point that they retire. This allows them to access pension freedoms, which while a tremendous success, is now been viewed with concern by the authorities. Another possibility is pension increase exchanges, but these are on hold at present pending clarification on GMP equalisation.

Find out more

If you would like any more information on these matters, please contact your Ascot Lloyd consultant or contact us directly on **01423 523311** and ask for a member of the pensions consultancy team or email **ebs@ascotlloyd.co.uk**

Note: Advising on and arranging of occupational pension schemes is not regulated by the FCA. Arranging group personal pensions (GPP) and group stakeholder pensions (GSP) (which are not occupational pension schemes) may be deemed to be a regulated activity by the FCA once members start joining the scheme.