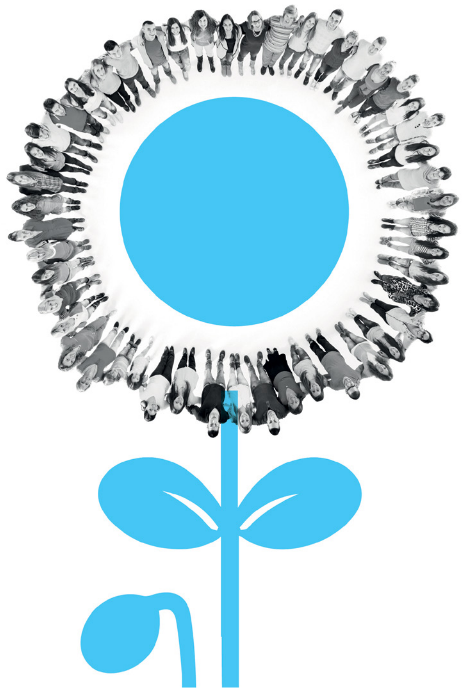
EVERSHEDS SUTHERLAND

Future of pensions



Springing into action
UK pensions agenda

April 2019

1 GMP equalisation

HMRC has formed a **working group** to consider the tax issues which might arise on equalisation. In addition, later in the year, there could be a third Lloyds judgment which may contain more about transfers and negligible payments, and the long-awaited and potentially important DWP guidance on conversion is expected.

Action — Keep an eye out for the next instalment of Lloyds, which is unlikely to be before autumn at the earliest. In the meantime, continue to identify any scheme equalisation issues and possible ways to address them. For more information, **read our article**.

2 Powers for the Regulator

The Government **intends** to introduce a number of new powers for the Pensions Regulator including a power to impose civil sanctions of up to £1 million, criminal sanctions for "wilful or reckless" behaviour in relation to a scheme, new notifiable events and changes to the existing moral hazard regime.

Action — Watch out for legislation implementing these changes and the exact form any new powers will take. More detail about the proposals is set out in our **speedbrief**.

3 Funding expectations

The Pension Regulator's **annual funding statement** says that trustees should have a long term funding target. It is also clearer on expectations around dividends - where they exceed deficit repair contributions, recovery plans should be relatively short and if the employer is weak, dividends should have ceased.

Action - Where a scheme is currently undergoing a valuation, consider the Regulator's expectations. There is more information on the statement in our **speedbrief**.

4 Fiduciary management

A **draft order** has been issued which will require trustees to competitively tender fiduciary management agreements, set strategic objectives for investment consultants and report compliance. It is anticipated to come into force in December 2019 and there should be some transitional provisions and Regulator guidance.

Action — Identify any fiduciary management investment contracts and consultancy agreements that might be affected and consider what action needs to be taken. More information on the proposals is in our **speedbrief**.

5 **Professional trustees**

A set of **standards** that professional trustees are expected to meet has been issued by an industry group. They sit alongside a new **accreditation process** which will require references, minimum qualifications, and an annual confirmation that trustees have undertaken a minimum amount of professional development.

Action — Compliance with these standards is not mandatory but consider asking if any new or existing professional trustees intend to become accredited under the new regime.

6 **Collective Defined Contribution schemes**

The Government has **responded** to its **consultation** on proposals to permit CDC schemes. It intends to proceed with necessary legislation as soon as possible and will attempt to draft it "*in a way that can quickly accommodate other models of CDC if appropriate in the future*".

Action — Although the current proposals are aimed at allowing implementation of a Royal Mail arrangement, watch out for new models that may have a wider reach.

7 **DC investment**

DWP has issued a **consultation paper** looking at requiring trustees of larger DC schemes to publicise additional information about "illiquid assets" in their Statement of Investment Principles and new implementation statements. The paper also looks at proposals to encourage trustees of smaller schemes to consider consolidation.

Action — Note that changes are already required to SIPs by October this year and, from October 2020, statements will be needed in DC schemes setting out the extent to which they comply with certain aspects of the SIP. See our **speedbrief** for more information.

8 **Dashboard**

The Government has **confirmed** that it is going ahead with proposals to introduce a pensions dashboard and will compel schemes to provide member data. Compliance will be staggered, with the expectation that large DC schemes will be first and most schemes should be providing dashboard data within 3-4 years.

Action — Keep an eye out for further developments and if doing any data cleansing exercises, have regard to the possibility that the information may need to be made available via the dashboard in the near future.

9 **VAT**

In the United Biscuits case, the Court of Appeal considered whether a VAT exemption should apply to the management of DB schemes in circumstances where identical services provided by regulated insurance companies would be VAT exempt. The question has been referred to the European Court.

Action — Consider whether to make additional or new claims for VAT on the management of DB schemes, pending the European Court's decision.

10 **FCA directory**

A **new register** for checking the details of individuals in the financial services sector (including whether they are authorised to give pensions transfer advice) will go live in March 2020. However, there will be a gap between December 2019 and December 2020 when individuals may appear in neither the existing register or the new directory.

Action – Be aware of this change as it could cause some problems when trying to check the status of advisers on DB transfers. Look out for any FCA action to address the issue.

For more detail on these or any other issues, speak to your usual Eversheds Sutherland adviser or contact:

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