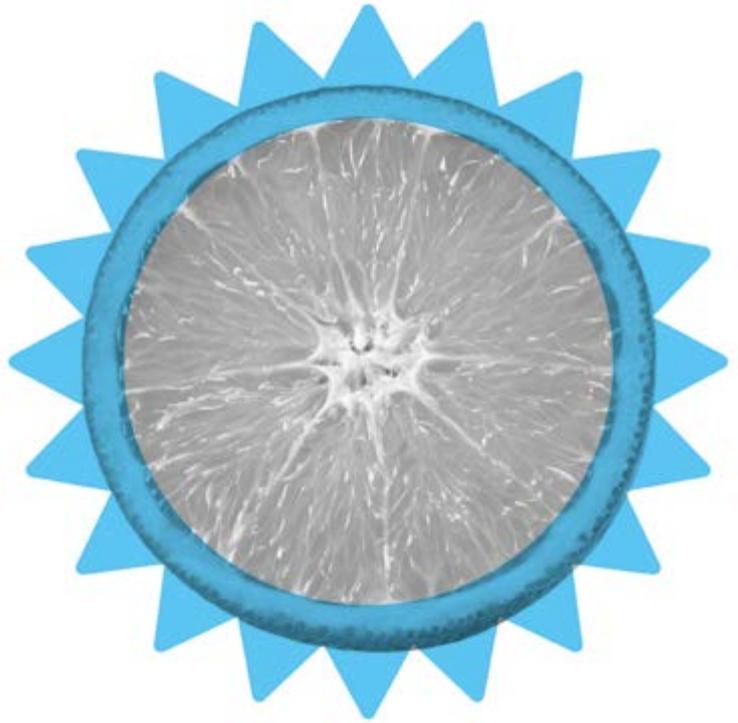


Lazy days of summer? UK pensions agenda

July 2019



1 Statement of investment principles (SIPs)

Regulations will require SIPs to contain information about arrangements with asset managers and additional provisions on engagement from 1 October 2020. DB trustees will also be required to disclose their SIP on a publicly available website from 1 October 2020 and DB and DC members will need to be given additional information about how trustees have exercised voting rights attached to shares from 1 October 2021.

Action — There is already a requirement to update SIPs by 1 October 2019 to include policies in relation to financially material considerations and engagement. Consider what additional content and disclosures are now required and whether it makes sense to add in all the changes ahead of October this year. For more details see our **speedbrief**.

2 Fiduciary management/investment consultants

From 10 December 2019, fiduciary mandates for 20% or more of scheme assets (individually or in aggregate) will **need** to be subject to a competitive tender process and trustees using investment consultants will need to set them strategic objectives. Trustees will need to certify compliance by 7 January 2021 and annually thereafter and also report any interim failures to comply.

Action — Identify whether there are any existing fiduciary mandates for 20% or more of assets as these too will need to be competitively tendered within a transitional period. Consider strategic objectives for consultants. For further information see our **speedbrief**.

3 DB transfers

The Pensions Administration Standards Association (PASA) has issued **guidance** on DB transfers setting out a suggested process from receiving a transfer request to making a payment together with expected timescales. There are also templates including an industry developed transfer template containing both scheme and member information aimed at ensuring financial advisers have sufficient information to provide robust transfer advice.

Action — Review existing transfer processes and documents against the guidance and consider whether any changes need to be made.

4 Cyber security and data protection

PASA has issued **guidance** on cyber security aimed at assisting trustees in carrying out a robust and effective review of cyber security issues. In addition, we have seen more action from the ICO in relation to GDPR including fining a controller £500,000 for a breach by a processor who was also a group company.

Action — Over a year from the implementation of GDPR, data protection and cyber security remain key issues and potential risks need to be identified and mitigated. Consider the position in terms of issues such as trustee protection, ongoing administration, PPF coverage and FSCS protection in the event of a cyber breach and possible loss of scheme assets.

5 Costs transparency

The costs transparency initiative has issued **new templates** and guidance for asset managers and investment service providers designed to enable them to report costs and charges in a standardised format. They are intended to allow trustees to make clear costs and charges comparisons across their different investment management suppliers and asset classes.

Action — Consider whether to engage with investment managers and other investment suppliers on use of the new templates and be aware of where they are used to ensure appropriate comparisons can be made.

6 Future of trusteeship

The Regulator intends to revisit its code of practice on trustee knowledge and understanding and is **consulting** on whether there should be statutory requirements to demonstrate compliance and whether trustees should have to go through a formal continuing professional development programme. It is also considering whether diversity should be required on trustee boards.

Action — Keep an eye on the outcome of this consultation as it could require trustees to put additional procedures in place to deal with the knowledge and understanding requirements and may mean some restructuring of trustee bodies.

7 Scams

An industry group (including the PLSA and PASA) has issued a revised voluntary **code of good practice** on combating scams and dealing with transfer requests. It sets out suggested due diligence to help to identify whether a receiving scheme is one to which a transfer should be made and encourages communication with scheme members to ensure that they are aware of the risks before they request a transfer payment.

Action — Consider the code of practice in the context of existing due diligence carried out on transfers and whether any changes should be made to protect members.

8 GMP equalisation and conversion

DWP has issued **guidance** on the use of the GMP conversion legislation. In particular it highlights the need to consider whether to use unisex actuarial factors and which employers will need to agree. HMRC **continues** to look at the tax issues around equalisation but is unlikely to reach any conclusions before the autumn.

Action — Consider whether conversion might be a possible way of dealing with GMP equalisation but be aware that it is not a simple process and requires a number of difficult decisions to be made.

9 Bridging pensions

Amendments have been made to legislation which, from 15 May 2019, allow for a member's pension to be reduced between age 60 and state pension age (as opposed to age 65). Unfortunately, the amendments are not retrospective to 6 December 2018 when state pension age first began to rise from age 65.

Action — If your scheme has bridging pension provisions, consider whether objective justification can be relied on where necessary for any action taken between December 2018 and May 2019.

10 Pensions Ombudsman

The Ombudsman has issued a **factsheet** confirming that in his view he is a "competent court" and therefore his determinations are effective to allow for recovery of a disputed overpayment from benefits. There has also been a **case** reminding the Ombudsman that his jurisdiction is limited to "the investigation of the complaint actually made to him".

Action — Bear in mind the factsheet and the judgment when faced with claims to the Ombudsman, particularly in relation to overpayments.

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



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