SQUIRE SANDERS

HOT TOPICS IN PENSIONS

Autumn 2012

1. Stakeholder access abolition

From 1 October 2012, employers with 5 or more employees are no longer required to designate and provide access to a stakeholder pension plan. However, where an employee is already a contributing member of a stakeholder plan on 1 October 2012, the employer is still under a duty to deduct and pay over the employee's pension contributions.

2. Data agreements

The recent £250k fine imposed on a Scottish local authority for failing to protect pension plan member data serves as a stark reminder to trustees that they remain responsible for the actions of third party data processors. In this case, a firm engaged to digitise pensions records apparently disposed of the paper copies in a supermarket recycling bin. Trustees should ensure that they have appropriate data protection agreements in place with those who handle member data.

3. Automatic transfers and refunds

Following consultation, the Government has confirmed that it will now work on the most ambitious of its transfer reform proposals: an individual's pension pot will follow that individual to his new employer's pension plan when he changes job. It is proposed that only DC pension pots created through auto-enrolment will transfer automatically. The Government is also rethinking its intention to completely abolish refunds of contributions for short service members in DC pension plans.

4. RPI consultation

The Office for National Statistics is consulting on amending the formula used to calculate the Retail Prices Index. The likely result would be to bring RPI inflation closer to CPI inflation. The Government may make substantial savings, but changes to the RPI would also impact upon revaluation and indexation increases for those deferred pensioners and pensioners whose benefits are linked to RPI inflation.

5. Pensions for mortgages

The Government's idea to allow parents to use their pensions to help children onto the property ladder has received an unfavourable reception from the pensions industry. It appears that individuals who have not yet retired would be able to make over their future lump sum to a mortgage lender. The proposals do not include allowing access to pensions before age 55.

6. FATCA

An intergovernmental agreement is in place between the UK and the US regarding how the Foreign Account Tax Compliance Act will be implemented. It would appear that the intention is for UK registered pension plans to be exempt from the onerous compliance and reporting requirements but the language used in the agreement lacks clarity. HMRC is currently consulting on some of the practicalities of FATCA implementation.

7. Public sector

The Public Service Pensions Bill 2012 will change the shape of pension provision in the public sector. If the Bill is passed without amendment it will, for example, enable new public sector pension plans to be established (which cannot be final salary), introduce cost control measures and place public sector plans under the jurisdiction of the Pensions Regulator. The Bill sets out a high-level framework, with detail to be included in regulations.

8. Record keeping deadline approaching

The Pensions Regulator has issued a progress checklist and FAQs on data measurement, in an attempt to help trustees to meet the expected record keeping standards by December 2012. The expectation is that 'common' member data created from 1 June 2010 will be 100% accurate and legacy data 95% accurate. Trustees should also have targets for the accuracy of 'conditional' (ie scheme specific) data. Progress should be monitored.

9. PPF levy estimate

The PPF levy estimate for 2013/2014 is £630 million. This is the same amount that the PPF now expects to collect for the levy year 2012/2013. We are warned that an increase of around 10% is expected in 2014/15 if the current high risk conditions continue. The PPF has noted a substantial decrease this year in the number of certified/recertified group company guarantees, following changes to its Contingent Assets rules.

10. Automatic enrolment

Amongst a blaze of publicity, auto-enrolment is with us. Advertisements feature some high profile characters of British Industry announcing "I'm in" (although one suspects that these individuals will not be relying on auto-enrolment to secure their retirement income). While focus to date has been on the biggest employers, those with PAYE schemes of 500+ will have staging dates during next year. Consultation is also underway on thresholds for 2013/2014.

Pensions White Paper

What needs to be done to create a sustainable pensions platform for our current and future generations?
Our "Pensions in the Age of Austerity" White Paper addresses this question and includes highlights from our recent market survey.
If you would like to register for a copy of the White Paper, please contact susan.donaghey@squiresanders.com.

Further information

For further information about any of our Hot Topics please contact any of the partners listed or your usual contact in the Squire Sanders pensions team.

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