



1. A Call to Action

The Pensions Regulator warns that “the clock is ticking” for the thousands of medium sized employers who are less than 6 months away from their automatic enrolment staging date. These employers should by now have identified a suitable pension plan and software provider and determined what outside help they need. We encourage employers who may be falling behind schedule to seek advice. Even employers who intend to use a waiting period to postpone auto-enrolment need to have plans in place now.



3. A Bridge Too Far?

Some pension plans provide a higher pension up until the time members’ state pensions are expected to come into payment, and a reduced amount thereafter (to achieve a level pension income throughout retirement). Current and future ‘bridging pensions’ may be impacted by forthcoming changes to the State Pension Age. Regulations allow trustees, in limited circumstances, to modify their pension plans by resolution to take account of the rising SPA. Trustees and employers should seek advice on their options without delay.



5. PPF Updates

Revisions to the PPF compensation cap will benefit some longer serving DB members. The Pensions Minister intends to legislate to increase the cap (currently £34,867) by 3% for every full year of plan membership above 20 years, with a maximum amount of double the standard cap. Separately, the PPF is to replace Dun & Bradstreet with Experian as its insolvency risk provider from 2015/16 – we can expect consultation early in 2014 on the impact of this change and on the 3 year levy rules to apply from 2015/16.



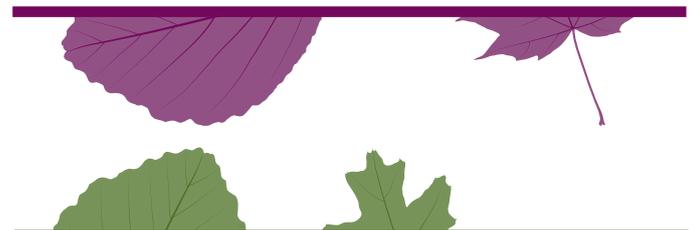
2. Liberation Update

In order to help trustees with transfer decisions, HMRC has announced that it will now only provide confirmation of a pension plan’s registered status where the information that it holds does not indicate a significant risk that the pension plan was set up for, or is engaged in, pensions liberation activity. HMRC is adopting a new “robust” process for registering new pension plans – a risk assessment will be undertaken before HMRC decides whether to accept a registration.



4. Fair Deal

The Government has amended its Fair Deal policy (which protects the pensions of public sector employees who are transferred to the private sector as part of an outsourcing). Transferred staff will have a contractual right to continue participation in (or, in many cases, to re-join) the relevant public service pension scheme. Trustees and sponsoring employers of private sector pension plans currently providing ‘broadly comparable’ benefits should consider the potential impact on their plan of members transferring back into a public service pension scheme.



6. OFT Market Study

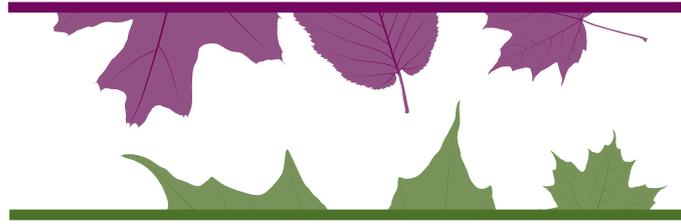
The Office of Fair Trading’s market study into workplace DC arrangements identifies several barriers to the provision of quality pension plans with competitive charging structures. Whilst many of the recommendations focus on contract based arrangements, the OFT also proposes that the Pensions Regulator should monitor the ‘value for money’ assessments that trustees will be required to undertake, and recommends further investigative action where pension plans do not offer good value for money to members.





7. Improving Cost Transparency

As part of its commitment to improve cost transparency, the Association of British Insurers has published a table of specimen annuity rates offered by ABI members. This is intended to raise member awareness of the benefits of shopping around for an annuity. The ABI has also issued a web tool to highlight how pension charges affect DC pension pots – this accompanies the Joint Industry Code of Conduct on Pension Charges Made Clear which came fully into force on 13 September 2013.



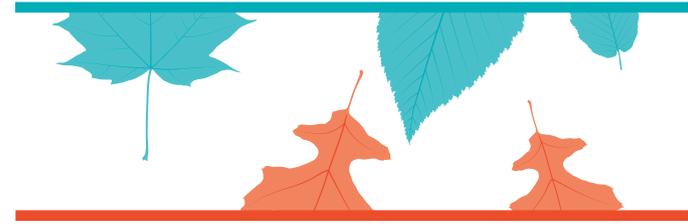
9. Court v Ombudsman

In the *Pell Frischmann* case, the employers started court proceedings to clarify a member's claim to an enhanced pension. Commencement of proceedings prevented the member from complaining to the Pensions Ombudsman and meant that he faced potential legal costs. The court held that this was not an abuse of process. This decision confirms such court applications are a possible option for employers, especially for bulk, spurious or nuisance claims, although the associated costs may be a deterrent.



8. Same Sex Marriages

The Marriage (Same Sex Couples) Act 2013 includes a provision to review differences in survivor benefits provided by occupational pension plans for opposite and same sex spouses/civil partners. The review must be completed by 1 July 2014. Pension plans can currently rely on an exemption in the Equality Act 2010 to restrict benefits for same sex couples where the right accrued before 5 December 2005 – but this exemption has been subject to recent challenge.



10. Calm before the storm?

We are expecting a number of key developments before Big Ben chimes in the New Year, including: draft regulations from the DWP on the new money purchase definition (which has widespread effect); the draft code of practice on DB funding taking into account the Pensions Regulator's new statutory objective; the Regulator's DC guidance; and a European legislative proposal to improve the governance, transparency and reporting requirements of occupational pension funds.



The UK's social care system faces a funding crisis, driven by shrinking State resources and an ageing population – a situation that has been exacerbated by a complex tax and savings regime, the lack of integration of pensions with other benefits, and widespread confusion about what the State can provide. Take a look at our white paper: [In Sickness and in Health: Reforming Pensions and Social Care](#) and let us know what you think!

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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