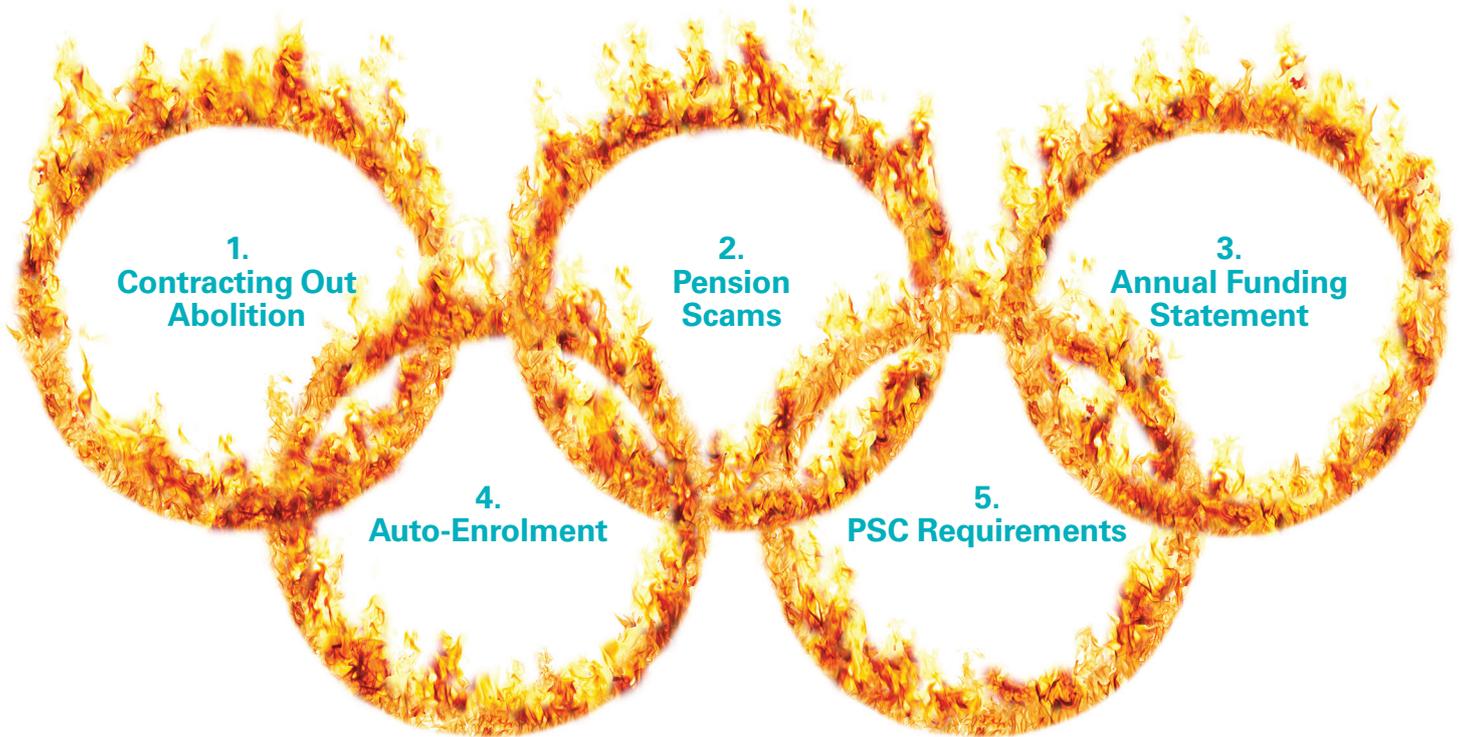


We want to give our readers a real summer feel by getting into the Olympic spirit. Here is our Decathlon of Pensions Hot Topics, divided into live issues and those on the horizon.

The Starting Gun Has Fired



- 1 Contracting Out Abolition – Not Plain Sailing**

Trustees should ensure that pension plan rules have been checked for a medley of potential consequences resulting from the cessation of contracting-out, such as benefit structures that are defined by reference to the state pension. Trustees should be clear on how accrued Reference Scheme Test benefits are calculated and whether a rule amendment is needed (before 6 April 2017) for pension plans that operate fixed rate revaluation on GMPs.
- 2 Pension scams – A Wrestling Match**

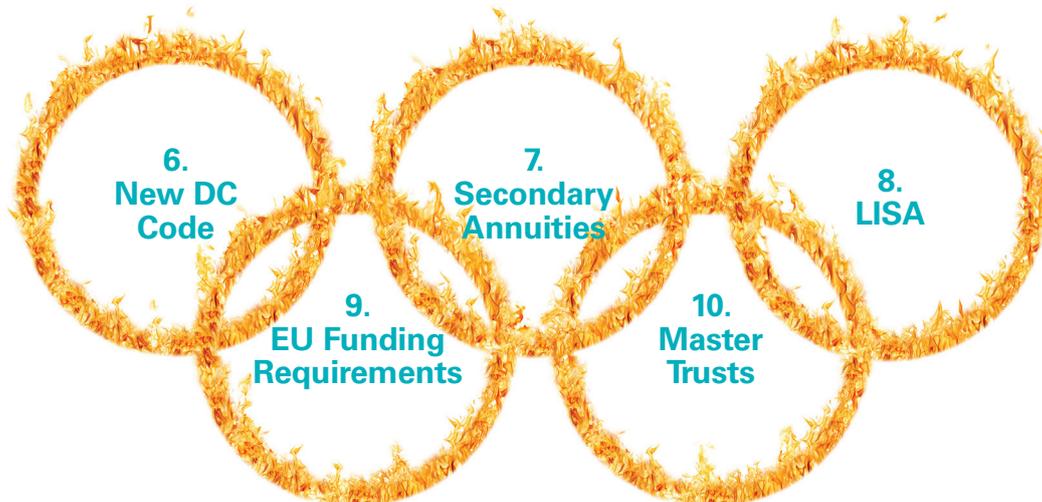
The Pensions Ombudsman issued a [statement](#) in relation to a recent High Court ruling which related to a transfer request from a personal pension to an occupational pension plan and considered the meaning of “earner” in the context of transfer legislation. The ruling introduces an extra twist for trustees considering member applications for cash equivalent transfer values. Trustees should also note recent updates to the Pensions Regulator’s “scorpion” [material](#).
- 3 Annual Funding Statement – Staying the Course**

The Pensions Regulator has published its annual funding [statement](#) aimed primarily at defined benefit plans undertaking valuations with effective dates in the period 22 September 2015 to 21 September 2016, but relevant to all DB trustees and sponsoring employers. Despite the heavyweight market pressures, the Regulator suggests that the majority of DB pension plans should be able to at least maintain existing recovery plans.
- 4 Auto-Enrolment – It’s a Marathon Not a Sprint**

As larger employers begin their first cycle of auto re-enrolment, the DWP has made some limited additions to the categories of workers that an employer does not have to enrol from 6 April 2016. The additions include some directors and “genuine” partners in an LLP. It is also intended that future legislation will allow the exclusion of individuals who have applied for Fixed or Individual Protection 2016 – but don’t jump the gun, this legislation is not yet in force.
- 5 PSC Requirements – Raising the Bar**

Pension trustee companies must keep a register of “Persons with Significant Control”. This has been a legal requirement since 6 April 2016, and from 30 June 2016 this information will need to be delivered to Companies House. Trustee directors should make sure that the person handling their statutory books keeps his eye on the ball and puts compliance procedures in place. Failure to maintain a PSC register is a criminal offence.

Begin Warming Up



6

New DC Code – Going for Gold

The new [Code of Practice](#) for pension plans providing money purchase benefits will come into effect from July 2016. Trustees of pension plans with any money purchase element (including AVCs) should assess compliance against the code and consider the good practice set out in the guidance material. We recommend that Trustees factor some time to discuss this at a forthcoming meeting and consider whether any group training would help to set them on course.

7

Secondary Annuities – Getting Over the Hurdles

From April 2017 the government intends that individuals will be able to pass the baton and assign the income stream of annuities held in their own name to a willing purchaser. HMRC's consultation on the tax position of secondary annuities provides that: any pension plan with annuities is potentially in scope; and where trustees hold annuities in their name as an investment these can be assigned to members (subject to contractual terms not preventing this).

8

LISA – Genuine Choice or Pommel-Horse Trojan Horse?

The Lifetime ISA is out of the starting blocks and will, from April 2017, offer individuals under 40 extra choice in terms of retirement savings. Where individuals can afford to save into both ISAs and occupational pensions there may be advantages to both. However, we fear that some members will opt-out of company pension plans and forego the benefit of employer contributions attracted by the option of using a LISA to help fund a house purchase.

9

EU Funding Requirements – Proposal for the High Jump

EIOPA's announcement that an EU-wide solvency-based funding framework for pension plans should not be introduced "at this point in time" has been widely welcomed. However, EIOPA is not prepared to throw in the towel and instead recommends a "European framework for risk assessment and transparency" based on "common valuation rules and a standardised risk assessment". It remains to be seen how this will evolve.

10

Master Trusts – Masters of the World

A new Pensions Bill was announced in the Queen's Speech which will include the governance of Master Trusts. With Master Trusts proving popular with employers for auto-enrolment compliance and for bulk transfers of DC benefits, the government wants to ensure that they are secure and stable long term vehicles. Membership of master trusts is increasing rapidly – we expect development in the area to move as fast as Usain Bolt.

Further Information

For more information about any of our hot topics please contact any of the lead partners listed or your usual contact in the Squire Patton Boggs pensions team.

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