

In our Spring Hot Topics in Pensions, we take you on a culinary trip that will tantalise your taste buds, as we explore some of the iconic food and drink for which the British Isles are renowned. As the icing on the cake, we offer a summary of current pensions issues for your trustee or corporate agenda – so, read on – this should definitely be your cup of tea.



## 1. Cream Teas and Professional Trustees

When faced with a West Country cream tea, do you add the jam followed by the cream or vice versa? Does it taste the same? Professional trustees also have a decision to make when choosing whether to follow the accreditation regime of the Pensions Management Institute (PMI) or the Association of Professional Pension Trustees (APPT). The PMI's APTitude programme opened for [applications](#) on 24 February. More detail is awaited on the APPT route. Will buyers of professional trustee services have a preference as to which route is taken?



## 2. A Wee Dram of Trusteeship and Governance

In its consultation response on trusteeship and governance, The Pensions Regulator (TPR) outlines plans to overhaul the Trustee Knowledge and Understanding code of practice and scoping guidance, and to improve the trustee toolkit. However, like the finest single malt whiskies, some things are best left to mature. TPR's stance on trustee board diversity is to form a working group to encourage good practice over a period of time. Lay trustees will not be required to have a qualification or to follow a formal Continuing Professional Development programme, but TPR may set out its evolving learning and development expectations.



## 3. Dishing-up Tax Reform

Like Birmingham's sizzling Balti dishes, the heat is being turned up on off-payroll tax rules (known as IR35), due to changes from 6 April 2020. This affects trustees who are paid for their services through a personal service company – payments may need to be made net of income tax and national insurance contributions under PAYE. Trustee boards and corporate sponsors of pension schemes should check arrangements involving intermediate entities, such as personal service companies, to assess whether they need to take action regarding payments. If in any doubt, seek specialist tax advice.



## 4. More Filling in the ESG Sandwich

The 4th Earl of Sandwich was so reluctant to leave the gambling table that the eponymous snack was created to allow him to eat without moving. Members may feel that trustees are gambling with their future if they are not transparent about scheme investments. Recent claims brought before the employment tribunal and The Pensions Ombudsman have highlighted member objections, on ethical grounds, to the investments of their automatic enrolment funds. Trustees should be mindful of their increasing obligations to disclose investment policies, strategies and voting activity, and take care when responding to member questions.



## 5. Equalisation – Not Yet Put to Bed(fordshire)

HMRC's guidance on Guaranteed Minimum Pension (GMP) equalisation has both sweet and not-so sweet elements – rather like a Bedfordshire Clanger – a pastry incorporating a savoury main course at one end and a pudding at the other. Many individuals will welcome HMRC's view that, "in the main, GMP equalisation adjustments, on their own, do not constitute new accrual of benefit". However, the guidance identifies scenarios where the adjustments must be taken into account in applying lifetime and annual allowances and lifetime allowance protections. Advice will be required on implications for schemes and member communications.



## 6. The Eton Mess of Transfers

The Pensions Administration Standards Association is consulting on a code of good practice for defined benefit transfers, with the aim of creating *la crème de la crème* of transfer processes – a faster, safer, more efficient and transparent system. On a separate point, trustees are reminded of the need to carry out checks against the financial services register before making a transfer of safeguarded benefits worth £30,000 or more, following Financial Conduct Authority changes in December 2019. We also await legislation in the pension schemes bill, which should help in the battle against pension scams.



## 7. The Proof Is in the Pudding for the Pension Schemes Bill

Many expected the passage of the pension schemes bill through parliament to be a smooth process, but the draft legislation is growing like a Yorkshire Pudding in the political heat, with a large number of “beefs” expressed by peers in the House of Lords. It remains to be seen how many of the amendments tabled will be agreed in the House of Commons and will make it to the statute books. This is an important piece of legislation for driving forward new powers for TPR, the framework of the dashboard and collective money purchase schemes.



## 8. Automatic Enrolment – A Rarebit of Stability

The government has confirmed that the earnings trigger for automatic enrolment will remain at £10,000 for 2020/21 and both the lower and upper earnings limits will continue to be aligned to the national insurance contribution thresholds (£6,240 and £50,000 respectively). This now familiar formula will potentially crumble like Caerphilly cheese in the mid-2020s when we are likely to see wholesale reform, including lowering the age band to 18 and removing the lower earnings limit – which could have significant cost implications for employers.



## 9. Anti-money Laundering – A “Mither” About Nothing?

The anti-money laundering regime for pension trustees might be said to resemble a Manchester Tart. It started with a thin (jam) layer of legislation with a much thicker (custard) layer being piped on top when trustees became obliged to keep records of all “beneficial owners” of a pension trust. HMRC has now consulted on changes to its trust registration service (TRS) to accommodate the latest (coconut) sprinkling of additional requirements. The cherry on the tart is that HMRC proposes continuing to exempt registered pension schemes from registration on the TRS.



## 10. Slippery Topics on the Pensions Horizon

Some pensions issues feel as slippery as jellied eels – in March, RPI/CPI will return to the headlines, with the government consulting on aligning RPI with CPIH and, in April, GMP equalisation will be back on the hook, as the courts tackle how past transfers should be dealt with. Although trustees are now obliged to set objectives for their investment consultants under the Competition and Market Authority’s order relating to the investment consultancy market, final form regulations implementing this requirement have not yet wriggled into UK legislation. Regulations are expected to be in place by April.

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