SQUIRE PATTON BOGGS

PENSIONS HOT TOPICS

Autumn 2014

1. Pension Protection Fund – good news

Let's start with some good news! The PPF levy estimate for 2015/16 is nearly 10% lower than the 2014/15 estimate and, according to the PPF, it is expected to fall in the following two years. The PPF confirmed its move to the new "more predictive and more transparent basis" for calculating failure scores from 31 October 2014. It is important to check the information held on the online portal and to ensure that any missing information is supplied to Experian. **Check portal information and update.**

2. Pension Protection Fund – be prepared!

Trustees and employers need to be familiar with ways in which the PPF levy can be reduced for 2015/16, including the disapplication of certain types of mortgage from the risk assessment, and the recognition of asset backed contributions (of any asset type). There are also changes to the way in which parent/group company guarantees are valued and certified. Action will need to be taken once the final PPF documents are issued in December. Pension plans registered as "last man standing" arrangements must take legal advice and confirm their last man standing status to the Pensions Regulator. **Comply with new requirements and take advantage of levy reduction opportunities.**

3. Taxation of Pensions Bill

The Taxation of Pensions Bill was presented to Parliament on 14 October 2014 and further changes to it are expected. Its provisions will radically change pension tax rules to give individuals greater flexibility in accessing their DC pension savings from April 2015. The Government faces a race against time to get the Bill enacted and implement its "freedom and choice" proposals by April. A key concern is the provision of guidance to pension plan members. Citizens Advice Bureau will offer face to face guidance and the Pensions Advisory Service will provide telephone guidance. **Dovetail guidance with retirement processes.**

4. Flexibility = planning + action

The DC flexibilities to be introduced from April 2015 impact on both DB and DC arrangements. Time is short. Trustees of pension plans containing any element of DC should be assessing, in conjunction with the employer and the administrator, what flexibilities are to be offered to members. Trustees of DB plans may see an increase in transfer requests, which could affect funding and cashflow positions. DB trustees should consider their policies regarding partial transfers and non-statutory transfers in anticipation of increased member demand. **Trustees and employers to make a comprehensive plan as to how to address the new flexibilities and communicate the changes.**

5. Tax charges on death

The Government announced in September that the 55% tax charge that can, in some circumstances, be levied on a lump sum paid from a pension plan to a beneficiary on a member's death will be removed from April 2015. The Taxation of Pensions Bill now includes legislation that will implement the proposed changes. This is a complex area – the tax charges that apply depend on the member's circumstances, age and the type of payments made to the beneficiary. In some cases a 45% tax charge will still be levied after April. **Trustees should understand the changes and be prepared to implement them.**

6. DC governance

From April 2015, new governance requirements will apply to DC and hybrid pension plans. This will include a requirement for the Chair of Trustees to produce an annual report covering matters such as: member charges; value for money; the review of default fund strategy; the prompt and accurate processing of core financial transactions; and meeting trustee knowledge and understanding requirements. Where a pension plan is used as a qualifying scheme for automatic enrolment purposes, trustees must ensure that the default fund complies with the charge cap. More stringent governance requirements will apply to master trust arrangements. **Update governance requirements!**

7. Pension scams

Sadly, pension scams (formerly known as "pensions liberation") continue to plague the pensions industry and the general public. TPAS received nearly 1000 enquiries concerning pension scams last year. There is concern that some fraudsters are using the new "guidance guarantee" to dupe the public into believing that this is what they are offering. We await the first determinations from the Pensions Ombudsman on this thorny issue. Meanwhile, the Pensions Regulator has updated its action pack for trustees and the material that can be supplied to members. **Review and update member information and be alert to scams.**

8. Shared Parental Leave

Parents will be given greater flexibility in caring for children under one, or in the year following adoption, where those children are due to be born or are adopted on or after 5 April 2015. A new form of leave is to be introduced – Shared Parental Leave – which will allow parents to take up to 52 weeks of leave between them following the birth or adoption of a child. Many plan rules will not yet accommodate the intended level of benefits for members. **Review and update your pension plan rules.**

9. EIOPA

The European Insurance and Occupational Pensions Authority (EIOPA) has "on its own initiative" committed to undertake further work on occupational pension fund solvency. It has issued a lengthy consultation and intends to follow this with technical advice to the European Commission. EIOPA recognises that solvency requirements need to be flexible enough to take into account national law. Whilst this recognition is welcome, the least stringent of several proposals on which EIOPA is consulting would have a material impact on DB plans, and the most stringent could have a catastrophic effect on plan deficits and employer sponsors. **Consider responding to consultation to make your views known.**

10. Round-up

Here are some of the other areas where we expect developments shortly.
(1) Response to consultation on the abolition of DB contracting out. (2) More detail on the DC "guidance guarantee". (3) Government consultation on whether full or partial withdrawals should be allowed from DB plans (avoiding the need for DB members to transfer to DC in order to take advantage of the post April 2015 flexibilities). (4) Further announcements on the introduction of automatic transfers, and the abolition of short service refunds in occupational DC pension plans (for members with at least 30 days' qualifying service) – both scheduled for October 2015. **Keep a watching brief…**

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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