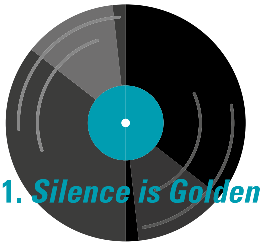
SQUIRE PATTON BOGGS

Hot Topics in Pensions
Winter 2016/2017

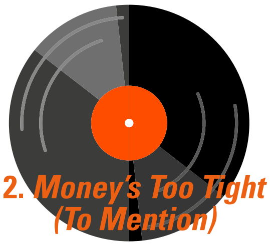
If you are working *9 to 5* but would rather be living the *Life of Riley*, get ready to *Spice Up Your Life* with our pop music themed Winter Hot Topics in Pensions. Tune in below for our current top 10, starting with some golden oldies on vinyl. Which is your Number 1?



Silence is Golden – Chancellor's Autumn Statement

The Chancellor wasn't totally silent on the subject of pensions but, comparatively speaking, it wasn't high on his agenda. The ban on pensions cold calling is a positive step. It is also welcome news that more will be done to tighten transfer legislation to prevent pensions scams. The reduction in the money purchase annual allowance from £10,000 to £4,000 was a surprise as it impacts "freedom and choice" options. Is the reduction necessary? The responses to consultation will be interesting. At least pensions contributions are not affected by the crack down on salary sacrifice…

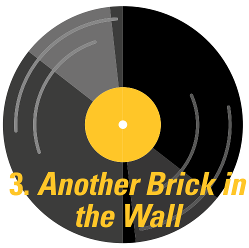
See our blog on the Autumn Statement.



Money's Too Tight (To Mention) – Bankruptcy Doesn't Necessarily Mean a Lost Pension Pot

The courts have clarified that a trustee in bankruptcy cannot take account of a bankrupt's pension which he has not yet elected to draw down. This is the case even if the bankrupt has reached his normal minimum pension age and there are no other constraints affecting his ability to take pension early. This position can be contrasted with that of a member who is not bankrupt where a court order can be obtained requiring the member to draw down pension to satisfy a judgment debt in certain circumstances.

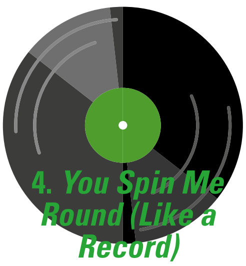
This judgment provides welcome clarity.



Another Brick in the Wall – Filling the Master Trust Gap

The Pension Schemes Bill sets out the broad framework for the authorisation and supervision of "master trust schemes" and will give wide powers to the Pensions Regulator. Master trust schemes will have to meet strict new criteria before entering the market and must have a continuity strategy to protect members if the trust is terminated. The definition of a "master trust scheme" broadly catches pension plans with non-associated employers but exclusions can be made through regulations. Trustees and employers of plans potentially affected by the legislation should monitor developments closely.

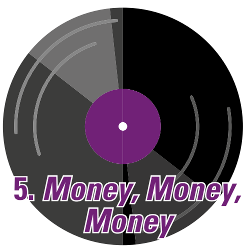
Look out for the regulations clarifying the definition of "master trust".



You Spin Me Round (Like a Record) – Guaranteed Minimum Pensions

Trustees looking at liability reduction exercises involving trivial commutation lump sums should exercise caution. If a member has a GMP, this can only be commuted early if it is revalued on a fixed rate basis. Additionally, a change in legislation has resulted in uncertainty as to the trivial commutation amount that must be paid out before GMP pension age. And remember – where pension plans revalue GMPs at a fixed rate, trustees must pass a resolution before 6 April 2017 if they wish to prevent an underpin from applying.

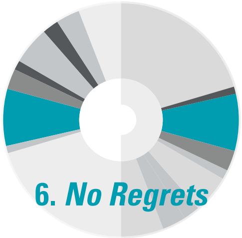
It's complicated! See our blog and our newsletter.



Money, Money, Money – The Potential Impact on Trustees of New Data Protection Fines

A relatively unexamined consequence of the forthcoming General Data Protection Regulation is the potentially devastating impact on trustees of the new maximum fine of €20 million or 4% of global turnover, if greater. Trustees should check the indemnity and exoneration provisions in their plan documents and take legal advice to ensure adequate protections are in place. Individual trustees who do not benefit from suitable indemnity or exoneration provisions could find themselves personally liable. This may encourage greater use of corporate trustee vehicles.

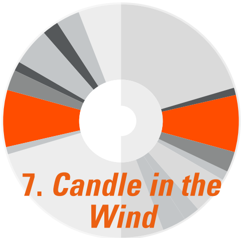
There are also complications for corporate trustees. See our blog.



No Regrets – Pensions Advice Allowance

From 6 April 2017 the government plans to introduce a pensions advice allowance to make financial advice more accessible and affordable for members. Pension savers will be able to use £500 from their money purchase pot for authorised financial advice, where allowed by pension plan rules. This will be an authorised payment for tax purposes. The government will also improve the income tax and national insurance exemption for the first £500 of financial advice on pensions, where the advice is arranged by the employer.

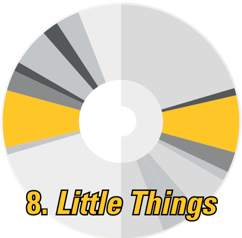
Trustees and employers will need to consider whether to make this available.



Candle in the Wind – Another Inflation Change

CPIH (which includes an element of housing costs) is to become the government's preferred method of measuring consumer price inflation from March 2017. It remains to be seen whether CPIH will eventually replace CPI as the statutory basis for pensions inflation, but as CPIH is currently higher than CPI, it would add to the cost of pension provision. The government's switch may open the debate for some private sector occupational plans where a switch of inflation measure is possible under the plan rules. RPI will continue to be published.

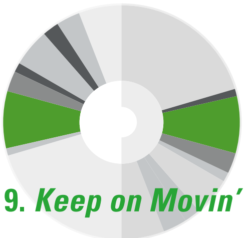
For further comment see our blog.



Little Things – Don't Forget the Little Things When Proposing New Insurance

Trustees taking out, varying or renewing certain insurance products on or after 12 August 2016 should be aware of the new duty of fair presentation. Trustees should disclose every material circumstance which they know or ought to know about an insurance risk and/or sufficient information to put an insurer on notice that it needs to make further enquiries. Reasonable searches and appropriate enquiries will need to be made of trustees, administrators and others involved with the plan. Sufficient time should be set aside for this process.

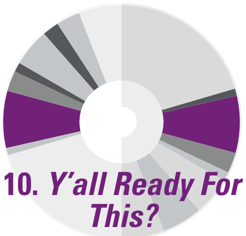
Insurance Premium Tax will also be rising to 12% from June 2017.



Keep on Movin' – Key Pension Protection Fund Dates for 2017

It is proposed that the PPF compensation cap will be increased by 3% for each year of pensionable service above 20 years, subject to a maximum cap of double the standard cap. The new cap is expected to take effect from 6 April 2017, with no backdated payments. Other proposed PPF deadlines include: scheme data and hard copy contingent asset documents must be submitted by midnight on 31 March 2017, deficit repair contribution certificates must be submitted by 5 p.m. on 28 April 2017 and block transfer certificates must be submitted by 5 p.m. on 30 June 2017.

See our "Caps off to PPF Consultation!" blog.



Y'all Ready For This? – Round up of Other Pensions Developments

The government has: cancelled plans to introduce a secondary annuity market from April 2017; extended to 31 December 2017 the transitional period during which HMRC's previous guidance regarding the splitting of pension service provider invoices for VAT purposes can continue to apply; published its consultation response on capping exit charges in occupational pension plans which will come into force in October 2017; and brought in new legislation setting out the conditions under which "bridging pensions" count as authorised scheme payments (retrospective to 6 April 2016).

The DWP has issued two consultations on equalising pensions for the effect of GMPs. Will it be "*So long, farewell, auf Wiedersehen, adieu*" to this troublesome issue, or more of the *Never Ending Story*?

Will flat rate tax relief resurface, or do we just have *Suspicious Minds*?

AWARD
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TRAINING
We can offer tailored training and private exam sittings for trustees wishing to sit the PMI Award in Pension Trusteeship. See our flyer.

BLOG
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