

Fresh from the Oscars, we introduce a touch of red carpet glamour to the pensions scene with our film-themed Hot Topics. We have a diverse range of subjects, reflecting the wise words of Forrest Gump: *"Life is like a box of chocolates. You never know what you're gonna get."*



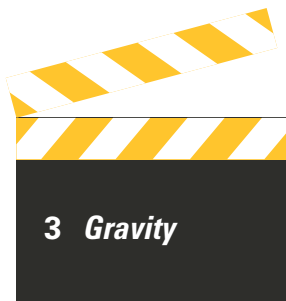
Lost in Translation – Investments

We have uncovered a number of problems recently where trustees have signed investment agreements presented to them as "market standard" and "non-negotiable". In many cases, trustees are inadvertently assuming a high level of liability and accepting terms weighted in favour of investment managers. Trustees should exercise *True Grit* and ensure that specialist legal advice is taken before entering into investment agreements in order to minimise risk and to avoid allegations that they did not properly discharge their fiduciary duties. We have helped pension funds (large and small) to improve their contractual position.



The Green Mile – Work and Pensions Committee Report and Green Paper

The Work and Pensions Committee made some radical [proposals](#), including mandatory clearance in respect of potentially detrimental corporate activity, facilitating the consolidation of small defined benefit plans under the Pension Protection Fund, and the *Armageddon* proposal of giving the Pensions Regulator power to add punitive fines to contribution notices and financial support directions. The DWP's [Green Paper](#) addresses these issues and others, including consolidation on a voluntary basis (but not through a government body) and seeks views on allowing employers/trustees to limit indexation when an employer is stressed. See our blogs on the Committee's [proposals](#) and the [Green Paper](#).



Gravity – General Data Protection Regulation (GDPR)

It is time for trustees to put in place an action plan to ensure that they will comply with the GDPR when it comes into force on 25 May 2018. A *Braveheart* may be required. Actions include revising service provider agreements; creating detailed records of all personal data processing activities; reviewing member consents and privacy notices; and establishing a compliant data breach process. Time should be allocated to negotiating service provider agreements, not least because service providers will be directly liable for GDPR compliance and so may look to build a risk premium or risk transfer into their terms. Trustees should seek legal advice before signing such agreements.



The Matrix – Cybersecurity

Cyberhacking is increasingly prevalent. There have been many high-profile data breaches reported in the press. Pension plans are rich in personal data, employment and bank details and are an attractive target for hackers. The Pensions Regulator has expressed concern that trustees are not adequately recognising and addressing the risks. If cybersecurity is not on the trustees' risk register already, it should be; and trustees should regularly seek assurances about security measures from their advisers. Trustees should also develop a plan for dealing with a breach in case the worst happens.



The Sting – Tax Developments

Trustees should review their member communications on pension flexibilities following the government's confirmation that the money purchase annual allowance will reduce from £10,000 to £4,000 from 6 April 2017. Given the continued chipping away at pensions tax concessions, more of our clients are implementing excepted group life assurance plans. These can be effective in providing lump sum death benefits outside the lifetime allowance but require specialist advice due to other potential tax consequences. In less *Rocky* news, Individual Protection 2014 can still be claimed until 5 April 2017.



6. *The Color of Money*

The Color of Money – Pensions Advice Allowance

Trustees should consider whether they will offer the Pensions Advice Allowance, which will be available from 6 April 2017 and check whether plan rules allow it. Individuals of any age, whether retired or not, who have an element of defined contribution benefit (including Additional Voluntary Contributions), will be able to have up to £500 deducted from their pension pot, tax free, to pay for regulated retirement financial advice. Individuals will be able to use the Pensions Advice Allowance a total of three times. Separately, the tax exemption relating to employer arranged financial advice is increasing to £500.



7. *Brewster's Millions*

Brewster's Millions – Taking Care With Benefit Payments

The Pensions Ombudsman recently ruled that a pension plan should bear the tax consequences when a member requested that part restitution of underpaid pension be made as a tax-free lump sum. To prevent disputes from escalating, trustees should seek advice whenever underpayments or overpayments are discovered. Separately, publicity around the Brewster decision (that completion of a nomination form did not add anything to the factual criteria set to determine whether a cohabitee qualified for a survivor's pension) might result in member queries, so trustees should be prepared.



8. *The Godfather*

The Godfather – PSC Compliance Deadline Looming

Since 6 April 2016 there has been a requirement for UK limited companies (including trustee companies, whether limited by shares or guarantee) to keep a register of "People with Significant Control". This information must be submitted to Companies House alongside the confirmation statement (formerly known as the annual return). The due date for confirmation statements is usually a year after the last annual return was filed and they must be filed within 14 days of this date. Companies complying with this filing requirement for the first time (because they have a confirmation statement due date before the end of June) should ensure that plans are in place.



9. *The NeverEnding Story*

The NeverEnding Story – Guaranteed Minimum Pensions (GMPs)

The [consultation](#) on equalising for GMPs closed in January but, like *Titanic*, it didn't provide the safe harbour that the industry had hoped for. Additionally, some of the key detail was missing, for example, proposals for the treatment of those who would be immediately impacted, such as pensioners. We would also like to remind trustees of open plans operating fixed-rate revaluation for GMPs to pass a trustee modification resolution before 6 April 2017 in order to prevent an underpin from applying as a result of changes to legislation following the abolition of contracting out in April 2016 (see our recent [blog](#) for more information).



10. *The Full Monty*

The Full Monty – Round Up of Issues on the Horizon

A quickfire round up for those without *Total Recall*. Debate around the master trust framework continues in parliament with controversy around whether or not there should be a "funder of last resort". We await the outcomes of: the call for evidence on how to simplify bulk transfers from one defined contribution plan to another without member consent; and the FCA's consultation on increasing coverage for pensions-related business under the Financial Services Compensation Scheme. Finally, we now have confirmation that IORP II (and *All That Jazz*) will be implemented by member states before 13 January 2019.

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