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beyond the expected

PATHways

Pension Administration Technical Help

Highlighting pensions news and legislation that has particular relevance to what we do in pension administration

HMRC publishes online platform newsletter

HM Revenue & Customs (HMRC) has published a newsletter setting out the details of its new online service for pension scheme administrators, which will ultimately replace Pension Schemes Online. The new service will be called ‘Manage and Register Pension Schemes’.

The roll out of the new service will be in two stages. The first phase will allow the service to be used for registering new schemes from 8 May 2018. The second phase will allow the service to be used for scheme reporting (such as Accounting For Tax returns) and registering new scheme practitioners, and is currently timetabled to come online in a series of releases from April 2019.

Current administrators should continue to use Pension Schemes Online to manage their schemes until the second phase begins. HMRC will be writing in the near future to scheme administrators who haven’t updated their details through Pension Schemes Online, in readiness for migration to the new system.

HMRC: Countdown bulletin 33

HMRC has published the latest Countdown bulletin. This contains details of Phase 6 of Scheme Reconciliation Service automation, which runs through to August 2018. There are also details of how to use automated solutions to check the service HMRC has recorded for members who have multiple, linked periods of membership in the same scheme. HMRC reminds administrators that a National Insurance number is required for Contributions Equivalent Premium (CEP) or Limited Revaluation Premium (LRP) refunds to be paid, and that schemes do not need to surrender their contracting-out certificates.

TPR publishes annual funding statement

The Pensions Regulator (TPR) has published its annual funding statement for DB pension schemes. In the context of the government’s recent White Paper, it contains a warning that trustees and sponsoring employers must act to ensure scheme members are treated fairly. TPR will continue to monitor schemes where it considers that sponsors may be acting irresponsibly and take a proactive approach. The necessity of this action has been highlighted by recent corporate failures, where the schemes had lengthy recovery plans in place at the time of the employer’s failure.

The particular issue of employers prioritising a policy of making progressive dividend payments in preference to increasing deficit reduction contributions is highlighted, with employers encouraged to use upcoming valuations as an opportunity to consider shortening deficit reduction plans if they have strong cashflow. TPR stresses the importance of risk management and contingency planning for events such as a potential downturn in the employer’s financial strength as a result of Brexit. Trustees are also encouraged to consider the impact of increased volumes of transfer activity on scheme funding.

TPR publishes cyber security guidance

TPR has published regulatory guidance for trustees on the steps they can take to protect scheme members and assets from fraud and data theft.

As schemes hold large amounts of personal data, trustees should work with relevant parties to manage the risk presented by cyber security. The guidance includes TPR's usual emphasis on internal controls and awareness of roles and responsibilities, interacting with third party suppliers and regulators, and forming an incident response plan. As cyber risk is complex and evolving, trustees will need to ensure they review processes regularly, building 'cyber resilience' to respond dynamically to incidents.

Work and Pensions Committee publish freedoms report

The House of Commons Work and Pensions select committee has published its final report into the pensions 'freedom and choice' reforms. Whilst accepting that the freedoms have given people greater control over their retirement, the committee makes a number of recommendations, including:

Protecting savers

Automatic enrolment has led to greater numbers of people making pension savings by providing a default route for contributing to a workplace scheme. The committee suggests that, by contrast, the 'decumulation' phase (receiving funds) relies on individuals making active choices which they are ill-equipped to understand. The potential for poor retirement outcomes can be seen in the number of customers now taking unadvised drawdown.

The committee recommends that all drawdown providers should offer a default product suitable for their 'core customer group' with a 0.75% charge cap. Further to this, the National Employment Savings Trust (NEST) scheme should be permitted to offer a default drawdown pathway, so its members are not forced to shop around for retirement products.

Empowering savers to choose

The committee now recommends that the Financial Conduct Authority (FCA) investigates automated advice with the aim of promoting the benefits to savers. The hope is that new technology will make financial advice affordable for a greater number of individuals, resulting in better retirement outcomes.

The committee suggests that retirement 'wake-up' packs are ineffective and that the provision of a single page 'pension passport' should be made compulsory, to increase engagement.

The pensions dashboard should, in the committee's view, be hosted by the new single financial guidance body. Pension providers should be mandated to provide information to the dashboard on a staged timetable.

A better pension freedoms market

Better outcomes for savers can only be ensured by creating a properly functioning pension freedom market. This can be achieved by ensuring customers are better informed. The committee repeats its earlier recommendation for guidance appointments to be provided by default at the point of decumulation in order to promote this aim.

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