

THIS NEWSLETTER IS A SUMMARY OF THE TRUSTEE, COMPANY, AND OTHER ELEMENTS... THAT YOU NEED TO BE AWARE OF TO HELP YOU WITH RUNNING YOUR DEFINED CONTRIBUTION (DC) SCHEME OR ARRANGEMENT.

Whether you are a trustee running an occupational scheme or a company offering a master trust scheme or a contract-based scheme (such as a Group Personal Pension), it is important to keep up to date.

*** TRUSTEE ELEMENTS**

TPR COMPLIANCE AND ENFORCEMENT BULLETIN RELATING TO THE CHAIR'S STATEMENT

In July, The Pensions Regulator (TPR) published a bulletin in relation to compliance with the chair's statement requirements for occupational schemes that have DC benefits other than Additional Voluntary Contributions (AVCs).

The bulletin noted that a large proportion of penalty notices were issued against schemes with fewer than 100 members, and encouraged trustees of smaller schemes to ensure they have sufficient knowledge and understanding of their role in order to carry it out effectively.

TPR also reminded trustees that they should assess their schemes against the DC code on an ongoing basis.

WORKING PARTY FORMED TO SET STANDARDS FOR PROFESSIONAL TRUSTEES

Following a recommendation by TPR, a number of industry groups have united to form the Professional Trustee Standards Working Group. This group will establish a set of 'fit and proper protocols' to be met by professional trustees; these will cover competencies, experience and professionalism. TPR will encourage adherence to the protocols.

THE GOVERNMENT ALSO PUBLISHED GUIDANCE ON IMPLEMENTING A CAP ON EARLY EXIT CHARGES FOR THOSE AGED 55 AND OVER AND WHO ARE ELIGIBLE TO ACCESS THE PENSION FREEDOMS.

TRUSTEE ELEMENTS

Page 01



COMPANY ELEMENTS

Page 02



OTHER KEY ELEMENTS

Page 03



CAPPING EARLY EXIT CHARGES AND BANNING COMMISSION IN OCCUPATIONAL SCHEMES

On 20 July regulations were laid before Parliament, which come into force from 1 October 2017, that:

- introduce a 1% cap on early exit charges in relation to existing members (i.e. those who are members on 1 October 2017) of occupational pension schemes
- ban early exit charges in relation to members who join these schemes on or after 1 October 2017
- implement the second phase of the member-borne commission ban for occupational pension schemes, following that which applied to new agreements entered into on or after 6 April 2016 and agreements which were renewed or varied after that date

The Government also published guidance on implementing a cap on early exit charges for those aged 55 and over and who are eligible to access the pension freedoms.

The regulations impose a reporting requirement on service providers to confirm compliance in writing to trustees of relevant schemes within one month of the later of 1 October 2017 and the date they become a service provider in relation to a relevant scheme. A 'service provider' means a person or firm who provides an administration service directly to the trustees.



* COMPANY ELEMENTS



IN JUNE, TPR COMMENTED THAT IT HAD CARRIED OUT SPOT CHECKS IN GREATER MANCHESTER TO ENSURE EMPLOYERS ARE COMPLYING WITH THEIR AUTO-ENROLMENT DUTIES.



AUTO-ENROLMENT SPOT CHECKS

In June, TPR commented that it had carried out spot checks in Greater Manchester to ensure employers are complying with their auto-enrolment duties. The move is part of a nationwide enforcement campaign which began in London and visits are planned to other towns and cities across the UK.

Also in June, TPR warned employers not to fall for a scam involving the sale of fake certificates which suggest that they do not have auto-enrolment duties. It appears that a number of employers have been persuaded to pay for such documents.

REGULATORY STEP-UPS IN AUTO-ENROLMENT MINIMUM CONTRIBUTIONS

In April, TPR included additions to its detailed guidance in relation to regulatory step-ups in minimum contributions that apply from 6 April 2018 and 6 April 2019 for DC pension arrangements used by employers to comply with their auto-enrolment duties.

If the contributions of an auto-enrolment or qualifying scheme do not already meet or exceed the 6 April 2019 quality standards, then employers should consider:

- ensuring that the scheme continues to meet the qualifying criteria, i.e. increasing the contribution rates
- determining whether the employer is required to formally consult with affected employees
- ensuring the employer’s payroll process and software are updated so that the correct amounts are calculated and deducted at the right time
- considering communications to raise awareness with members of any increase
- considering whether there is any impact upon the scheme’s certification (relevant for schemes that do not use qualifying band earnings but have chosen an alternative basis for pensionable pay).



THE CIRCUMSTANCES IN WHICH 60 DAY FORMAL CONSULTATION MAY BE REQUIRED INCLUDES THE EMPLOYER REQUIRING EMPLOYEE CONTRIBUTION RATES ABOVE THOSE REQUIRED BY LEGISLATION AND THE EMPLOYER INCREASING EMPLOYEE CONTRIBUTIONS PRIOR TO THE REGULATORY DATES OF 6 APRIL 2018 AND 6 APRIL 2019.

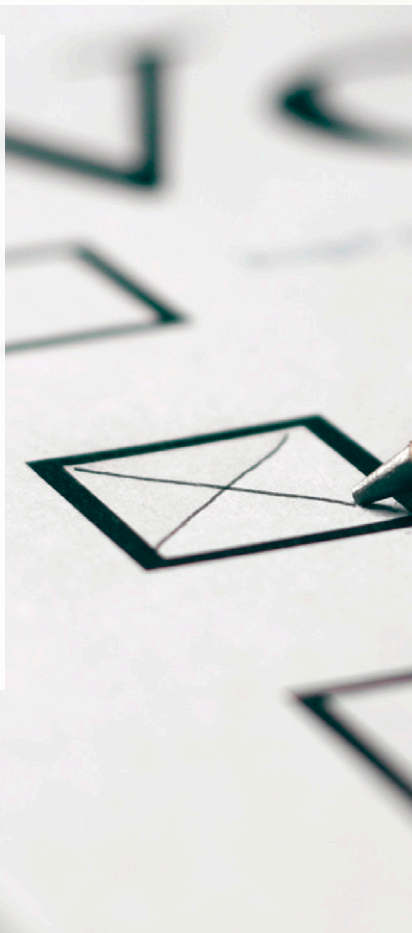


* OTHER ELEMENTS

GENERAL ELECTION

The General Election on 8 June returned a hung parliament, with no political party securing a majority. The Conservative Party later reached agreement with Northern Ireland's Democratic Unionist Party (DUP) to deliver a government.

The DUP agreed to support the Government on the Budget, finance bills, appropriation legislation and the UK's exit from the European Union. Support on some other matters will be agreed on a case-by-case basis, and this may restrict the Government's ability to push through pension-related reforms during the term of this Parliament.



PROPOSALS TO CREATE A SINGLE FINANCIAL GUIDANCE BODY

In July, the Government published its response to a consultation on proposals to replace the Money Advice Service, the Pensions Advisory Service and Pension Wise with a new single financial guidance body.

The proposed body will have four core functions:

- the provision of debt advice in England (debt advice in Scotland, Wales and Northern Ireland will be delivered through devolved authorities)
- the provision of money guidance across the UK
- the provision of pensions guidance across the UK
- to work with others to support the coordination and development of a national strategy in three key areas:
 - to improve people's financial capability
 - to improve the ability of members of the public to manage debt
 - to improve the provision of financial education to children and young people

NEW RULES ON INFORMATION IN THE ANNUITY MARKET

In May 2017, the Financial Conduct Authority (FCA) published a policy statement giving its final rules that require individuals who intend to buy an annuity to be informed how much they could gain from shopping around.

The information that annuity providers and advisers would need to provide is intended to prompt individuals to shop around and, where appropriate, switch provider before they purchase an annuity. Firms affected by these changes will need to ensure compliance from 1 March 2018.



THE MAJORITY OF RESPONDENTS WERE SUPPORTIVE OF THE PROPOSALS, AGREEING THAT A SINGLE BODY WOULD SIMPLIFY THE PUBLICLY-FUNDED FINANCIAL GUIDANCE LANDSCAPE AND HELP TO REDUCE THE DUPLICATION OF FINANCIAL GUIDANCE AVAILABLE.



STATE PENSION AGE REVIEW

In July, the Government announced its agreement to the recommendation in the independent review by John Cridland that the increase in the State Pension Age (SPA) from 67 to 68 be brought forward by seven years. It is proposed that this will now take place between 2037 and 2039, affecting everyone born between 6 April 1970 and 5 April 1978.

Legislation requires the SPA to be reviewed during each Parliament. The Government will undertake a further review by July 2023 before legislating to bring forward the proposed increase in the SPA from 67 to 68. The next review will also consider whether rises beyond 68 are needed and when.

GOVERNMENT TO PROCEED WITH POLICIES DROPPED FROM THE FINANCE BILL

In July, the Government confirmed that a second Finance Bill 2017 will be introduced following the summer parliamentary recess to legislate for the policies that were dropped from the Finance Bill in order to pass it into law ahead of the General Election. It also confirmed that all policies that were originally due to come into force from 6 April 2017 will still be effective from that date.

The pension policies affected are the reduction in the Money Purchase Annual Allowance (MPAA) from £10,000 to £4,000 and the increase in the amount that employers may pay to their employees for taking pensions advice (without liability for income tax) from £150 to £500 for each tax year.

In July, we issued a Stop Press PerioDiC on the reduction in the MPAA, and the communications gap we believe there is in this information reaching affected individuals.

PROVIDER NEWS

On 24 July, NOW: Pensions was removed from TPR's master trust assurance list at its own request. NOW: Pensions is a DC master trust scheme, competing in the same mass auto-enrolment space as NEST and The People's Pension. TPR had been actively reviewing its position on the list due to concerns about the governance and administration of the scheme, including delays processing some contributions and communicating with members.



For more information on our services please contact Mark Futcher, Partner, Workplace Health and Wealth on:



- ✉ mark.futcher@barnett-waddingham.co.uk
- ☎ 01494 7881 16
- ➡ www.barnett-waddingham.co.uk

Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at Cheapside House, 138 Cheapside, London EC2V 6BW. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority. Barnett Waddingham Actuaries and Consultants Limited is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.