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

Whether you are a trustee 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**

DC CODE OF PRACTICE

The Pension Regulator is updating its DC Code, which it expects trustees to use to check the quality of their DC arrangements on an ongoing basis (includes AVCs within a defined benefit (DB) scheme).

The revised DC Code is expected to be published in July 2016, and will be supported by an assessment framework and 'how to' guides covering the key principles of the DC Code:

- THE TRUSTEE BOARD
- SCHEME MANAGEMENT SKILLS
- ADMINISTRATION
- INVESTMENT GOVERNANCE
- VALUE FOR MEMBERS
- COMMUNICATING AND REPORTING

Trustees should consider when they last reviewed their DC arrangements using the DC Code and set a date for the next review. Please let us know if you wish us to undertake a review (we will adopt a light touch proportionate approach for AVCs).

> THE REVISED DC CODE IS EXPECTED TO BE PUBLISHED IN JULY 2016

REMINDER

CHAIR'S STATEMENT AND VALUE FOR MONEY

From 6 April 2015, legal minimum governance standards were introduced that require the Chair of Trustees to report by means of a chair's statement on how the governance standards are being met.

This statement must be prepared within seven months of each scheme year end and published in the scheme's annual report and accounts. The Pensions Regulator will fine trustees who don't comply.

In particular, the minimum governance standards require trustees to assess their DC arrangements at least annually to ensure the charges and transaction costs represent 'good value for the members'. Please refer to our 'DC Value for Money Assessment brochure' for further information.

We would encourage trustees to consider Value for Money (VFM) and the other minimum governance standards well before the reporting timeline via the chair's statement.

*** EMPLOYER ELEMENTS**

INDEPENDENT GOVERNANCE COMMITTEES

With effect from 6 April 2015, providers who operate workplace personal pension schemes were required to establish and maintain an Independent Governance Committee (IGC). The key objective of the IGCs is to provide independent challenge to providers that the members within their scope receive (and continue to receive) value for money.

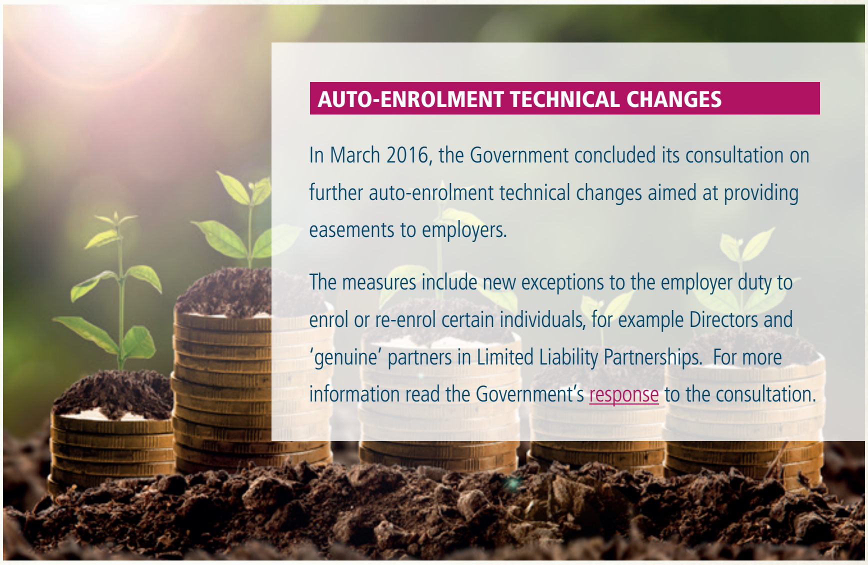
The IGCs have now published their first annual reports and these are publicly available on each provider's website. Perhaps unsurprisingly, the IGCs have universally declared that their pension products offer value for money.

We believe that this reinforces the value of the governance that we provide to companies to ensure that their schemes remain compliant, suitable for the company's own workforce and with an appropriate provider.

AUTOMATIC RE-ENROLMENT

Employers have a cyclical automatic re-enrolment duty which falls on every third anniversary of their staging date (there is a three month window either side of the anniversary). Broadly, employers must assess and re-enrol workers who have opted out or ceased active membership of qualifying workplace pension schemes.

There are important differences between this periodic re-enrolment duty and the employer's regular auto enrolment duty, so the employer cannot simply add the workers who have opted out or ceased active membership to its regular auto-enrolment process.



AUTO-ENROLMENT TECHNICAL CHANGES

In March 2016, the Government concluded its consultation on further auto-enrolment technical changes aimed at providing easements to employers.

The measures include new exceptions to the employer duty to enrol or re-enrol certain individuals, for example Directors and 'genuine' partners in Limited Liability Partnerships. For more information read the Government's response to the consultation.

ANNUAL ALLOWANCE AND LIFETIME ALLOWANCE

The Annual Allowance (AA) is a limit on the pension savings that individuals can make each tax year without incurring an extra tax charge. For DC schemes, pension savings are simply the contributions paid, including those from the company.

From April 2016, the AA reduced for higher earners – if an individual's total taxable income (excluding pension contributions) in the tax year is more than £110,000, their AA may be reduced (tapered). The tax charge for exceeding the AA is penal, and many employers have sought to provide awareness support to their higher earners.

BROADLY, EMPLOYERS MUST ASSESS AND RE-ENROL WORKERS WHO HAVE OPTED OUT OR CEASED ACTIVE MEMBERSHIP OF QUALIFYING WORKPLACE PENSION SCHEMES

FROM APRIL 2016, THE AA REDUCED FOR HIGHER EARNERS

The Lifetime Allowance (LTA) is the total value of pension savings that individuals can build up during their lifetime without incurring an extra tax charge. The LTA reduced from £1.25 million to £1 million from 6 April 2016, although new 'protections' are available.

Again, many employers have sought to provide awareness support to their higher earners. Some employers have also considered alternative remuneration for those impacted by the LTA and re-structured the employer's life assurance arrangements to ensure that these do not compromise any LTA protections that individuals may have registered.

LTA REDUCED FROM £1.25 MILLION TO £1 MILLION FROM 6 APRIL 2016

REMINDER

END OF COMMISSION AND 'ACTIVE MEMBER DISCOUNT' CHARGING ARRANGEMENTS

From April 2016, pension providers are no longer able to pay commissions in respect of qualifying pension schemes. They are also no longer able to operate subsidised charging, whereby leavers subsidise lower charges for active members.

In many cases, providers have revisited the charging terms for schemes that operated these arrangements.

* OTHER KEY ELEMENTS

On 16 March 2016, George Osborne delivered his eighth Budget as Chancellor. All of the matters included in this section were announced in the Chancellor's Budget speech.

PENSION TAXATION

There had been much speculation in advance of the Budget that the Chancellor would announce fundamental changes to the pension tax regime – either a single rate of tax relief or a switch to ISA-like taxation. In addition and as with previous recent budgets, there was speculation that tax-free cash sums may be targeted.

In the event, no changes were announced to pension taxation other than the expected changes to the AA and LTA mentioned above.

NO CHANGES WERE ANNOUNCED TO PENSION TAXATION OTHER THAN THE EXPECTED CHANGES TO THE AA AND LTA

PENSION SALARY SACRIFICE

The Government had previously commented that it would be monitoring tax leakage through salary sacrifice arrangements.

In his Budget speech, the Chancellor announced that there would be a review of the benefits provided through salary sacrifice arrangements, although he confirmed pension salary sacrifice will remain.

PENSION DASHBOARD

The Government will ensure the industry designs, funds and launches a pension dashboard (a digital interface where an individual can view all their retirement savings in one place) by 2019.

This will require significant development in certain areas, for example DB schemes, State pensions and legacy DC schemes.

We believe that such an initiative would be a huge step forward in enabling individuals to trace and understand their overall retirement savings.

PENSION ADVICE ALLOWANCE

The Government will consult on introducing a pension advice allowance over summer 2016. This will allow individuals to withdraw £500 tax free before the age of 55 from their DC pension savings to help with the cost of financial advice.

LIFETIME ISA

The Chancellor announced plans for a Lifetime ISA (LISA). Expected to be available from April 2017, LISAs will allow those over 18 and under 50 (under 40 at start) to make up to £4,000 of savings each tax year to which the Government will add a 25% bonus.

LISAs can be used to:

- supplement retirement income from age 60; or
- to help with buying a first home worth up to £450,000 if accessed prior to 60.

IT MAY BE THAT LISAS COMPETE WITH PENSION SAVING FOR SOME INDIVIDUALS, IN PARTICULAR THOSE SAVING FOR THEIR FIRST HOME

Individuals will be able to withdraw money before age 60 for other purposes, but will lose the Government bonus and any growth on this, as well as facing a 5% charge.

Although not a pension product, it may be that LISAs compete with pension saving for some individuals, in particular those saving for their first home. We will be monitoring any changes to the design of LISAs and considering if and how they can be offered within the workplace.

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

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