LOOK BACK

January 2019

- End of employer 'staging dates' for auto-enrolment
- More detailed information required in Chair's DC Statement
- Additional communication required for members with DC guarantees
- Relaxed bulk transfer rules
- Section 75 debt payment easement
- Increased minimum auto-enrolment contributions
- New single guidance service to replace three currently separate services
- GDPR came into effect
- Ruling requiring the equalisation of GMPs!
- State Pension Age finally equal at age 65 – now the increase to 66 begins

In this Technical Bulletin, we take a high-level look back at the key issues and legislation during 2018 that have affected employers, trustees, employees and members of pension arrangements during 2018.

Please contact us if you would like more information or detail on any of the issues raised.

February 2018 – automatic enrolment

1st February was the last 'staging date' under automatic enrolment for employers in existence prior to October 2017 to comply with their pension duties. All new employers from 1st October 2017 must comply as soon as they become an employer and implement a PAYE payroll.

By the end of June 2018 (the latest date for an employer staging on 1st February to submit their Declaration of Compliance), the Pensions Regulator reported that a total of 1.342m employers employing nearly 31m workers had complied with their duties, resulting in just less than 10m workers being enrolled into workplace pension saving.

April 2018 – The Pensions Regulator's defined benefit annual funding statement

This year's DB funding statement focused again on the importance and strength of the employer's covenant, as well as the need for pension trustees to work collaboratively with their sponsor.

April 2018 – new regulations

Defined contribution disclosure requirements - trustees of defined contribution (DC) arrangements have, since April 2015, been required to prepare and include a Chair's Statement in their Annual Report. This statement must include certain information including details regarding the pension scheme's default investment fund. From April 2018, the information to be included for relevant schemes became more detailed and must include for example the impact of costs and charges on fund values. This applies to all relevant schemes following their scheme year end on or after 6th April 2018, whether they are pure DC arrangements or have a relevant DC section.

Communications where defined contribution guarantees apply – from 6th April, if scheme members have the right to a guaranteed annuity rate or another form of guarantee within a DC arrangement, the trustees must ensure that these members are provided with a personalised risk warning, including a projected income illustration, before the member makes a decision to transfer or convert their benefits.

Bulk transfer of defined contribution rights – from 6th April 2018, trustees are able to make a bulk transfer of members' accrued DC rights without consent or the need for actuarial certification. Certain conditions must be met in order for trustees to do this, but the relaxed rules are welcome, particularly where an employer wishes to move from an 'own-trust' to a 'master-trust' arrangement.

Bulk transfer of contracted out rights – from 6th April 2018, trustees are able to make a bulk transfer of members' accrued contracted-out rights to schemes which have never been contracted-out, without consent. Certain conditions must be met in order for trustees to do this, but the relaxed rules are a boost for sponsors and trustees going through a merger or pension scheme restructure project.

Changes to employer debt payments – a new option was introduced to help employers who find themselves subject to the employer debt legislation (known as a 'Section 75 debt') as a result of no longer employing an active member of a multi-employer pension scheme. Known as the 'deferred debt arrangement' (DDA), the new option enables an employer to defer the payment of a S75 debt. Conditions must be met and the trustees of the scheme must give their agreement but this must be a boost for certain employers struggling to pay the debt.

Please contact us if you would like further information on any of the changes outlined above and what you must do in order to ensure that your pension arrangement complies with them.

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LOOK BACK

April 2018 – new tax year

Minimum contributions - the start of the new tax year saw the first increase to the minimum contribution requirements under automatic enrolment. From 6th April, the contribution requirement increased from 2% of qualifying earnings to 5%, of which at least 2% must be paid by an employer. This meant that millions of workers saw their personal contribution increase from 1% to 3%. However, opt-out rates remained lower than anticipated. **Contribution rates will increase again from April 2019.**

You can find out more by reading our Focus on this *– please **follow this link**.*

Pension tax allowances - the new tax year also saw no change to the annual allowance of £40,000 (the amount that can be contributed to a pension scheme free of tax) and a slight inflationary increase to the lifetime allowance to £1,030,000.

Advice payments - recognising the growth in the number of employees taking advice in relation to their pension savings, legislation came into effect allowing people to withdraw up to £1,500 from their DC pension 'pot' tax-free to pay for financial advice. Known as the Pensions Advice Allowance (PAA), this allows people to withdraw £500 on three separate occasions, but only once during a tax year.

Employers are also able to fund financial advice for their employees up to a value of £500 in a tax year, without the payment being subject to tax and national insurance.

Please contact us if you would like further information on any of the changes outlined above.

May 2018 – new legislation

The Financial Guidance and Claims Act 2018 received Royal Assent – amongst other things, this Act provides for:

- the creation of a single financial guidance body to replace Pension Wise, the Pensions Advisory Service and the Money Advice Service. This new body has yet to launch (Jan 2019) and as yet has no name!
- new Regulations which will ensure employees receive appropriate guidance before transferring or accessing flexible benefits (pension monies which are not guaranteed / salary-related)
- a ban on pensions 'cold-calling'.

May 2018 – new data protection regulation and cyber-fraud

No review of 2018 would be complete without a mention of the General Data Protection Regulation (GDPR) which came into effect from 25th May. Employers and trustees will hopefully be fully aware of their requirements and duties under this, and we will not go into detail on the changes.

We can provide a GDPR review and compliance service should trustees or employees be concerned that they may not be compliant.

At the same time as GDPR, trustees were also being urged by the Pensions Regulator to check their scheme controls in relation to managing the risk of cyber-attacks and suggested that cyber security should feature on a scheme's risk register.

October 2018 – equality for GMPs

On 25th October, the High Court ruled in a landmark case involving the Lloyds Banking Group that guaranteed minimum pension (GMP) benefits in the three Lloyds Banking Group defined benefit pension schemes must be equalised. This has far-reaching consequences for all pension arrangements which contracted-out on a salary-related basis between May 1990 and April 1997.

You can find out more by reading our Focus on this *– please **follow this link**.*

November 2018 – equality within the State Pension?

From November 2018, the State Pension Age (SPA) for men and women finally became the same (65). The SPA for women has been increasing from age 60 to 65 over the past few years, with individual SPAs being based on a woman's date of birth. Now that the SPAs are 65 for men and women, these will start to increase, reaching 66 in October 2020. Proposals to further increase this to age 68 under an accelerated timeline have been tabled by the government.

Need help? If you would like to discuss the potential implications for you and your pension arrangements of any of the changes outlined in this *'Look Back'* or you would like to discuss how we can support you with ongoing governance (including secretarial, actuarial and administration services), technical advice and highly effective employee engagement services, please contact us for more information and to learn more about our fixed fee, cost-effective solutions.

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