

# PATHways



## Pension Administration Technical Help

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



## Protecting DB Pension Schemes: White Paper

### Government sets out possible reforms to DB funding

Influenced by recent high-profile cases of employer failure, the Department for Work and Pensions (DWP) has published a [White Paper](#) on the government's proposals to improve the system of protections for defined benefit scheme members. Whilst stating that the existing system is working well for the majority of members, the government accepts that 'irresponsible decisions' may damage pension schemes. The proposals include:

#### Additional powers for The Pensions Regulator (TPR)

- Punitive fines for those who deliberately put schemes at risk, possibly with retrospective effect
- A new criminal offence for 'reckless behaviour' in relation to a DB scheme
- Building upon the process for disqualifying company directors
- Strengthening the existing anti-avoidance framework including notifiable events and voluntary clearance
- Further information-gathering powers, with civil sanctions for non-compliance

#### Improvements to the scheme funding regime

- An updated Code of Practice to set out how schemes demonstrate 'prudence and appropriateness'
- Establishing ways trustees can take a long-term perspective when setting their statutory funding objective
- Requiring a Chair of Trustees to be appointed and submit a Chair's Statement
- Promoting greater transparency of costs and charges

#### Consolidation

- Raising awareness of potential benefits of scheme consolidation through publishing guidance
- Minor changes to GMP conversion legislation to facilitate simplification
- Consulting on creating commercial consolidation vehicles for DB schemes

The White Paper also confirms that the government currently has no plans to change legislation to allow a statutory override for switching from RPI to CPI pension increases, or to change the method of calculating 'section 75' employer debts.

## Pensions cold calling ban in Bill

The government has put forward amendments to the Financial Guidance and Claims Bill which make provision for a ban on pensions cold calling to be put in place as soon as June. The details of the ban would be set out in new regulations laid by the Secretary of State.

## Pension schemes newsletters 96 and 97

HM Revenue & Customs (HMRC) has published [Pension schemes newsletter 96](#), which focuses on the effects of the new Scottish Income Tax rates and bands for the 2018/19 tax year. The newsletter clarifies how various tax charges, such as the lifetime allowance charge, and PAYE deductions will operate for Scottish taxpayers when the new rates apply. A [separate newsletter](#) sets out the treatment of relief at source on contributions from Scottish taxpayers.

PSN 96 also explains how to access a new service to look up the residency status of scheme joiners, updates on the new pensions online service, and a further update on the reporting of non-taxable death benefits.

[Pensions schemes newsletter 97](#) has also been published, containing further information about Scottish Income Tax issues. This edition also includes details of amendments to APSS262, used for reporting overseas transfers, as well as information relating to outstanding accounting for tax charges for some schemes.

## DWP publishes new legislation and consultation responses

The DWP has recently published a number of official responses to consultations on draft regulations and have subsequently laid the revised regulations. The regulations include:

### [The Occupational Pension Schemes \(Administration and Disclosure\) \(Amendment\) Regulations 2018](#)

Trustees of certain DC occupational schemes must publish information on the charges and costs associated with the default arrangement on a publicly available website, and signpost to this in annual benefit statements. They must also provide information on the pooled funds in which members are invested, on request.

### [The Occupational Pension Schemes \(Employer Debt and Miscellaneous Amendments\) Regulations 2018](#)

Where an employer ceases to actively participate in a multi-employer DB occupational scheme, they can defer paying any employer debt sum due, providing certain conditions are met, such as retaining all previous responsibilities to the scheme.

### [The Occupational Pension Schemes \(Preservation of Benefit and Charges and Governance\) \(Amendment\) Regulations 2018](#)

The process for transferring groups of DC occupational scheme members without their explicit consent has been simplified, with the requirement for an actuarial certificate of equivalence replaced where all the alternative requirements are met.

### [The Contracting-out \(Transfer and Transfer Payment\) \(Amendment\) Regulations 2018](#)

These regulations address an issue introduced due to the cessation of contracting out in 2016. They allow contracted-out rights to be transferred without the member's consent, to a salary-related scheme established by a connected employer which has never contracted out. Broadly, this will be allowed in cases where the receiving scheme is certified as no less favourable to the member than their existing scheme.

### [Response to advice requirement and overseas pension transfers consultation](#)

The government has also published its [response to a consultation](#) on whether the advice requirement for DB pension transfers was working adequately for overseas residents. It concluded that the present legislation will not be amended.

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