

LEGISLATION

PENSION NEWS

PATHways

PENSION ADMINISTRATION TECHNICAL HELP

HIGHLIGHTING PENSIONS NEWS AND LEGISLATION THAT HAS PARTICULAR RELEVANCE TO WHAT WE DO IN PENSION ADMINISTRATION

Better workplace pensions - governance and charging cap

The Department for Work and Pensions (DWP) has [published its response](#) to its 'Better workplace pensions: putting savers' interests first' consultation and [draft Occupational Pension Schemes \(Charges and Governance\) Regulations 2015](#) have been laid before Parliament. The regulations introduce minimum governance standards and charge caps for defined contribution (DC) occupational pension schemes which will be regulated by The Pensions Regulator (TPR). These include the introduction of a 0.75% member borne charge cap for default funds of qualifying schemes primarily used for automatic enrolment from 6 April 2015 and the ban of so-called 'active member discounts' from 6 April 2016.

The DWP and the Financial Conduct Authority (FCA) have worked together closely to ensure that members benefit from consistent quality standards regardless of the type of workplace scheme they belong to. The FCA has now [confirmed its final rules](#) which come into force on 6 April 2015 requiring the providers of workplace personal pension schemes to set up and maintain independent governance committees (IGCs). The role of IGCs will be to represent the interests of scheme members in assessing the value for money of workplace personal pension schemes.

Also, TPR has published an [essential guide](#) to governance standards and charge controls as the first part of a [suite of guidance materials](#) designed to help trustees navigate the raft of changes coming into force in April 2015.

Draft TPR guidance on DB to DC transfers and conversions

An increase in the volume of member requests for transfers is predicted due to the new pension flexibilities coming into force in April. TPR has issued a [statement](#) and put out a [consultation document](#) on its draft guidance for trustees of defined benefit (DB) schemes regarding member requests for DB to DC transfers or conversions (to acquire flexible benefits in order to access the new pension flexibilities) and their impact on scheme funding.

New guidance for trustees on the use of their current powers to delay transfer payments and reduce transfer values is provided and there is an expectation that individuals wishing to transfer DB benefits will need to obtain appropriate independent financial advice unless the transfer value is less than £30,000. Some useful information regarding trustees' responsibilities in connection with this latter aspect is provided:

- The transfer value statement of entitlement must inform the member that they are required to provide the scheme with evidence of receiving advice before the transfer value can be paid - trustees must not proceed with a transfer if this evidence is not received.
- Trustees must check that the member has received advice and that the adviser is on the FCA register, but are not required to check the advice itself or that the member has followed the recommendation.

The Government has extended the FCA's remit so that advising on a transfer or conversion of DB benefits will become a [regulated activity](#) from 6 April 2015.

The DWP has followed up with the publication of [draft regulations](#) which will, when approved and finalised, enable much of the detail that is expected to appear in the final guidance.

Pension Wise

The Government launched a [website](#) on 11 February which outlines the [steps](#) and [options](#) individuals may wish to consider in accessing their DC savings. HM Revenue & Customs (HMRC) has also published [guidance](#) on how individuals can access their DC savings and the tax implications of the various options.

Amid concerns that only a small proportion of individuals might engage with Pension Wise, the FCA has announced plans for a '[second line of defence](#)' for people accessing DC savings flexibly from April 2015. Pension providers regulated by the FCA will be required to ask consumers additional questions about key aspects that relate to the decision they are making. It is understood that the DWP is liaising with TPR over potential similar requirements for trust-based schemes although details are yet to be released.

Pot follows member

Following the update in last month's PATHways, the Government has now provided [detailed information](#) on how pot follows member is likely to work in practice. The DWP published a [policy paper](#) on 11 February which sets out how it is envisaged small pension pots will be consolidated as workers move from job to job. The intention is that this system targets those who are least likely to be actively engaged with their pension savings and that a safe and efficient industry-led model will emerge in time.

The paper also sets out the DWP's intention for a phased implementation:

- Phase 1 is due to come in from autumn 2016. This will work on a member opt-in basis and apply to a limited number of schemes that meet the qualifying requirements held with around 20 of the UK's largest pension providers. This phase will introduce automatic matching of an individual's small pots, although members will be contacted to confirm they want their pots moved before transfers go ahead.
- Phase 2 will see the system transition to the 'automatic' member opt-out model and extended to the majority of pension schemes. Members will be contacted to confirm their pots will be moved unless they object.
- The framework will initially only apply to eligible money purchase pots in charge-capped default funds where the first contribution was received from July 2012, although there is scope for further future phases to widen coverage.

In terms of registration and matching, the DWP plans a 'federated' model of implementation. Each participating scheme will develop its own register of dormant pots flagged as meeting the criteria for automatic transfer. Register services will be provided by third parties who will be expected to meet 'open standards' on dealing with data to ensure consistency. These will feed into a wider network of 'interoperable registers' which will store and match information about eligible small pots.

The Social Security Revaluation of Earnings Factors Order 2015

The Department for Work and Pensions has laid a section 148 [Order](#) as there was a 1.5% increase in the general level of earnings (as measured by the Average Weekly Earnings Index) over the twelve months to 30 September 2014. This Order therefore provides for earnings factors for 2014/15 to be increased by that percentage. The percentages for earlier tax years have also been increased so that the earnings factors for those years are revalued to 2014/15 earning levels as well.

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