

News on Pensions

JULY 2015

Latest from TPR

2014/15 accounts

The Pensions Regulator (TPR) has published its [annual report and accounts for 2014/15](#).

The report details how TPR has met the majority of its objectives over the year but, by its own admission, has more work to do on its website design and in delivering its 'sustainable growth of employers' objective. TPR highlights the following achievements in particular:

- the publication of an updated Scheme Funding Code of Practice and associated regulatory guidance (see [News on Pensions – July 2014](#))
- issuing of guidance on new governance requirements for defined contribution (DC) Schemes (see [News on Pensions – March 2015](#)) and ongoing work regarding the 'implementation of the new decumulation freedoms at retirement'
- ongoing work to ensure companies meet their auto-enrolment duties
- finalising a new Code of Practice for Public Sector pension schemes

The report details the 'complex work' of the TPR's case teams, which it says secured 'more than £200 million in settlements through engagement and intervention'. During the year, TPR also produced its first radio advertisement and has launched its own [YouTube channel](#).

Transfers – Exit fees and charges

TPR is surveying occupational DC schemes on the prevalence of [exit fees and charges in the transfer out process](#). The Financial Conduct Authority (FCA) is undertaking a similar survey of private pension providers.

The survey of a 'representative sample' of schemes is intended to inform the Government's [forthcoming consultation](#) on improving the transfer process, which will look at options to address excessive early exit penalties (including the possibility of imposing a legislative cap on charges for over-55s) and how to make the process for transferring pensions 'quicker and smoother'.

TPR is also trying to understand the impact of, and risks associated with, the new DC flexibilities on defined benefit (DB) schemes. TPR expects to publish the results of this survey later in the summer.

FCA: Pension flexibilities

Activity update

The FCA has published [an update](#) on its activities in relation to new flexibilities for individuals with DC pension savings.

Their analysis suggests that many of those looking to access pension pots under the new freedoms have smaller funds, typically under £50,000. It estimates that around £1 billion has already been transferred out of pension funds.

The FCA says that 'while the evidence points to the overall majority of consumers having been able to take advantage of the new flexibilities, we are aware of some situations where this may not have been the case'. It is also expecting to see an evolution in the range of products available to allow individuals to access their pension savings.

The FCA has sent all pension and retirement income providers a request for information about any barriers faced by consumers who are seeking to access their pension savings.

Advising on pension transfers

The FCA's final rules for financial advisers [advising on pension transfers](#) came into force on 8 June 2015. This follows a consultation in March and an amendment to the Financial Services and Markets Act 2000, which makes advising on the conversion or transfer of safeguarded pension benefits into flexible benefits a 'regulated activity'.

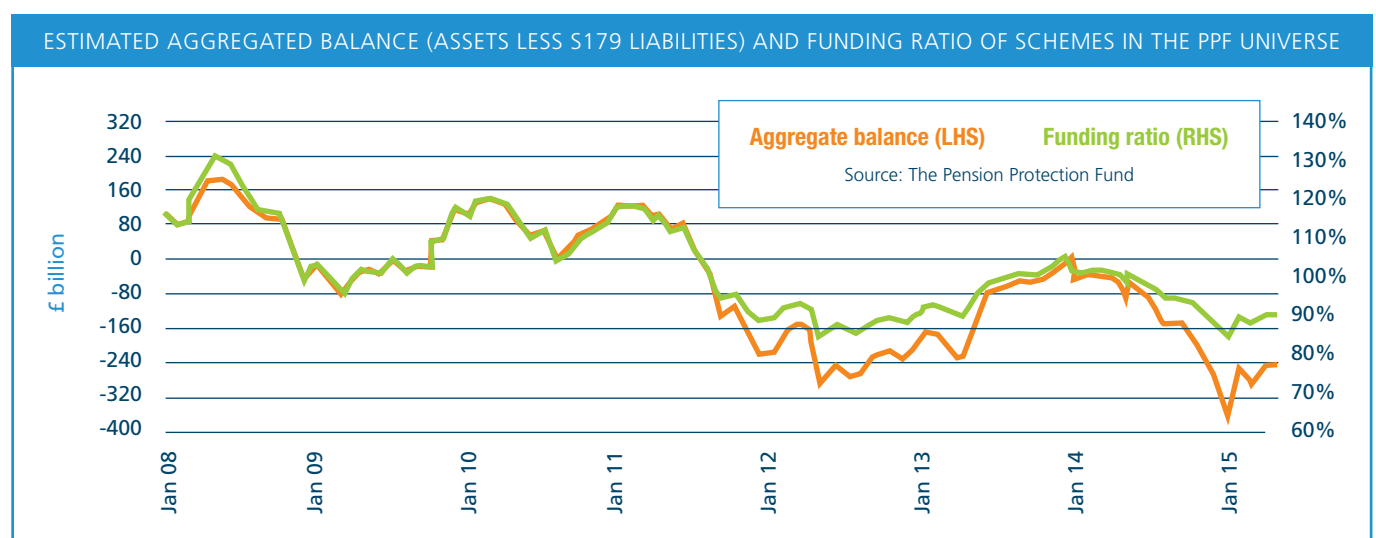
The FCA's rules now say that involvement of a Pension Transfer Specialist is required for all advice on pension transfers from DB schemes to DC arrangements. Financial advisory firms who want to provide advice on pension transfers must obtain special permission from the FCA.

Other news

PPF 7800 Index

The latest update of the [PPF's 7800 Index](#) of schemes' funding (on the s179 basis) has been published. There was a slight increase in schemes' overall s179 funding ratio from 84.0% to 84.1% between April and May 2015.

The aggregate deficit of the 6,057 schemes in the index is estimated to have decreased over the month to £241.3 billion at the end of May 2015, from a deficit of £242.3 billion at the end of April 2015. There were 4,808 schemes in deficit and 1,249 schemes in surplus.



HMRC: Contracting-out bulletin

Her Majesty's Revenue and Customs (HMRC) has published the latest issue of its [countdown bulletin](#) on the forthcoming abolition of contracting-out for DB schemes. In the bulletin, HMRC warns that schemes which have not sent an expression of interest to use the [Scheme Reconciliation Service](#) before 5 April 2016 will not be allowed to use the service.

HMRC also confirms that it has no plans at the moment to extend the December 2018 deadline for resolving outstanding data queries.

HMRC: (Q)ROPS

Where members benefits are being transferred overseas, trustees are required to satisfy themselves that the receiving scheme is a 'Qualifying Recognised Overseas Pension Scheme' – in particular they must check that the overseas scheme has:

- notified HMRC they are a [Recognised Overseas Pension Scheme \(ROPS\)](#)
- made certain commitments with regard to reporting matters to HMRC
- been issued with a reference number from HMRC, and
- requested publication on HMRC's website

HMRC's latest [pension schemes newsletter](#) clarifies that these checks are not the only steps trustees should take to ensure that an overseas scheme meets the QROPS requirements. In particular, trustees should check the overseas scheme continues to comply with local pensions legislation and that it still meets the ROPS requirements.

Ros Altmann: Maiden speech

Ros Altmann delivered her [maiden speech](#) in the House of Lords outlining the Government's planned focus on pensions work in the current parliament. Baroness Altmann noted that her key priorities include 'the delivery of the new state pension, rolling out auto-enrolment to all employers and ensuring customers are treated fairly in the new pensions landscape'. She also restated the Government's plan for an independent review of State Pension Age by 2017, which will consider not only rising life expectancy, but also wider social, occupational and gender factors.

She also noted there are 'many challenges in ensuring the huge numbers of remaining employers manage the auto-enrolment process' - in particular in relation to micro-employers who are about to reach their 'staging dates'.

EC: Central Clearing exemption

The European Commission (EC) has proposed a [two-year extension of the exemption for central clearing](#), starting from August 2015, for pension funds having to clear their derivatives trades through central counterparty clearing houses (CCCHs).

The EC has said that CCCHs had failed to develop ways for pension funds to overcome the hurdles posed by clearing, and that developing solutions will take more time.

Further information

On our website

You may find the following recent blog posts and information sheets interesting:

- Blog: [Emergency Budget – Osborne’s Big Summer Bash?](#)
- Blog: [Could a rock-solid economic picture lead to a pensions horror show?](#)
- Briefing: [Alternative Asset Classes](#)
- Briefing: [Buy-outs and Buy-ins – Summer 2015](#)

Forthcoming events

DC Conference (London – 1 October)

Our thought-provoking one-day conference for employers, HR and Finance directors and pension professionals aims to challenge your thinking and help bring clarity to the complexities of DC pensions.

Speakers include Frank Gardner, the BBC’s Security Correspondent; Warren Cormier, CEO and Co-Founder of Boston Research Technologies; and Michael Johnson, Research Fellow at the Centre for Policy Studies.

Further information and booking details can be found on [our website](#).

Trustee Training (nationwide – various dates)

There are still a few spaces available at our Trustee Training days in the second half of 2015. The training days are aimed at new trustees or those in need of a refresher. Upcoming dates include:

- [Leeds: 10 September 2015 \(DB Schemes\)](#)
- [Bromsgrove: 11 November 2015 \(DB Schemes\)](#)
- [London: 19 November 2015 \(DB Schemes\)](#)

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact us via the following:

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