

PENSIONS UPDATE

Developments in the Secondary Annuity Market

Consultations on the Government's proposals to create a secondary annuity market have been published, setting out details of safeguards for members and the proposed tax and regulatory frameworks for the new market. The intention is that from April 2017, individuals will be able to surrender their annuity policy for a cash sum, or to swap to a flexi-access drawdown fund or to purchase a flexible annuity, all subject to tax.

The Government has also extended its proposals for the secondary annuity market to cover final salary schemes that have purchased annuities in the trustees' name (i.e. as an asset of the Scheme). Trustees will have the discretion to assign the policies to the individuals' names, who could then proceed to cash it in.

The Pensions Regulator's Annual Funding Statement

The Pensions Regulator (tPR) has published its 2016 funding statement, aimed primarily at schemes with valuation dates between September 2015 and September 2016. The key points are:

- tPR expects to see lower discount rates and expected returns on assets compared to three years ago, as a result of falls in market yields
- if necessary, tPR expects deficit reduction contributions to increase so as to keep the same recovery period end date, although extensions may be acceptable if such an increase is not affordable
- trustees should consider the implications of the Scheme's cashflow requirements on the Scheme's investment strategy and whether this may act to reduce expected returns
- trustees are expected to consider the covenant and investment risks (including the potential impact of different economic scenarios) alongside the funding risks, and formulate an integrated risk management plan.

For more information, see our separate bulletin.

DC Schemes

New governance standards are applicable to money purchase benefits (including AVCs) with a new Code of Practice coming into force in July 2016. Trustees of schemes that have money purchase benefits need to ensure they are familiar with the new requirements.

GMP Revaluations

For many contracted-out DB schemes with active members the abolition of contracting-out on 5 April 2016 would have triggered statutory GMP revaluation. However, the DWP has introduced a statutory modification power to allow trustees and employers to amend the scheme's rules (if necessary) so that GMP revaluations are applied from the individual's actual date of leaving the scheme rather than from 5 April 2016. Trustees and employers should contact their legal advisers if they wish to take advantage of this statutory override. The deadline for making any necessary changes to the scheme's rules (which can be backdated to 6 April 2016) is 6 April 2017.

Don't Forget...

Abolition of DB Contracting Out

1. Active members to be notified by 5 July 2016
2. Reconcile contracted out data with HMRC by April 2018
3. Recertify scheme if used for auto enrolment
4. Check if deed amendment needed re. GMP revaluation (deadline 6 April 2017)

New Pensions Bill

The Queen's Speech on 18 May 2016 announced the new Pension Bill which includes:

- the introduction of new criteria to be met by Master Trusts and greater powers for the Pensions Regulator to supervise them
- capping early exit fees charges by trust-based occupational pension schemes
- merging the Pensions Advisory Service, Pension Wise and Money Advisory Service (pensions services) in to a single body

Persons with Significant Control (PSC)

From 6 April 2016, most companies (including LLPs and pension trustee companies) must hold a register showing the individuals or legal entities that own or have significant influence or control over them. This new law requires companies to take reasonable steps to identify PSCs. Failure to do so is a criminal offence.

The Department for Business Innovation & Skills has published guidance which sets out the criteria and reasonable steps to take for identifying a PSC and how PSCs should be recorded. In summary the criteria for a PSC are:

- holding, either directly or indirectly, more than 25% of shares and/or voting rights in the company
- holding the right, either directly or indirectly, to appoint or remove the majority of the board of directors of the company
- having the right to exercise, or actually is exercising, significant influence or control

A PSC register cannot be empty. Where PSC information cannot be provided a statement is required explaining why it is not available.

New Pension Tracing Service

The Pension Tracing Service have launched a new website (<https://www.gov.uk/find-pension-contact-details>) to help individuals find lost pensions.

Pensions Ombudsman Online

The Pensions Ombudsman (PO) has launched two videos (on the PO's website) designed to help members of the public who are thinking of making a complaint to the PO.

The PO has also announced that individuals can use an online form via the PO website to submit complaints, making the application process easier.

Don't Forget...
PSC Requirements
Companies should construct a PSC register as soon as possible. After 30 June 2016 the information from a company's PSC register must be reported to Companies House as part of the annual confirmation statement (which replaces the annual return).

Find Out More

Please contact us for further information. Our contact details can be found in the footer below. Alternatively, please speak to your usual contact at Quattro Pensions.