

Developments on the horizon

Matthew Swynnerton looks at some of the legislative and regulatory developments that are on the horizon for trustees of occupational pension schemes

This year has got off to a busy start for pensions, with developments including a DWP consultation on DC investment and consolidation, as well as the response to its consultation on the regulator's powers, and there are a number of further developments on the horizon. In this article we look at some of the future developments that may require action by trustees.

Areas where legislation has already been made

Trustees will need to ensure that they are ready to comply when some legislation made in 2018 comes into force later this year.

- On 6 April legislation comes into force that introduces a new requirement for trustees of schemes providing money purchase benefits (subject to some exceptions) to provide members with a statement, on request, about the pooled funds in which their pension pot is invested.

- By 1 October trustees need to update their Statement of Investment Principles (SIP) so that it reflects new requirements in relation to reporting their policies on financially material considerations, the extent (if at all) to which non-financial matters are taken into account, and stewardship. Trustees of schemes providing money purchase benefits (subject to some exceptions) will also have to make their SIP publicly available on a website.

Other developments

A key issue for trustees of schemes that were contracted-out between 17 May 1990 and 5 April 1997 will be addressing GMP equalisation. Guidance is awaited from the DWP, building on its November 2016 consultation that looked at a method that involves using the GMP conversion legislation. HMRC has stated that it is considering the pensions tax issues arising and will give more information through its pension schemes newsletters in the coming months.

In August 2017 the DWP and Treasury published the response to their 2016 consultation setting out proposals to tackle pension scams. Some of those steps, such as a ban on cold calling in relation to pensions, have already been taken. However, further action is still awaited on the proposal to limit the statutory right to transfer. The response stated that this change would be coordinated with the roll out of the master trust authorisation regime. With the 31 March 2019 deadline for applications for authorisation approaching, it may be that there will be further progress this year on limiting the statutory right to transfer and, if so, trustees may need to review and update their transfer processes.

Regulations came into force on 13 January 2019 to implement the IORP II Directive. The regulations include provision that trustees must establish and operate an effective system of governance, including internal controls, which is proportionate to the size,

nature, scale and complexity of the activities of the scheme. The detail of this requirement will be set out in a code of practice from the regulator. Whilst it is not known exactly when this code will be published, trustees should be aware that this is on the horizon and, following its publication, they will need to review whether any changes are needed to their governance arrangements.

Another issue on the horizon but in respect of which the timing is not yet known relates to applications from members with a right or entitlement to flexible benefits to transfer or start receiving their benefits. The Financial Guidance and Claims Act 2018 provides that regulations must be made requiring trustees to refer such members to appropriate guidance as part of the application process and, before proceeding with their application, ensure that they have either received appropriate guidance or opted out of doing so.

The remedies being introduced following the Competition and Markets Authority's investment consultants market investigation (which include some requirements for trustees such as setting strategic objectives for their investment consultant) are expected to come into force later this year.

It is also of note for future valuations that, following the DWP's March 2018 DB white paper, the regulator is expected to issue a consultation later this year in relation to updates to its DB funding code.

Conclusion

It looks to be a busy time ahead for pensions, and trustees may find it useful to consider whether any of these issues should be added to their work plans.



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