

ALLEN & OVERY

For your DC trustee agenda: current legal issues

For August 2017 meetings

Welcome to our monthly update on current legal issues for trustees of DC pension schemes, designed to help you stay up to date with key developments between trustee meetings, and to support the legal update item on your next trustee agenda.

Reduction in MPAA **UPDATED!**

The government has confirmed its intention to reduce the money purchase annual allowance (MPAA), which applies where members have accessed DC pension savings, from GBP10,000 to GBP4,000 with retrospective effect from 6 April 2017. [Read more](#)

The provision will be reintroduced in a new Finance Bill after the summer recess. Although it is not yet certain that the reduction will be retrospective, members should now assume that the reduced MPAA will apply from 6 April 2017 unless informed otherwise.

ACTION: Consider whether further member communications about the reduction of the MPAA are required.

Early exit & commission-based charges **NEW!**

From 1 October 2017, early exit charges (charges imposed where members take, convert or transfer scheme benefits before normal pension age) will be subject to a 1% cap and other restrictions.

The existing ban on charging members to recoup the cost of adviser commission payments in relation to auto-enrolment qualifying schemes will also be extended. [Read more](#)

ACTION: Confirm whether your scheme applies charges of either type and liaise with providers and administrators to ensure future compliance.

PSC register requirements **NEW!**

Most UK companies (including corporate trustees) are required to maintain a register of persons with significant control over the company (known as a PSC register) and to file a copy at Companies House each year.

From 26 June 2017, any PSC register changes must be notified to Companies House within 14 days after the change. [Read more](#)

ACTION: Corporate trustees should note the new requirement and notify Companies House of any updates to their PSC register since their last annual confirmation statement.

Money laundering compliance duties

Trustees have additional compliance duties under new money laundering regulations which took effect on 26 June 2017.

The most immediate duties relate to record-keeping and to provision of information when entering into a transaction/business relationship with parties (such as banks/some advisers) that are required to carry out money laundering checks. Additional HMRC reporting requirements could be more burdensome; further guidance is expected shortly. [Read more](#)

ACTION: Note the new duties and keep a watching brief on further developments.

Auto-enrolment: minimum contributions increase

Statutory minimum auto-enrolment contributions for DC schemes will increase on 6 April 2018 (and again a year later) – to find out more, see Part 1 of our [updated guide](#) to the auto-enrolment regime.

The Pensions Regulator has published additional guidance on a range of issues linked to the increase in statutory minimum contributions. [Read more](#)

ACTION: Liaise with employers about the impact of the forthcoming changes. Assess the need for rule amendments and consultation as appropriate.

Reminder: Cybersecurity

Recent ransomware attacks are a reminder of the importance of identifying and addressing cybersecurity risk.

Our [detailed guide](#) to cybersecurity issues for pension schemes will help you identify simple steps to mitigate cyber security risk and ensure that appropriate ongoing monitoring is in place. Our [checklist](#) summarises key issues and actions.

ACTION: Assess cybersecurity risk issues for your scheme; contact us for further assistance.

Reminder: Protecting DC assets

In the 2016 DC Code, the Regulator underlines the need for trustees to understand the protection mechanisms that apply to scheme assets.

Our updated guide to asset protection provides an overview of the types of protection available (the exact position will vary according to the arrangements for

specific investments, including the structure and underlying documentation). [Read more](#)

ACTION: Contact us for help to obtain relevant information, and for a legal review to identify and potentially mitigate any gaps in protection.

Watch this space

- The Pensions Regulator is due to set out its approach to determining whether trustees are acting in a professional or lay capacity (relevant to enforcement and penalties for breach) shortly. [Read more](#)
- The FCA is due to publish a draft financial guidance factsheet for trustees. [Read more](#). Our [quick guide](#) discusses the risks of breaching financial services regulatory rules.

Need help with a pensions dispute? Visit www.allenoverly.com/pensionsindispute for practical help with pensions problems, including our new case tracker.

Looking for resources on a range of DC-related issues? Visit www.allenoverly.com/DCHQ

Contact us at pensions.team@allenoverly.com for more information or to be added to our mailing list.