

# ALLEN & OVERY

## For your DC trustee agenda: current legal issues

### For May 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 shelved **NEW!**

The government had planned to reduce the money purchase annual allowance (**MPAA**), which applies where members have accessed DC pension savings, from GBP10,000 to GBP4,000 from 6 April 2017 – the measure was to have retrospective effect as part of the Finance (No. 2) Bill. [Read more](#)

However, the provision has been omitted from the shortened version of the Bill that has recently been passed (the process was expedited in view of the general election).\* The government has given a broad indication that, if re-elected, it intends to press ahead with its shelved policies after the election – however, it is currently unclear whether, in that case, the reduction will be postponed until the new tax year.

**ACTION:** Liaise with administrators about any changes to systems, and communications to members, made in anticipation of the expected reduction; consider whether action is required once the position is clarified for FY2017/18. Contact us for help with member communications.

#### Auto-enrolment: minimum contributions increase **NEW!**

Statutory minimum auto-enrolment contributions for DC schemes will increase on 6 April 2018 (and again a year later). The Pensions Regulator has recently released additional guidance on a range of issues linked to the increase in statutory minimum contributions. [Read more](#)

**ACTION:** Liaise with employers about the increase in statutory minimum contributions and prepare to make any necessary rule changes, including consultation as appropriate.

\* Royal Assent is expected to be granted before Parliament is dissolved for the election.

#### Pensions advice allowance **UPDATED!**

A new tax-free ‘pensions advice allowance’ is now available. Under the arrangements, up to GBP500 can be withdrawn tax-free from DC funds to pay for regulated advice on pensions/retirement. Offering this new authorised payment is optional; schemes which do so will pay the funds directly to the adviser. [Read more](#)

However, in the rush to get the Finance (No. 2) Bill through, the government has shelved the additional proposed allowance for employer-arranged pensions advice (it intends to continue with this if re-elected). [Read more](#)

**ACTION:** Consider whether to offer the new payment. Contact us for assistance with member communications and to assess whether a rule change would be required.

#### Transfers: QROPS changes **UPDATED!**

The eligibility rules for qualifying recognised overseas pension schemes (**QROPS**) changed from 6 April, and there is a new requirement for a QROPS to provide a further undertaking to HMRC. In addition, new tax charges on transfers to QROPS could affect transferring members (and potentially scheme administrators). [Read more](#)

Trustees should exercise caution when processing relevant transfer requests in the aftermath of these changes, and ensure that the receiving scheme is a QROPS. Trustees should ensure that administrators are familiar with the changes, particularly as there were a number of last-minute amendments to the overseas transfer charge provisions contained in the Finance (No. 2) Bill before this was passed.\*

**ACTION:** Ensure that administrators update scheme processes (including initial information requests) as a matter of urgency, and conduct further due diligence and checks as appropriate. Consider contacting members with pending requests to confirm whether they wish to continue.



## Date for your diary

Time is running out to reserve your space for our free half-day trustee training session on 18 May 2017. You should have received your invitation to this training – if not, please contact your usual Allen & Overy adviser.



## Have your say

- The government is consulting on regulations imposing a cap on early exit charges in occupational schemes, and extending the restriction on charging members for recouping the cost of commission payments to advisers (deadline 31 May 2017). This is based on a power in the Pension Schemes Bill, which is awaiting Royal Assent. [Read more](#)
- The FCA is consulting on a draft financial guidance factsheet for trustees (deadline 11 July 2017). [Read more](#) Our [quick guide](#) discusses the risks of breaching financial services regulatory rules.



## Watch this space

- The Pensions Regulator has been consulting on its policy on monetary penalties, and its approach to whether trustees are acting in a professional or lay capacity (relevant to enforcement and penalties for breach). [Read more](#)

Need help with a pensions dispute? Visit [www.allenoverly.com/pensionsindispute](http://www.allenoverly.com/pensionsindispute) for practical help with pensions problems, saving you time and money.

Looking for resources on a range of DC-related issues? Visit [www.allenoverly.com/DCHQ](http://www.allenoverly.com/DCHQ)

Contact us at [pensions.team@allenoverly.com](mailto:pensions.team@allenoverly.com) for more information or to be added to our mailing list.