

The Pensions Brief

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▲ **OVERSEAS TRANSFER CHARGE**

Legislation on claims for repayment of the overseas transfer charge

▲ **PENSIONS DASHBOARDS**

Consultation response confirming the planned introduction of pensions dashboards

ILL-HEALTH EARLY RETIREMENT

Deputy Pensions Ombudsman decision on the selection of a member's ill-health early retirement date

Issues affecting DB schemes

▲ **BRIDGING PENSIONS**

Legislation to allow bridging pensions to be paid beyond age 65

▲ **GMP EQUALISATION**

Government guidance on GMP conversion as a method of GMP equalisation

CONTINGENCY PLANNING

PPF guidance on mitigating the risks arising from employer distress

▲ Action required

▲ Follow development and keep under review



Issues affecting all schemes

Overseas transfer charge – repayment

Regulations came into force on 25 April 2019 that:

- Detail the conditions and process for claiming a repayment of the overseas transfer charge where the charge was paid in error or a change in the individual's circumstances means that the original transfer was exempt from the charge.
- Impose new provision of information requirements associated with claims for repayment of the overseas transfer charge.

Action

Trustees should ensure that their scheme's administration processes are updated to enable claims for repayment of the overseas transfer charge to be made where necessary and to comply with the associated provision of information requirements.

Pensions dashboards – implementation

The government has responded to its consultation on the implementation of pensions dashboards. The response confirms that:

- Multiple dashboards will be developed to improve consumer choice, alongside a non-commercial dashboard hosted by the single financial guidance body (SFGB).
- Schemes will be required by legislation to provide members' data (with their consent) to a pension finder service. Onboarding will occur in stages, starting with the largest DC schemes.

The government expects the non-commercial dashboard hosted by the SFGB to be introduced in 2019 with some large DC schemes and master trusts starting to provide data on a voluntary basis from then. The government will lay the

legislation for staged compulsory onboarding when parliamentary time allows, but expects onboarding to occur over the following three to four years.

Action

Trustees should keep the progress of implementation of the government's proposals under review.

Ill-health early retirement – retirement date

The Deputy Pensions Ombudsman has decided that an employer should have set a terminally ill member's retirement date as the same date that her ill health early retirement application was approved. The employer approved the application on 13 January 2016 and set the member's retirement date as 31 January 2016 (even though the member was already on sick leave). The member died on 30 January 2016. As she died whilst still officially in service, the death benefits payable were lower than they would have been had she died in retirement.

It was not possible to backdate the member's retirement date under the scheme rules so the Deputy Ombudsman ordered the employer to pay compensation equal to the difference between the benefits that were payable on the member's death in service and the benefits that would have been payable had she died in retirement, plus interest and any associated tax liability.

Action

Employers should ensure that there are no unnecessary delays between the date on which a terminally ill member's ill-health early retirement application is approved and the date which is selected as the member's retirement date.

Issues affecting DB schemes

Bridging pensions – changes to state pension age

An order will come into force on 15 May 2019 that enables schemes to pay bridging pensions to a member whose state pension age is later than 65 without breaching age discrimination legislation. This is to reflect the gradual increase to state pension age, implementation of which began in December 2018. The government has also responded to its consultation on the order.

Action

Trustees of schemes that pay bridging pensions should consider whether their scheme rules should be amended to reflect the order.

Employers in distress – contingency planning

The Pension Protection Fund (PPF) has published guidance on practical steps for trustees to take to mitigate some of the risks resulting from employer distress, particularly in those areas which affect members and risk delaying completion of the PPF assessment period. The PPF is also holding a contingency planning event for trustees and advisers on 14 May 2019.

Action

Trustees, particularly those of schemes with a weak employer covenant, should review the guidance and consider whether there are any actions that they should take in light of it.

GMP equalisation and conversion

The government has published statutory guidance on using GMP conversion to equalise benefits for the effect of unequal GMPs. Among other things, this:

- sets out a more detailed explanation of the “Method D2” GMP equalisation and conversion process;
- notes that this method only provides a way of equalising future pension instalments – an alternative method will need to be used to correct past pension instalments; and
- states that the government is considering changes to the GMP conversion legislation to clarify certain issues.

Action

Trustees and employers should review the guidance and factor it into their discussions on how the scheme should approach GMP equalisation.



Mayer Brown news

Upcoming events

All events take place at our offices at 201 Bishopsgate, London EC2M 3AF.

- **Trustee Foundation Course**
21 May 2019
17 September 2019
10 December 2019
- **Trustee Building Blocks Classes**
18 June 2019 – DC governance
12 November 2019 – DB funding and investment
- **Annual Pensions Conference**
2 October 2019

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Mayer Brown media comment

- [Jay Doraisamy](#) was quoted in a Law360 article on the impact of Brexit on proposed pensions legislative reforms.
- [Jane Childs](#) and [Liam Kellett](#) co-authored a Financial Director article on longevity swaps.

Please speak to your usual contact in the Pensions Group if you have any questions on any of the issues in this Brief.

For more information about the Pensions Group, please contact:



Ian Wright

Co-Head of Pensions, London
E: iwright@mayerbrown.com
T: +44 20 3130 3417



Jay Doraisamy

Co-Head of Pensions, London
E: jdoraisamy@mayerbrown.com
T: +44 20 3130 3031

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