

The Pensions Brief

At a glance...

Issues affecting all schemes

▲ CIVIL PARTNERSHIPS

Regulations extending civil partnerships to opposite sex couples

INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT

Pensions Regulator guidance on new trustee duties in relation to investment consultancy and fiduciary management services

PENSION SCAMS

Pensions Ombudsman determination on scheme administrator duties when processing transfer applications

Issues affecting DB schemes

▲ REVALUATION

Order setting out the percentages to be used for revaluation using the final salary method

▲ DB TO DC TRANSFERS

Updated Pensions Regulator guidance on DB to DC transfers and conversions

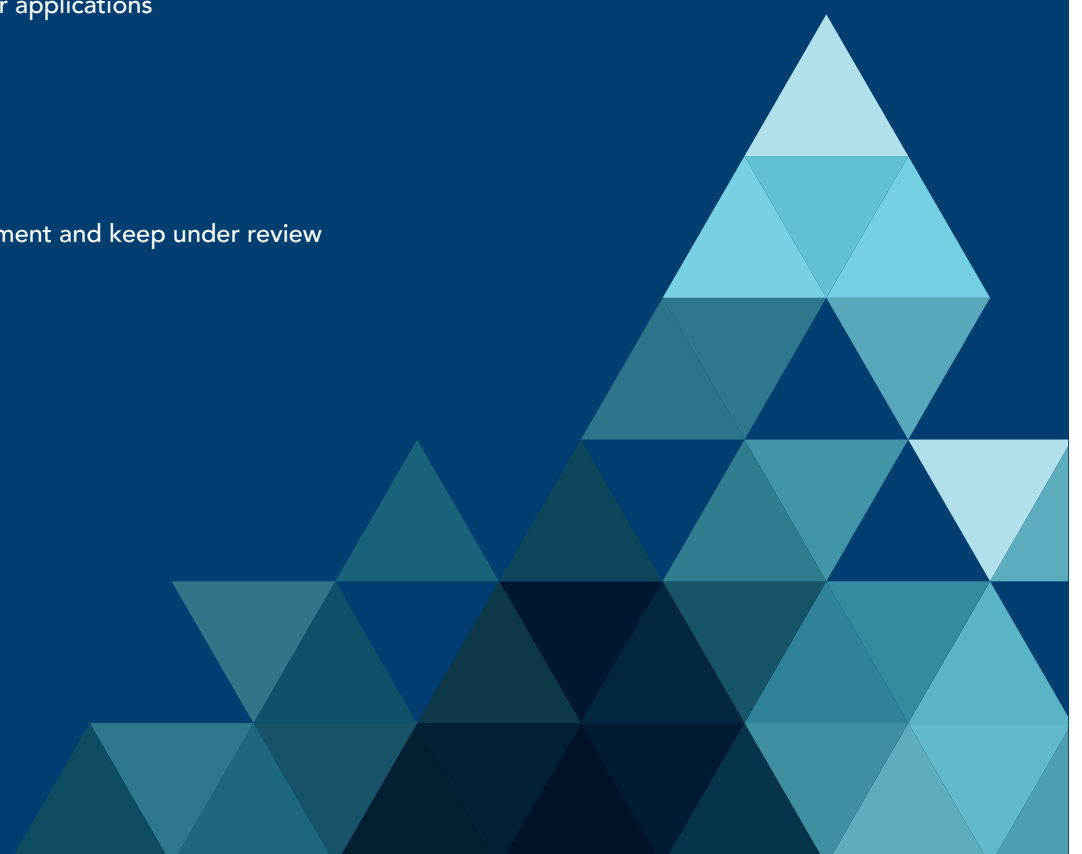
Issues affecting DC schemes

MASTER TRUST TRANSFERS

Industry guidance on bulk transfers of DC members to a master trust

▲ Action required

▲ Follow development and keep under review



Issues affecting all schemes

Civil partnerships – opposite sex couples

Regulations came into force on 2 December 2019 that extend civil partnerships to opposite sex couples in England and Wales and make consequential changes to primary and secondary legislation. They do not alter the position in relation to the contracted-out rights that are payable to a surviving civil partner on the death of a member.

Action

Trustees and administrators should ensure that their scheme's administration processes in the event of a member's death are updated to reflect the possibility of a member leaving an opposite sex civil partner and the benefits that would be payable in that event.

Investment consultancy and fiduciary management services – new duties

The Pensions Regulator has published guidance to support trustees in complying with the new duties imposed by the Competition and Markets Authority following its market investigation into the investment consultancy and fiduciary management services provided to trustees. The guidance covers:

- Choosing an investment governance model.
- Tendering for fiduciary management services.
- Tendering for investment consultancy services.
- Setting objectives for investment consultants.

The new duties come into force on 10 December 2019 (see our legal update for more information). The Regulator has also published a response to its consultation on the guidance.

Action

Trustees may find the guidance helpful when taking action to comply with the new duties.

Transfers – pension scams

The Pensions Ombudsman has upheld a member's complaint regarding the transfer of her benefits to an alleged pension scam vehicle. The Ombudsman decided that the transferring scheme administrator had failed to:

- Properly consider whether the member had a statutory transfer right. Had it done so, it would have realised that she did not have a statutory transfer right.
- Carry out proper due diligence on the receiving scheme and to engage directly with the member regarding the concerns it should have had about the transfer had it carried out the proper due diligence.

The Ombudsman ordered the scheme administrator to reinstate the member's benefits in the transferring scheme or to provide equivalent benefits. To avoid "double counting", the scheme administrator would be entitled to recover from the member any funds from the receiving scheme that might be retrieved for her in future.

Mrs H (PO-21489)

Action

When processing transfer applications, trustees and administrators should ensure that they (a) assess whether the member has a statutory transfer right (taking legal advice where necessary), and (b) carry out proper due diligence on the transfer and the receiving scheme and bring any concerns that they identify to the member's attention.

Issues affecting DB schemes

Deferred pensions – revaluation

The order specifying the percentages to be used when revaluing deferred pensions using the final salary method has been laid before Parliament and will come into force on 1 January 2020.

Action

Trustees and administrators of DB schemes that use the final salary revaluation method should ensure that the percentages specified in the order are applied.

DB to DC transfers and conversions – guidance

The Pensions Regulator has updated its guidance on DB to DC transfers and conversions to reflect changes to the FCA’s Financial Register that will be made in December 2019. Currently, trustees are required to check the Register to confirm that the adviser who has provided independent advice in relation to a proposed DB to DC transfer or conversion has the appropriate authorisation to provide the advice. From 9 December 2019, the Register will only list senior managers and selected other roles. The revised guidance states that trustees should continue to check the Register for firm details. They should then contact firms to confirm that the relevant individual works for that firm or check an appropriate third party directory.

Action

Trustees and administrators of DB schemes should update their scheme’s transfer administration processes to reflect the Regulator’s updated guidance.

Issues affecting DC schemes

Master trusts – bulk transfers

The Pensions Administration Standards Association has published guidance for trustees and administrators on the bulk transfer of DC members from:

- One master trust to another master trust where this is required as a result of one of certain prescribed “triggering” events occurring in relation to the transferring master trust.
- A single employer DC scheme to a master trust.

Action

Trustees of DC schemes that are considering a bulk transfer to a master trust may find the guidance helpful.

Mayer Brown news

Upcoming events

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

- **Trustee Foundation Course**
 - 10 December 2019
 - 25 February 2020
 - 12 May 2020
 - 15 September 2020
 - 8 December 2020
- **Trustee Building Blocks Classes**
 - 16 June 2020 – Trustee discretions and decision-making
 - 17 November 2020 – DB funding and investment

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

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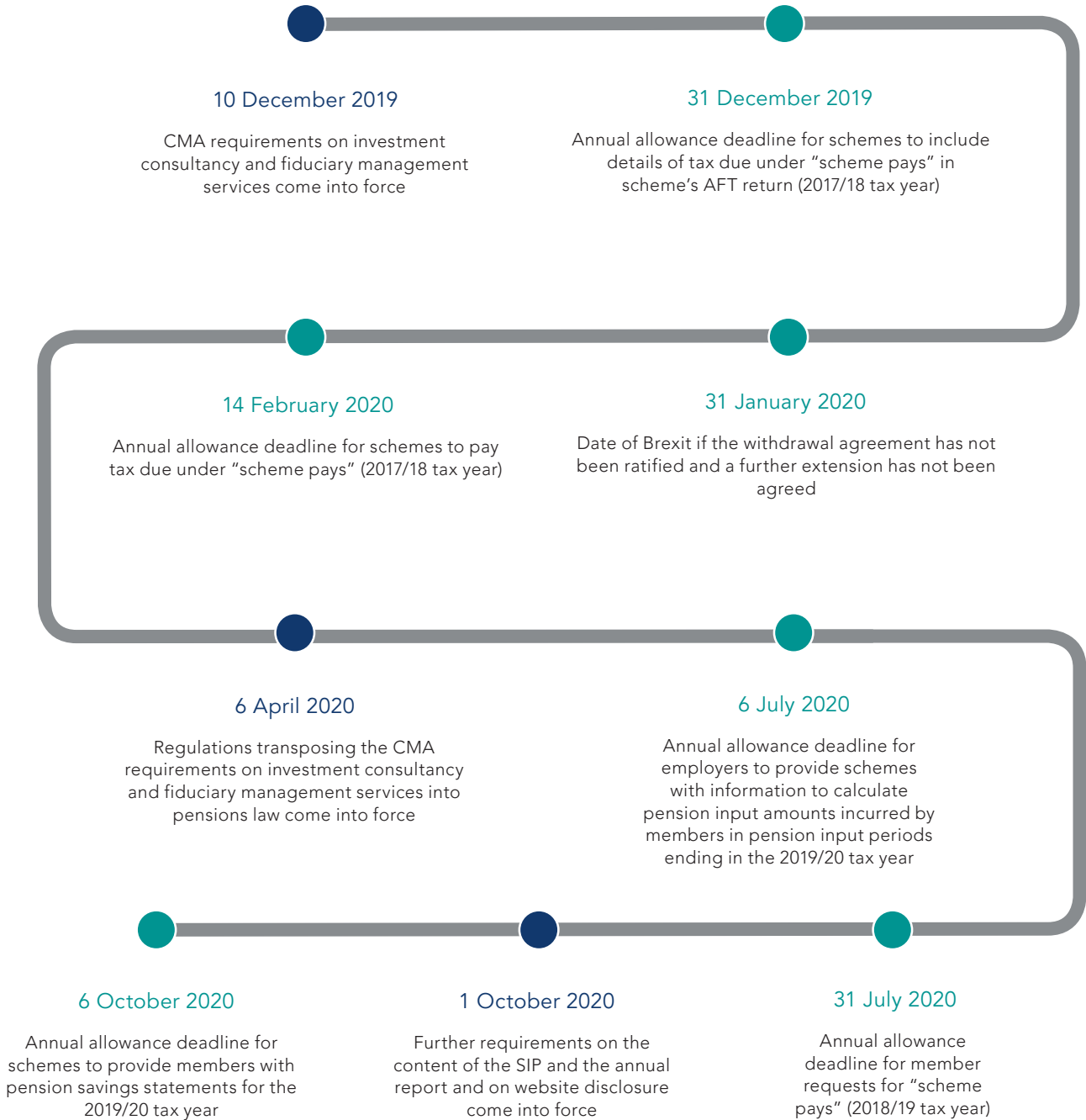
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Dates to note over the next 12 months



Key:

- Important dates to note
- For information

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