TSSA staff Reps Bulletin

Ref: PEN/044/Jan 2018

WHAT IS HAPPENING WITH PENSIONS IN 2018?

Introduction
Pensions related issues can seem to be never very far from the news as witness the interest in the scandal surrounding the BHS pension scheme or the situation endured by the Tata steelworkers, members of the British Steel Pension Fund. In the last few weeks, the collapse of Carillion with its massive pension deficits has been headline news, although what may not be so well known is that TSSA has a number of Carillion members working in the rail side of that business.

Apart from these headlines, TSSA members can also be affected by the way that their employers choose to deal with the 2016 Valuation of the Railway Pensions Scheme, something that they have until 31st March 2018 to complete. TSSA officers and reps are often involved in these processes, as they are when employers that recognise TSSA outside the British rail network want to make changes to company schemes.

Even without all these things going on in the news and at work, the pensions landscape has been the subject of a great deal of change over the last decade and in this Reps Bulletin we will be looking at what we can expect in 2018.

What is happening in 2018?
Not all of these matters will affect every TSSA member but among the things that are expected in the coming year are:

a). White Paper on defined benefit (DB) pensions

The Department for Work and Pensions (DWP) intends to publish the White Paper in Spring 2018, which follows from the Green Paper on DB pensions that was published last February under the title of "Security and Sustainability in Defined Benefit Pension Schemes."

The White Paper is intended to set out the proposed next steps to improve security for members and will:

- address the commitments in the government's manifesto in relation to the regulation and rules governing DB private pensions, and
- consider innovative delivery structures, such as consolidation and measures to drive efficiency within the pensions sector

According to Lexis Nexis Pensions, "the government wishes to ensure that the DB pensions system continues to balance the needs of consumers, the schemes themselves and business for the future."

b). PPF levy changes—1 April 2018

From the levy year 2018/19 (which starts on 1 April 2018), the pensions protection fund (PPF) intends to modify the levy structure by:

- Using credit ratings rather than the Experian model for companies that are publicly rated – or using a risk band of 1 where an employer has strong links with government
- Rebuilding some of Experian's scorecards
- Dispensing with the monthly averaging of Experian scores
- Simplifying the certification of deficit reduction contributions (DRCs), and
- Changing the certification of contingent assets

The PPF has also set the levy estimate for 2018/19 at £550m, which is just over ten per cent lower than the 2017/18 estimate.

c). Pensions Ombudsman to take on TPAS's dispute resolution function—1 April 2018

At ministerial level, it has been decided that the Pensions Ombudsman will take over the dispute resolution function (which will include the handling of complaints about the administration of an occupational pension scheme) currently performed by the Pensions Advisory Service (TPAS) by 1 April 2018.

In addition, the Financial Guidance and Claims Bill currently going through its Parliamentary processes on the way to becoming law will create a new single financial guidance body in Autumn 2018. It will do this by bringing together all publicly-funded guidance services (the Money Advice Service, The Pensions Advisory Service and Pension Wise) under the umbrella of one single body.

d). Increase in auto-enrolment minimum contribution rates

With effect from 6 April 2018, statutory minimum contribution rates under the auto-enrolment regime are increasing from 2% to 5% overall (with employers required to pay a minimum of 2% (rather than 1%) from that date).

e). Lifetime allowance to increase in line with inflation—6 April 2018

The lifetime allowance will begin increasing in line with CPI increases with effect from 6 April 2018.

Since the tax year 2016-17, the lifetime allowance has been £1m but from 6 April 2018 onwards, the £1m standard lifetime allowance will be indexed annually in line with the Consumer Prices Index (CPI). In 2018-19 it will rise to £1,030,000 based on the CPI (3%) in September of the previous year.

f). Trustee duty to disclose greater information on costs, charges and investments

Draft regulations are expected to come into force that will require trustees and managers of occupational pension schemes offering money purchase benefits (with some exceptions) to disclose information about member-borne costs and charges, as well as provide information on request about the funds in which their money is invested.

g). Legislation on GARs and other safeguarded-flexible benefits

From 6 April 2018, schemes with members about to surrender valuable safeguarded-flexible benefits (eg guaranteed annuity rates (GARs)) will be required to send personalised risk warnings to such members, along with pension benefit projections of the annual income of their potential entitlement if they exercised their GAR.

In addition, from 6 April 2018, legislation will also be introduced to provide a different, simpler, valuation method for the purpose of determining whether the advice requirement threshold of £30,000 is met in relation to GARs and other safeguarded-flexible benefits. This involves valuing these benefits as equal to the transfer payment that would be available if the member decided to transfer.

h). The General Data Protection Regulation

The General Data Protection Regulation (GDPR) comes into force on 25 May 2018 giving people additional rights to:

- see the information held about them;
- request personal data to be amended if it is inaccurate or incomplete;
- request the deletion or removal of personal data where there is no compelling reason for its continued use
- block or restrict the processing of their personal data in certain circumstances, and
- object to the processing of their data

i). Ban on pensions cold-calling

Following a period of consultation, the government has decided to ban cold calling in relation to pensions, to help stop fraudsters contacting individuals. This ban will include different sorts of phone conversations, including offers of a free pension review, assessments of fund performance, offers to trace lost pensions and offers to consolidate pension pots.

While the ban will apply to all types of electronic communications (ie not just phone calls), it will be restricted to pensions. In other words, it will not apply to cold calls relating to other types of investments.

There will be two exemptions from the cold call ban, namely calls expressly requested by individuals, and calls where an existing client relationship exists.

While no date has been specified for the implementation of the pensions cold calling ban, but it could be in late 2018, depending on when Parliamentary time allows.

Acknowledgements
This Bulletin has been prepared using information from:

LexisNexis' Pensions Online Service article "Horizon Scanning";

Railway Pensions Management and Investment (RPMI)’s “Pensions Post: Winter Update.”