

Welcome to 2018!

For this Aries Insight we highlight some of the changes that are due to take effect across the next few months that may affect pension arrangements and providers.

### The Occupational Pensions (Revaluation) Order 2017

The [Occupational Pensions \(Revaluation\) Order 2017](#) took effect on **1 January 2018** and specifies the statutory revaluation factors that apply for Final Salary early leavers reaching Normal Pension Age in 2018.

### Markets in Financial Instruments II Directive (MiFID II)

This directive came into force on **3 January 2018**. From that date investment firms subject to the directive will not be able to provide investment services to clients that are required to have a Legal Entity Identifier but do not have one.

### Consultation on Master Trusts Authorisation and Supervision

The [Consultation](#) on draft Regulations on the proposed authorisation and supervision regime for Master Trusts closes on **12 January 2018** and will be of significant interest for providers who offer Master Trusts or are considering doing so. It is anticipated that the final Regulations will come into force from **1 October 2018**.

### Registering with HMRC's Trust Registration Service

Trustees of occupational schemes who are liable for certain tax charges will need to register with HMRC's Trust Registration Service, usually by **31 January 2018**. An earlier deadline of **5 January 2018** applied for schemes that incurred a liability for either income tax or capital gains tax for the first time during the 2016/17 tax year.

### EU Insurance Distribution Directive

The EU Insurance Distribution Directive (IDD) will come into force on **23 February 2018**. The IDD will affect many firms authorised by the Financial Conduct Authority (FCA), as well as some firms that are exempt from authorisation. The IDD will replace the current Insurance Mediation Directive and is intended to enhance consumer protection when buying insurance (including general insurance, life insurance and insurance-based investment products) and to support competition between insurance distributors.

The FCA will be updating its rules for product oversight and governance, and conduct rules for insurance-based investment products. The FCA's December 2017 Policy Statement on the IDD, including near-final rules, is available [here](#).

### Response to the Consultation on Defined Benefit Pension Schemes: Security and Sustainability

In February 2017, the Government launched a [Consultation](#) on the security and sustainability of

defined benefit pension schemes. The Consultation outlined the key challenges facing DB pension schemes and highlighted a number of options that had been suggested to improve confidence in the system.

The Government's response to the Consultation is expected in **February 2018**.

### HMRC's new Pensions Online Digital Service

Beginning in **April 2018**, HMRC will begin to move pension scheme registration and administration onto a new digital platform. Phase one of the roll-out, which commences in April 2018, will affect:

- new scheme administrator registrations;
- new pension scheme registrations;
- existing scheme administrators registering new pension schemes;
- scheme administrators associating other administrators to old and new pension schemes;
- new practitioners registering as a practitioner and applying for a practitioner ID; and
- scheme administrators authorising a practitioner for old and new pension schemes.

For further details of HMRC's new digital platform, please see [Pension Schemes Newsletter 89](#).

### Automatic Enrolment Minimum Contributions

The minimum DC contribution rates for arrangements used for Automatic Enrolment will increase from **6 April 2018**. From that date, the

minimum contribution rate is 5%, of which at least 2% must be paid by the employer.

Schemes and providers may wish to consider what actions they may need to take to ensure that employers, and possibly members, are aware of this change.

### **Safeguarded – Flexible Benefits: Risk Warning**

From **6 April 2018**, where a member has safeguarded-flexible benefits and the member requests:

- a transfer or a transfer quotation;
- the payment of an Uncrystallised Funds Pension Lump Sum;
- the conversion of the benefits into flexible benefits; or
- if certain other 'trigger events' occur,

the scheme must provide the member with a tailored 'risk warning' within prescribed time limits and before completing any transaction that the member has requested. Similar requirements apply where, on a member's death, a beneficiary becomes entitled to safeguarded-flexible benefits.

The DWP has produced some helpful non-statutory guidance on the provision of risk warnings, which is available [here](#).

### **Relief at Source for Scottish Taxpayers**

From **6 April 2018**, schemes operating on the Relief at Source (RAS) basis will need to make RAS claims using the Scottish rate of Income Tax for Scottish taxpayers. To enable schemes to identify Scottish

taxpayers, HMRC will provide details of the tax status of members to the scheme, which is expected in **January 2018**. Schemes may wish to monitor for the receipt of this information to ensure that they will be able to apply to correct tax rates.

### **Standard Lifetime Allowance**

As confirmed in the [Autumn Budget 2017](#), from **6 April 2018**, the standard Lifetime Allowance will increase to £1,030,000. Under current legislation, for future tax years the standard Lifetime Allowance will increase in line with the annual increase in CPI (if any) to the previous September.

### **HMRC Scheme Registration / De-registration Powers**

As confirmed in the [Autumn Budget 2017](#), from **6 April 2018**, HMRC will have wider powers to refuse to register / de-register a scheme where the scheme is a Master Trust pension scheme and has not been authorised by the Pensions Regulator, or where a sponsoring employer of an occupational pension scheme is a dormant company.

Draft legislation to introduce these changes has been included in Schedule 3 of the [Finance \(No. 2\) Bill 2017-19](#).

### **Non-Contractual Payments in lieu of Notice**

From **6 April 2018**, the payment of any non-contractual payment in lieu of notice (PILON) will be fully liable to income tax and National Insurance contributions.

### **Modification of Scheme Rules**

The deadline for occupational pension schemes to make rule amendments by resolution, to remove all or part of a scheme rule which makes special provision in relation to Protected Rights of members which no longer reflects the statutory provisions, is **6 April 2018** (SI 2012/542 Reg 3).

### **Bulk Transfer of Accrued DC Rights Without Consent**

It is expected that the draft *Occupational Pension Schemes (Preservation of Benefit and Charges and Governance) (Amendment) Regulations 2018* will come into force on **6 April 2018**. If the Regulations are introduced as currently drafted, they will provide that where a member of an occupational pension scheme has accrued rights to money purchase benefits without guarantees in the scheme, those rights can be transferred to another occupational pension scheme without the member's consent.

If the receiving scheme is not a master trust scheme, or otherwise authorised under the Pension Schemes Act 2017, the trustees of the transferring scheme will have to obtain and consider the written advice of a suitably qualified, independent professional before making the transfer.

A further requirement is expected to be that any restrictions on the charges that may be imposed on members will continue to apply where members' rights have been transferred from one occupational pension scheme to another, or from one fund or arrangement to another, without their consent.

Details of the Consultation on the draft Regulations are available [here](#).

### **Disclosure of Costs and Charges in DC Occupational Pension Schemes**

It is expected that the draft *The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018* will come into force on **6 April 2018**. If the Regulations are introduced as currently drafted, they will provide that, where a scheme is required to produce an annual governance statement (“a Chair’s statement”):

- The statement must include details of the level of charges and transaction costs for the default fund and any other fund in which members can invest.
- The statement must also include an illustration of the compounding effects of the costs and charges affecting a member’s pension savings.
- Details of the costs and charges for the scheme must be made available on a website.
- Each member who receives an annual benefit statement must, at the same time, be provided with details of the web address where they can find details of the costs and charges for the scheme.
- On request, the trustees or managers of the scheme will have to provide details of each

collective investment scheme in which members are directly invested.

Details of the Consultation on the draft Regulations are available [here](#).

### **State Benefit Rates for 2018/19**

Various State Benefits will increase, broadly from **6 April 2018**. Details of the proposed rates for 2018/19 are available [here](#).

### **Income tax and National Insurance Rates and Bands for 2018/19**

Details of the Income Tax and National Insurance rates and bands that apply from **6 April 2018** are available [here](#). Note that different Income Tax provisions apply for Scottish residents.

### **The General Data Protection Regulation (GDPR)**

The GDPR will come into force from **25 May 2018** and will be implemented into UK law by a new Data Protection Act. The latest version of the Data Protection Bill and details of its passage through Parliament are available [here](#).

### **Did you find this Aries Insight useful?**

If so, please share it with your colleagues and let them know that more information is available from the [Aries Pensions System](#).

If you have any suggestions for topics that you would like to see covered in a future Aries Insight, then please [let us know](#).

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