

Pensions and Employment: Pensions Bulletin

Legal and regulatory developments in pensions

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Forthcoming Events

I. The Watch List

The Watch List is a summary of some potentially important issues for pension schemes which we have identified and where time is running out, with links to more detailed information. New or changed items are in **bold**.

No.	Topic	Deadline	Further information/action
1.	PPF levy 2015/2016	31st March, 2015 for submission of information and documentation for mitigation	Action plan sent out on 7th January, 2015 available from Lynsey Richards
2.	Information to retiring DC members about the guidance guarantee	6th April, 2015	Pensions Bulletin 14/12 Note: to be updated shortly
3.	Information to transferring DB members about the requirement for independent financial advice	6th April, 2015	This Pensions Bulletin
4.	Cap on charges in default fund for auto-enrolment qualifying schemes	6th April, 2015	Pensions Bulletin 14/16 Note: to be updated shortly

5.	New governance requirements for all occupational DC schemes	6th April, 2015	Pensions Bulletin 14/16 Note: to be updated shortly
6.	Abolition of refund of contributions for members of occupational schemes with at least 30 days' pensionable service who are just provided with money purchase benefits	1st October, 2015	Pensions Bulletin 14/14
7.	Proposed ban on corporate directors	1st October, 2015 but exception proposed for corporate trustees	Pensions Bulletin 14/18
8.	VAT recovery changes	31st December, 2015	Pensions Bulletin 14/18
9.	Abolition of DB contracting-out: managing additional costs	6th April, 2016	Pensions Bulletin 14/11
10.	Abolition of DB contracting-out: practicalities	6th April, 2016	Pensions Bulletin 14/08
11.	Prohibition on Active Member Discounts in auto-enrolment qualifying schemes	6th April, 2016	Pensions Bulletin 14/16

12.	Automatic transfers of DC pots of less than £10,000	Phase 1 1st October, 2016	This Pensions Bulletin
13.	Registration for Individual Protection 2014	Before 6th April, 2017	Pensions Bulletin 14/12

6th April 2015 changes

II. DB to DC transfers: requirement for financial advice

1. The Pension Schemes Bill 2015 (the “**Bill**”), currently making its way through Parliament, includes a requirement that, where a member with “safeguarded benefits” (broadly, defined benefits), or a survivor of such a member, wishes to:
 - 1.1 transfer those benefits to a DC arrangement, or
 - 1.2 convert the DB benefits to DC benefits in the same scheme

the scheme trustees must check that the member or survivor has received “appropriate independent advice”.

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- 2. The Bill also provides for employers to pay for this advice in certain circumstances (yet to be specified).
- 3. More detail on these requirements is expected to be in DWP regulations, yet to be made publically available.
- 4. On 12th February, 2015 the Pensions Regulator published a consultation document on guidance for trustees on their new duty to check advice, from which we can glean what is likely to be required.
- 5. A [Focus](#), based on that draft guidance and setting out action points for trustees, accompanies this Bulletin.

III. New DC governance requirements and charging restrictions

A. Overview

- 1. The regulations¹ imposing:
 - new governance requirements on occupational DC schemes, and

¹ The Occupational Pension Schemes (Charges and Governance) Regulations 2015

- charging restrictions on default funds in auto-enrolment DC qualifying schemes

have been laid before Parliament and take effect on 6th April, 2015.

- 2. The regulations were published in draft for consultation on 17th October, 2014. Details are in our client focus dated October 2014.

B. *Minimum governance standards*

- 1. Trustees of occupational pension schemes which include money purchase benefits (whether pure money purchase or a DB scheme with money purchase benefits) will, with certain limited exceptions, be subject to the new governance requirements. These include:
 - if the scheme has a “default arrangement” in respect of its money purchase benefits, design default arrangements in members’ interests, and keep them under regular review,
 - prepare and maintain a default arrangement statement of investment principles (if the scheme has a default arrangement),
 - ensure that core financial transactions are processed “promptly and accurately”,

- assess the value of costs and charges borne by scheme members, and

- have a Chair of the Trustee Board, who will be responsible for signing off on the Chair’s Statement, a new statement to be provided annually to the Regulator confirming compliance with the governance requirements.

- 2. Occupational schemes to whom the new governance arrangements apply will also be prevented from requiring the use of particular providers for administrative, fund management, advisory or other services.
- 3. There are additional governance requirements for “multi-employer schemes”. These are intended to cover master trust arrangements but are broadly defined and may in some cases catch schemes established for a corporate group.

Action point: If you are a multi-employer scheme for a corporate group, which has within it money purchase benefits, then check carefully that all of the employers in relation to the scheme are in the same corporate group. If some of the employers are not in the same corporate group, then advice sought be sought as to whether the scheme will have to comply with the

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substantially more onerous additional governance requirements for “multi-employer schemes”.

C. *Charge cap on default arrangements in “qualifying schemes”*

1. Where an occupational pension scheme has within it money purchase benefits and is used by the sponsoring employer as a way for meeting the employer’s auto-enrolment requirements, a charge cap will apply to the scheme’s default arrangement.
2. It will be necessary to make sure that the charges levied on the member’s retirement account invested in the “default arrangement” do not exceed the applicable charge cap.
3. This duty is imposed on the trustee of the scheme and will be effective from 6th April, 2015.

D. *Next steps*

1. The final form regulations were the subject of Philip Bennett’s talk at our Pensions Update seminar on 11th February, 2015 (see **XIV.** below).
2. The Pensions Regulator published an “[Essential Guide](#)” to the new requirements on 12th February, 2015.

3. A client focus on the new requirements and restrictions, including action points for trustees ahead of 6th April, 2015, will accompany our next Pensions Bulletin.

IV. DC pensions guidance: “Second line of defence”

A “Dear CEO” letter from the FCA to personal pension providers dated 26th January, 2015 announced that the FCA is to issue new rules to provide additional consumer protection for members of personal pension schemes by placing a requirement on pension providers for a “second line of defence” (to be referred to as “Additional Protection”).

When a member contacts a pension provider to access their pension, the provider will be required to ask the member about key aspects of their circumstances that relate to the choice they are making. Providers will be required to give relevant risk warnings in response to answers from the member. They must also then further highlight that Pension Wise, the Government website providing information on DC flexibility or regulated advice, is a key part of protecting members and their families when making an important and irreversible decision.

The FCA says it will require these messages to be delivered in “very direct and simple language”, which it proposes to set out in the new rules. They will be in addition to the requirement, already included in its

near-final rules published on 27th November, 2014, to remind customers of the availability of Pension Wise and how to access it, and the requirement to describe the tax implications where a member plans to take cash from their pension pots.

Comment: Although the Additional Protection requirements will apply only to pension providers regulated by the FCA, the Government confirmed in the debate on the Pension Schemes Bill at Report Stage that the DWP is working with the Pensions Regulator to consider how best to introduce similar requirements for trust-based schemes. The Regulator says it will be publishing guidance for trustees on the new signposting requirement “in early March”.

New Law

V. Automatic transfers: Framework document

A. *Overview*

1. On 11th February, 2015, the DWP published a paper with the Government’s proposals on automatic transfers, the “initial phase” of which it intends will take effect in October, 2016.
2. The requirement automatically to transfer will apply only to pots of £10,000 or less. In the initial phase, which will apply to a limited number

of contract-based providers, members will be required to **opt-in** to the transfer.

2. The Government has decided to adopt a “federated model” i.e. a network of registers that store and match information about eligible small pots, rather than a centralised register. The Government expects some registers to be in-house and some to be provided by third parties.
3. All schemes that must automatically transfer pension pots will have to identify and flag data about pots eligible to be transferred. Affected schemes will have to ensure that this data is held on a register in order for the pension pots to be matched and automatically transferred. The network of registers will be “interoperable” i.e. each register will be able to communicate with all other registers, and will have to meet a defined set of Open Standards around how they hold, send, and deal with data.
5. Only pots held in charge-capped default arrangements will be automatically transferred.

B. Exemptions

1. The following schemes will be exempt from the requirement to transfer small pots automatically:

- relevant small schemes (those with fewer than 12 members where all members are trustees or where there is an independent trustee),
- executive pension schemes, and
- schemes with only 1 member.

2. Within other schemes, automatic transfers will only be required where the member is in a charge-capped default arrangement (as defined in the DWP’s recent regulations on charges and governance (see **III.** above)) in both the transferring and receiving schemes. This will ensure that members will only be automatically transferred into low charging funds and will exempt all AVCs except where they are paid into a fund which is designated as a default arrangement for another employee of the member’s employer.

C. Key stages

1. **Pot flagging:** Pots will be automatically transferred if they meet all of the following criteria:
 - the first contributions were received on or after July, 2012, to coincide with the beginning of automatic enrolment,

- the pot is worth £10,000 or less at the point of valuation (although this will be reviewed every 5 years), and
- the pot is invested in a charge-capped default arrangement at the point of valuation.

2. Affected schemes will be required to assess pots against these criteria when they become aware that the member has stopped contributing to the scheme. Where schemes identify that this is the case they will communicate prescribed information about the pot to their chosen register.
3. **Pot matching:** When a new member joins a workplace pension scheme and is invested in that scheme’s default fund, the new scheme will search for eligible pots associated with the member which have been flagged by previous affected schemes.
4. **Contacting the member:** If the pot-matching exercise produces a positive result, the new scheme will contact the member to let the member know that matched pots have been found. Where no matched pots have been found, there is no requirement for either scheme to contact the member. In the first phase of implementation (phase 1) the member will be asked whether they would like the transfer to go ahead (opt-in). Once automatic transfers are fully

operational, the member will be informed that the transfer will take place unless the member chooses to cancel it (opt-out). The Government intends that the communication will not constitute FCA-regulated advice to the member, but should provide enough information to help the member make a decision on whether to opt-in or not.

5. The information to be provided by the receiving scheme will include:

- a short, clear explanation of automatic transfers,
- options and next steps,
- information about the member’s previous pot(s), and
- policy or account numbers of previous pots.

6. **Pot transfer:** Once pots have been matched and the member has confirmed the transfer, the receiving scheme will contact the transferring scheme to request transfer of the member’s pot.

7. **Timescales:** A pot will be deemed eligible for transfer where a member has not contributed to the pot in the 12 months following the last annual statement. The DWP is undertaking further work

on the time limit within which transfers must be made once the decision has been taken; current thinking is that these should take place within a matter of days, not months.

D. Implementation

1. A limited number of schemes will take part in phase 1: DWP research has shown that the 20 largest administrators cover 73% of eligible members; it says it intends to set the initial participants so that the majority of members in the automatic enrolment market will be included. It will provide further information on who these will be in advance of when it consults on regulations later this year.
2. There will be a statutory discharge for schemes. When the conditions for automatic transfers are met, a transfer must take place.
3. The second phase will involve the member having to opt-out of the transfer. The DWP is to decide whether a greater number of schemes and providers should be brought into automatic transfers at that stage.

The framework paper, annexed to which is a “step-by-step” guide to automatically transferring pensions, is on the GOV.UK [website](#).

Action point: For noting; although the DWP has yet to announce the schemes that will participate in Phase 1, these are not expected to include occupational DC schemes.

Comment: “Automatic transfers” is a misnomer for Phase 1 since:

- members will need to opt-in, and
- the requirement will apply only where both the transferring and the receiving scheme are participants.

VI. PPF administration levy: Increases for 2015/16, 2016/17 and 2017/18

Regulations² have been made that provide for increases in the rate of the PPF administration levy for each of the years 2015/16, 2016/17 and 2017/18.

The administration levy covers the administration costs of the PPF. The levy is collected annually by the Pensions Regulator. The rates have remained unchanged since 2013/13.

The rates for 2014/15, 2015/16, 2016/17 and 2017/18 are set out in the table below.

² The Occupational Pension Schemes (Levies) (Amendment) Regulations 2015.

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Number of members in scheme	Levy rate per member £				Minimum amount of levy £			
	2014/15	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18
2 to 11					31	36	42	49
12 to 99	3.20	3.68	4.24	4.88				
100 to 999	2.31	2.65	3.06	3.52	320	370	420	490
1,000 to 4,999	1.80	2.07	2.38	2.74	2,310	2,650	3,060	3,520
5,000 to 9,999	1.36	1.57	1.80	2.07	9,000	10,350	11,900	13,700
Over 10,000	0.95	1.09	1.26	1.45	13,600	15,700	18,000	20,700

Tax

VII. HMRC's Pensions Liberation Update newsletter

This was published on 5th February, 2015.

The Update summarises action taken by HMRC in relation to pensions liberation since October, 2013 (when it changed its registration processes).

The Update also notes that HMRC has amended the information that must be provided to it when a scheme changes its structure, or range of number of members, to prevent schemes being set up legitimately and then changing their structures to become pension liberation schemes. This change will take effect from 6th April, 2015.

Comment: Certain changes in the legal structure of a scheme, and in the number of members, are already reportable to HMRC on the Event Report. We expect that these will be expanded to include large numbers of members suddenly joining a scheme, or a change in structure to facilitate pension liberation

The Update is on the GOV.UK [website](#).

Comment: The Pensions Regulator has said it will be updating its "Scorpion" pensions liberation communication materials in March, 2015 to help members understand the risks of pension "scams", which it expects to "evolve" (i.e. proliferate) as a result of the new flexibilities.

Cases

VIII. No duty on trustees to warn member about retrospective benefit changes: Ombudsman's determination in relation to Levinson

A. Overview

1. On 19th December, 2014, the Deputy Pensions Ombudsman decided in this case (PO-5023), that the Trustee of the EMI Group Pension Scheme (the "**Scheme**") had no duty to warn a late retiree that it was changing the method and factors used for calculating late retirement increases, either before or after the change was made.
2. The member, L, had chosen not to take his pension at normal pension age in 2006 after receiving information from the Trustee about the basis for calculating late retirement increases. He complained when, in 2013, he received a new benefit statement in line with a new calculation basis about which he had not been informed.
3. The Deputy Ombudsman held that the retrospective change did not affect any accrued right and had been properly made under the Scheme Rules. Further, the Trustee had no statutory duty under the Disclosure Regulations, nor under its general duty of care, to inform members of the change.

4. But she found that the 2006 information, which was misleading, together with statements received before the change, created an expectation in L that his late retirement increases would be more generous than was the case. As the quotations were stated to apply only to specific retirement dates before the change, however, the member suffered only “a loss of expectation and not an actual loss of income”. The Deputy Ombudsman directed the Trustee to pay the member £500 for distress and inconvenience caused.

B. Facts

1. L was employed by EMI until June 1999. He was a deferred member of the Scheme and reached NPA (age 60) on 21st May, 2006. He received a deferred entitlement statement from the Scheme stating his pension would be increased for late retirement according to the annual compounding method set out in the statement. L, who was still working elsewhere, decided to defer taking his pension.
2. The Scheme Rules stated that on late retirement, pension should “be increased by such amount (if any) as the Trustee (after consulting the actuary) determines to be appropriate”.

3. In August 2012, L received a letter from the Trustee indicating that the Scheme was to be subject to a full buy-out within 5 years. In October 2012 he received a retirement statement giving an illustrative pension with a retirement date of 21st October, 2012, which noted that the quotation was subject to the Scheme Trust Deed and Rules. A statement received the following year for retirement from 21st October, 2013 showed a lower pension. When L queried this, the Trustee told him that, following actuarial advice, it had changed the method and factors used for calculating late retirement increases with effect from 1st April, 2013.

C. Decision

1. The Deputy Ombudsman noted that, under the Scheme Rules, the Trustee had power to calculate late retirement increases and factors in whatever manner it decided, subject to receiving appropriate advice from the scheme actuary. This included amending the basis without notice to members.
2. Nor did the Rules state that any change in the method or factors could only be prospective. The retrospective effect was not a breach of Section 67 Pensions Act 1995; a member’s right to a late retirement increase was not an accrued right “until the member actually draws his pension and

the relevant late retirement benefit calculation has been performed”³. The scheme actuary had recommended changes to reflect the lower investment return assumed and the expectation that the benefits would shortly be bought out. The Deputy Ombudsman held that the change to the calculation had been properly made by the Trustees.

3. She also held that the Trustee had no statutory duty to inform members about the change, either under the Disclosure Regulations⁴ or the Consultation by Employers Regulations⁵. Nor was there a requirement to provide the information under the Trustee’s general duty of care.
4. However, the 2006 benefits entitlement statement had been misleading in that it did not state that benefits were subject to the Trust Deed and Rules, nor that the calculation basis could be changed.

Comment: The Deputy Ombudsman’s decision that, where trustees have a discretion over calculation of pension increases, the right to increases at a particular level is not an “accrued right” and so is not protected

³ Following *Danks v Qinetiq* [2012] EWHC 570.
⁴ The Occupational Pension Schemes (Disclosure of Information) Regulations 2013 (S.I. 2013/2734).
⁵ The Occupational Pension Schemes (Consultation by Employers) Regulations 2006 (S.I. 2006/16)

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by Section 67, follows the 2012 High Court decision in **Danks v Qinetiq**, followed more recently in **Arcadia Group Ltd v Arcadia Group Pension Trust** ([Pensions Bulletin 14/12](#)).

Action point: Where trustees have a discretion over late retirement increase factors, early retirement reduction factors, commutation factors etc., make sure that scheme booklets, benefit statements and other member communications make it clear that these are not guaranteed and may change according to the methods and assumptions used by the scheme actuary.

IX. Pensions liberation: Ombudsman's statement in relation to transfers that were not blocked

On 28th January, 2015, the Pensions Ombudsman published a statement relating to complaints by members that transfers had been made out of their pension schemes to pension liberation schemes when they should have been blocked. This follows recent determinations about complaints of transfers being blocked ([Pensions Bulletin 15/02](#)).

In particular, the complaints relate to transfers to the Capita Oak Pension Scheme. The Ombudsman is investigating one such complaint and expects to publish its decision in the first half of 2015. The

Ombudsman says that this will give a good indication of his general approach to claims that transfers should have been blocked, in the hope that this will help transferring schemes and scheme members deal with other individual cases.

Until that case is published, the Ombudsman says that other complaints relating to similar issues will have to be "parked". For that reason, the period from 28th January, 2015 until publication of the first determination will not count against claimants for the purposes of deciding whether complaints are time barred.

The Ombudsman's statement is on his [website](#)

Comment: Transferring schemes could be forgiven for thinking that they are damned if they don't, and damned if they do, so far as complaints about pensions liberation are concerned. Transferring trustees should consult the Regulator's "Scorpion" [guidance](#) for a checklist of common indicators of pensions liberation activity. See [Pensions Bulletin 13/18](#) for more information on precautions trustees should take on transfer requests to ensure they get a good discharge.

Points in Practice

X. PPF Levy 2015/16: Guidance on contingent assets: Guarantor's strength

On 2nd February, 2015 the PPF Board published guidance reflecting experience of its contingent asset review process for 2014/2015.

In particular, the guidance sets out the factors that trustees should consider when assessing the impact of employer insolvency on the guarantor.

These include:

- whether there is evidence to demonstrate that the guarantor has the ability to continue as a going concern after the insolvency of the employer,
- whether the guarantor can still trade after the disposal of assets required to meet the guarantee,
- whether there are restrictions on the use of undrawn finance facilities and cash balances post-employer insolvency,
- the impact of inter-company balances,

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- the guarantor’s funding and borrowing sources, Treasury arrangements if used, security structure, cross guarantee obligations and funding defaults,
- whether asset valuations are appraised on a basis appropriate for the circumstances to support the amount attributed to specific assets,
- what value of investments in group subsidiaries and other group assets can be relied on,
- whether the guarantor can control the income streams of connected parties required to meet the guarantee obligations, and
- whether the view that the guarantor can meet the guarantee is dependent on an assumption of that recovery from the insolvent employer.

The guidance is on the PPF’s [website](#).

Comment: The guidance is not a substitute for reading the detailed contingent asset guidance published by the PPF alongside the 2015/2016 determination.

It does not deal with the changes to the certification requirements for 2015/2016, including the new requirement to certify “Realisable Recovery” (a fixed amount that trustees are confident the guarantor could pay if called upon). For further details, see our

PPF Levies 2015/2016 Action Plan referred to in I. above.

Comment (1): We are awaiting further clarification from the PPF on the degree of recovery to be assumed where all of the employers are to be treated as becoming insolvent for the purpose of determining the “Realisable Recovery” amount.

Comment (2): In some insolvencies, there is no recovery for unsecured creditors or for shareholders. In other insolvencies there can be full recovery by unsecured creditors and a full or substantial recovery by shareholders depending on the particular facts and circumstances. Hence the difficulty in applying the hypothetical test which the trustees are being asked to apply in determining the “Realisable Recovery” amount, where, as a matter of fact, the employers in question are not insolvent as at the date at which the trustees are determining the “Realisable Recovery” amount.

For a checklist summarising the requirements for filing a new Type A Contingent Asset, in particular detailing the documents to be submitted by Exchange and by post, the circumstances in which certified copies are required, other requirements in the PPF’s Contingent Asset Guidance, and next steps, please get in touch with your usual pensions contact at Slaughter and May.

XI. Abolition of DB contracting-out: HMRC’s Countdown Bulletin 5

This was published on 28th January, 2015.

Points to note are:

- from 6th April, 2016, the National Insurance Services to Pensions Industry (“NISPI”) wing of HMRC will no longer track contracted-out rights, so “ceased” schemes will not need to advise NISPI of any movement of membership (for example transfers etc) that take place after that date. All such movements will be the responsibility of schemes to track.

NISPI will need to be notified of any movement that occurs prior to 6th April, 2016.

As all schemes will be “ceased” from 6th April, 2016, there is no need to advise NISPI of any “fundamental” changes to the scheme itself after that date (for example closure, scheme mergers, winding up etc),

- the DWP says it will not be in a position to publish the regulations that apply to formerly contracted-out schemes in the Spring as previously planned. But regulations containing details of the proposed statutory override enabling employers unilaterally to change scheme rules to reflect the abolition of DB contracting out

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remain on track for “early Spring” publication to give employers time to make any changes, and

- the DWP has published a “state pension toolkit” to help employers communicate the changes to the state pension taking effect on 6th April, 2016.

Countdown Bulletin 5 is on HMRC’s [website](#)

Action point: Employers with current COSRs should start to evaluate the position well ahead of the 6th April, 2016 deadline. A checklist of points to consider is available on request.

XII. Automatic enrolment: Increase in Regulator’s enforcement activity

On 28th January, 2015, the Regulator published its latest quarterly Automatic Enrolment Compliance and Enforcement Bulletin, covering the period from 1st October to 31st December, 2014, when employers with between 49 and 60 employees had their staging dates.

Key points are:

- information notices were served on 6 employers during the period (compared with 10 prior to that),

- 1,139 compliance notices were served for failure to comply within 5 months of the employer’s staging date (compared with 177 before that),
- 7 unpaid contributions notices were issued (compared with 1 before that), and
- 166 fixed penalty notices of £400 were issued (compared with 3 previously).

The Bulletin is on the Regulator’s [website](#)

XIII. Requirement for clearing derivatives: European Commission recommends further 2 year exemption for pension funds.

The European Market Infrastructure Regulation (“EMIR”) has been in force since 16th August, 2012. Our client briefing of 24th August, 2012 set out EMIR’s key features including clearing and reporting obligations, and risk mitigation, and provided details of the provisional timeline for implementation.

Pensions funds secured a limited exemption from EMIR’s headline measure – the requirement to clear OTC derivative contracts – until at least August 2015. But EMIR’s other key provisions – the risk mitigation and reporting obligations – apply to pension funds on a phased basis.

Our briefing of 8th October, 2012 looked in more detail at the impact of EMIR on pension funds, in particular the extent of the clearing obligation exemption, concerns with this, and the new obligations in relation to risk mitigation and disclosure.

On 3rd February, 2015, the European Commission published a report, by Europe Economics and Bourse Consult, recommending that pension funds should have a further 2 year exemption (until 17th August, 2017) from the clearing requirements for their over-the-counter derivatives transactions.

According to the report, under current arrangements, pension schemes would have to source cash for central clearing. Given that they hold neither significant amounts of cash nor highly liquid assets, imposing such a requirement would require “*far-reaching and costly*”⁶ changes to pension schemes’ business models, which could ultimately affect pensioners’ incomes.

The European Commission press release and the report are [here](#).

Comment: This is welcome news, although not unexpected. But the report’s recommendation now needs to be approved by the College of Commissioners of the European Union.

⁶ Estimated in the UK at 2.3% per year of assets under management.

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Client Seminars

XIV. Pensions Update seminar: 11th February, 2015: Packs available

The programme from our latest client seminar, on 11th February, 2015, is attached. The handouts are available from Lynsey.Richards@slaughterandmay.com in electronic or hard copy format.

Topics covered included:

- **Tax update:** the new benefit types and open market transfer right, the new money purchase annual allowance, and hereditary drawdown,
- **New DC governance requirements and restrictions on charging** that take effect on 6th April, 2015,
- **PPF Levy-related issues for the levy year starting 1st April, 2015** (including in relation to last man standing schemes, asset-backed contribution arrangements and PPF guarantees), and
- **DC flexibility: Key action points** covering options to be offered at retirement, impact on the default investment option, the new signposting requirements for DC schemes, and DB to DC transfers/conversion.

XV. Pensions Update seminars 2015

Our next Pensions Update client seminars will take place on:

- Wednesday 17th June, 2015, and
- Wednesday 18th November, 2015.

An invitation and expected programme for the June 2015 seminar will follow.

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This Bulletin is prepared by the Pensions and Employment Group of Slaughter and May in London.

We advise on a wide range of pension matters, acting both for corporate sponsors (UK and non-UK) and for trustees. We also advise on a wide range of both contentious and non-contentious employments matters, and generally on employee benefit matters.

Our pensions team is described in the 2015 edition of Chambers as follows:

- *"they employ professional and personable members of staff with a great depth of knowledge and practical know how"*, and
- *"their ability to organise a transaction and make sure all things come into action is very, very good and they are incredibly thorough"*

Our recent work includes advising:

- Imperial Chemical Industries Limited and Akzo Nobel N.V. on the de-risking of the ICI Pension Fund by way of a circa £3.6 billion transaction. The transaction, which was announced on 26th March 2014, involved the Trustee of the ICI Pension Fund entering into bulk annuity buy-in policies with Legal & General Assurance Society Limited and Prudential Retirement Income Limited respectively in relation to in aggregate circa £3.6 billion of liabilities of the ICI Pension Fund (which comprise approximately one quarter of the Akzo Nobel pension liabilities). The Legal & General buy-in is the largest ever bulk annuity policy arranged by a pension scheme in the UK
- BBA Aviation plc on the pensions aspects of its disposal of the APPH entities and a "section 75 debt" apportionment arrangement with the trustees of its defined benefit pension scheme, the BBA Income and Protection Plan (the "IPP"), and thereafter on the structuring and implementation of an asset backed funding arrangement with the trustees of the IPP. The asset backed funding arrangement replaces a previously agreed schedule of contributions and is designed to generate an annual income stream of approximately £2.7 million for the pension scheme whilst minimising the risk of scheme over-funding in the future
- Aviva on the de-risking of the Aviva Staff Pension Scheme by way of a circa £5 billion longevity swap transaction involving insurance and re-insurance arrangements. The transaction is the largest of its type to date and allows the defined benefit scheme to re-insure the longevity risk relating to approximately 19,000 of its members (roughly a third of its total longevity risk). Aviva's in-house legal team also advised.
- Premier Foods, on a revised funding arrangement with the group's defined benefit pension schemes as part of Premier Food's refinancing plan. Revisions to the funding arrangements included reduced pension deficit contributions and the granting of additional security to the pension schemes
- Unilever Plc on the creation of an innovative pension funding vehicle under which a unit-linked life policy was established to fund centrally certain overseas unfunded retirement benefit obligations
- General Motors, on the pensions aspects of the sale of Millbrook Proving Ground Limited (the test and engineering technology centre). The sale was dependent on structuring a pensions reorganisation so that the Millbrook Pension Plan and all pension liabilities were retained in the General Motors group
- ConocoPhillips, on complying with its auto-enrolment duties, including analysing how different categories of employees would be provided with pension benefits in compliance with those duties and setting up a new DC pension plan and a new registered life cover pension plan
- Royal Mail on a benefit change exercise which enabled Royal Mail to use some of the c£2bn of assets remaining in the Royal Mail Pension Plan following the 2012 transfer of its pension liabilities to HM Government to fund a £300 million a year gap which would otherwise have opened up between the pension contributions which it could afford and the amount which was required to keep the Plan open for the future accrual of benefits. We had previously advised on the 2012 transfer of approximately £30 billion of Royal Mail's historic pension liabilities to HM Government
- The Trustee of the General Motors UK Retirees Pension Plan, on the surrender in October, 2012 of 2 insurance policies and the purchase of a bulk purchase annuity policy with Rothesay Life. The transaction covered all or substantially all of the Plan's benefit obligations and had an aggregate value of approximately £230 million

If you would like to find out more about our Pensions and Employment Group or require advice on a pensions, employment or employee benefits matters, please contact **Jonathan Fenn** jonathan.fenn@slaughterandmay.com or your usual Slaughter and May adviser.

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