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Current issues

December 2017

Articles this month:

Autumn Budget 2017

The Chancellor of the Exchequer, Philip Hammond, delivered his Autumn Budget on 22 November 2017. It contained—mercifully, perhaps—no radical pensions-policy announcements.

Budget basics

The Chancellor announced in 2016 that the UK would stop making major changes to the tax system in the spring and autumn of each year. The Autumn Budget is now, accordingly, the major fiscal event of the year. From 2018 onward, there will also be a Spring Statement, but it will ordinarily be of limited scope: just a response to the Office for Budget Responsibility's spring economic forecast.

A Finance Bill will be laid before Parliament following each Budget and, barring disasters, can be expected to become a Finance Act in time for the next tax year. Most new measures proposed as part of a particular year's Budget are not, however, expected to make it into the following year's Finance Act. Instead, the plan is that they will be subject to public consultation in the spring, leading to draft legislation in the summer, and being incorporated into the Bill that is laid before Parliament following the subsequent Budget. In other words, the new policy proposals contained in the Autumn Budget 2017 can be expected to be part of a Finance Act that gets Royal Assent in 2019.

Pensions 'highlights'

The main pensions-related items from the Budget are as follows:

- confirmation that, as required by legislation, the standard lifetime allowance will increase to £1,030,000 on 6 April 2018;
- the Government will, with effect from 6 April 2019, widen the tax exemption for employer premiums paid into life assurance and overseas pension schemes, by extending the existing exemption to cover policies when an employee nominates any individual or registered charity to be their beneficiary (the legislation will appear in Finance Bill 2018/19);

- with effect from 1 April 2019 in the case of companies, and 6 April 2019 for others, tax will be charged on gains made by non-residents on disposals of all types of UK immovable property, subject to exemptions for institutional investors such as pension funds (the legislation will appear in Finance Bill 2018/19) ;
- the Pensions Regulator will give guidance on investments in, for example, venture capital, infrastructure, and other illiquid assets, in a bid to 'transform the supply of capital to innovative firms'; and a working group of institutional investors and fund managers will be established by the Treasury, to explore (amongst other things) ways to encourage investment in illiquid assets by members with defined contribution (DC) funds;
- State pensions will be increased by three per cent in accordance with the 'triple lock', with the result that from April 2018 the full basic State pension (BSP) will be £125.95 a week, and the full new State pension (NSP) will be £164.35 a week.

Denizens of the pensions world have become inured to incessant tinkering leading to a tax system of evermore labyrinthine complexity. There was much press speculation about further change in the build-up to the Budget, fuelled by successive governments' behaviour over the past decade. A period of no change is very welcome. In the medium term, we need to fundamentally revisit the long-term savings framework and de-politicize the funding of retirement, which people have to manage over the course of sixty-to-eighty potentially destabilizing Finance Acts. For now, though, no news is good news—or at least, it's better than the likely alternative.

Whilst there is some truth to the suggestion that pension funds, with their considerable assets, are reluctant to invest in unquoted, smaller companies or infrastructure projects, there are also some misconceptions. Funds have been building exposures to infrastructure and private lending, although much of it is at a global level and not focused on UK investment. The barriers to increased investment, and the innovations that are necessary to overcome them, are different for defined benefit and defined contribution investors. If you are interested in hearing more about our thoughts on the subject, please speak to your usual Hymans Robertson consultant.

Pensions VAT: revised guidance

Her Majesty's Revenue and Customs (HMRC) has (without fanfare) updated sections of its internal guidance on the ability of employers to reclaim VAT expended on pension scheme costs. Most notably, taxpayers will not be required to implement new arrangements in order to facilitate VAT deduction after 31 December 2017: the ability to use historical pensions VAT practices will continue, seemingly indefinitely. However, alternative arrangements may need to be considered in order to maximize the VAT reclaimable. This issue mainly affects defined benefit (DB) schemes.

Background

A decision of the European Court of Justice (ECJ), in 2013, forced HMRC to reconsider its historical stance on employers' ability to recover VAT incurred in the operation of occupational pension schemes. In principle, it should have made it possible to recoup materially higher amounts of VAT. The reality has turned out to be much more complicated, and HMRC has been working ever since to produce suitable guidance on the sorts of structural and contractual arrangements that can be used to optimize VAT efficiency.

To give people time to adapt to the resulting change in policy, HMRC announced a transitional period during which employers could continue to submit VAT claims on the basis of its historical (pre-ECJ-judgment) guidance. The transitional period originally ended six months after the publication of the first Revenue and Customs Brief on the subject, in February 2014. The deadline w as repeatedly extended, to 31 December 2015, then to 31 December 2016, and eventually to 31 December 2017.

Revised guidance

HMRC updated one of its VAT guidance manuals on 1 November, with regard to the ability to reclaim VAT paid on costs relating to occupational (mainly DB) pension schemes. The transitional period that was due to expire on 31 December 2017 is being extended, apparently without end. This means that existing rules for VAT deduction, including the assumed 70:30 split for combination investment–administration invoices, will continue to be available for use, alongside the new

arrangements that HMRC put forward following the ECJ judgment. It says that 'Which option is applied will depend on whether the employer does or does not directly contract and pay for the services used to run the pension scheme.'

Notably, the revised guidance says that VAT on investment costs—the perennial sticking point—'must be treated differently to administration costs', and that it 'can only be deducted by the employer when it contracts with the supplier directly for the services and pays for them itself'. There is no additional guidance on how to do that: HMRC continues to mention tripartite contracts, onward supply arrangements and VAT grouping, but without offering solutions to the problems that come with each of those solutions.

Historical arrangements

Prior to the ECJ judgment, HMRC refused to allow employers to reclaim VAT attributable to investment activity; only administration costs could be recouped. In principle, therefore, a supplier that provided a mix of 'investment' and 'administration' services would have to issue a separate invoice for each type of service, or at the very least clearly apportion its VAT between the two categories. As a concession, however, when a supplier issued a single invoice covering both administration and investment services, HMRC has allowed employers to simply assume that thirty per cent of the VAT relates to administration, and is therefore recoverable.

The revised guidance allows for this practice to continue.

Alternative arrangements & their disadvantages

Following the ECJ judgment, HMRC announced that employers would only be able to reclaim pensions VAT if they directly contracted and paid for the services. The industry quickly objected that the legal and regulatory context within which some pension scheme services are provided can make this difficult, or indeed impossible. Discussions soon focused on three solutions to this problem.

Tripartite contracts

It was suggested that services could be provided under a tripartite contract between a supplier, the pension scheme trustees and the sponsoring employer. However, that would be inappropriate in the case of the scheme actuary, auditor and legal adviser appointments that trustees must make under statute. In addition, HMRC confirmed that an employer that pays for asset-management costs under a tripartite contract will not be entitled to a corporation tax deduction in respect of the outlay.

Onward supply & VAT grouping

One alternative is for the employer to enter into a contract with the pension scheme trustees, in accordance with which they undertake to operate the pension scheme on the employer's behalf. The trustees contract with service providers, which issue VAT invoices to the trustees, who then present their own VAT invoices to the employer (the trustees have to be VAT-registered in their own right for this to work).

The other suggestion is to arrange for a corporate trustee to become part of the same VAT group as the employer. The group registers for VAT in the name of a representative member (the employer, for example), and is thereafter treated as a single entity for VAT purposes. The VAT incurred by the trustee can be deducted by the representative member to the extent that it is attributable to VAT-able supplies made outside the group: for example, the goods or services provided by the group businesses to their customers.

The onward supply and VAT grouping options suffer from similar drawbacks. Any investment costs incurred are considered by HMRC to be used both for the trustees' investment activities and for the supplies made by the trustees to the employer (where the onward supply approach is taken) or the supplies made by the employer itself (as part of a VAT group). Where that sort of 'dual use' applies, it appears that the full amount of the VAT cannot be recouped.

It seems that employers and trustees will need to separately consider each of the services required to operate the pension scheme, and how VAT recoverability can be maximized for each. Expert advice may be required. The ability to continue with longstanding VAT-reclamation practices should remove the pressure to shoe-horn statutory appointments into 'tripartite' contracts. Trustees and employers may, however, have to accept that VAT on 'investment services' can never

be fully recouped. Having said that, court rulings on challenges to HMRC's pensions VAT stance could still change the position; and goodness knows how VAT policy will develop after the UK leaves the European Union…

Update: VAT on management services provided by insurers

In October 2017, HMRC announced that pension fund management services provided by insurance companies would cease to qualify for the VAT exemption that applies to insurance, with effect from with effect from 1 January 2018.[1] However, on 20 November 2017 HMRC amended its guidance to state that the change will now take place from *1 April 2019*, to give insurers more time to prepare.

CDC pension scheme inquiry

The Work and Pensions Committee has announced a new inquiry into the merits of collective defined contribution schemes (also known as 'defined ambition' schemes).[2]

Collective defined contribution (CDC) schemes would allow the pooling of investment, inflation and longevity risks between members, and allow for pensions in payment to fluctuate based on scheme funding. Such schemes already exist in several countries, notably the Netherlands, Canada and Denmark, but they are not currently possible in the UK.

A statutory framework for CDC schemes was included in the *Pension Schemes Act 2015*, but the introduction of the provisions was put on hold in October 2015 to allow the Government to focus on other major pension developments such as automatic enrolment and the 'Freedom and Choice' tax reforms.

The Committee wants to explore the potential benefits and disadvantages of CDC schemes, and the legislative and regulatory framework that would be required for them to function effectively. It is seeking written submissions in three main areas:

- the benefits to savers and the wider economy;
- whether seriously underfunded defined benefit pension schemes should be converted into CDCs; and
- how CDCs would be regulated and whether there is an appetite for them from employers and the pensions industry.

The closing date for submissions is 8 January 2018.

In principle, the idea of collective DC could deliver better outcomes for scheme members by, for example, enabling exposure to growth asset returns for longer; and the fixed employer-contribution obligation should make it attractive to businesses looking for a lower-risk alternative to DB. Collective benefits would also fit with the Government's desire to provide more 'patient capital' for private equity and infrastructure investment, in a way that is much more difficult with shorter-term, member-by-member DC arrangements. However, there are barriers that will be difficult to overcome, and which allowed the spark of interest in the idea to fizzle out four years ago. It requires huge scale from day one and a continuous flow of new monies into the system. And it does not sit well with the 'Freedom and Choice' ethos of allowing people to determine how they spend their money in retirement.

Perhaps what is different this time round is the urgent need to stimulate economic growth and improve member outcomes, without the availability of extra money to spend on the solution. Channelling pension assets into real assets through CDC could help savers and governments. Beyond bringing the *Pension Schemes Act 2015* enabling provisions into force and producing detailed secondary legislation to cover the minutiæ, it will take a government with vision and ambition, and incentives that generate enthusiasm amongst employers, to finally get it moving.

[1] See *Current Issues* November 2017, <www.hymans.co.uk/news-and-insights/research-and-publications/publication/current-issues-november-2017/>.
[2] <www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/defined-contribution-pension-schemes-17-19/>.

Proposals for disclosure of DC charges, transaction costs & investments

The Department for Work and Pensions (DWP) is proposing changes to the rules on disclosure of information to members of occupational pension schemes providing defined contribution (DC) benefits.[3] The amendments would increase the information to be contained in the trustees' annual governance statement (aka 'the chair's statement') about charges and transaction costs, and require that it be made freely available online. They would also mean that members could request additional details of their investments in pooled funds. In each case, the availability of the information would have to be brought to members' attention via their benefit statements.

The changes are intended to come into force on 6 April 2018, but they would not affect governance statements for scheme years ending before that date. The exemptions in the current legislation continue to apply, so that the changes will not affect, for example, arrangements for executives, public sector schemes, and those for which the only money purchase benefits are derived from additional voluntary contributions (AVCs).

Charges & costs

The annual statement regarding governance already covers information about charges and transaction costs, but the trustees are currently able to condense the data into ranges when multiple investment options are in use. The changes would require the provision of charge-and-cost information about each fund, individually. The trustees would also be required to incorporate an example that demonstrates the compounded effects of charges and transaction costs, over time.

The governance statement already forms part of the trustees' annual report, which must be compiled within seven months of the scheme's year-end. Members, and other interested parties such as members' spouses, those entitled to death benefits, and relevant trade unions, are entitled to request and receive copies of the reports. The DWP proposes that trustees be required to make the information about charges and transaction costs, as well as the current mandatory governance-statement content about schemes' default arrangements, freely available on a website. The annual money purchase benefit statements that are provided to members would have to note the availability of the online information, and where it can be found.

Draft guidance

Trustees would have to take into account statutory guidance issued by the DWP. A draft version of the guidance was issued with the consultation document. It covers two subjects: the production of the required illustration of the cumulative effects of charges and transaction costs upon members' pension pots, and the publication of charges and cost information on a website. The intention is that, once in place, it will be reviewed at least every three years.

For the 'cumulative effects' illustration, the DWP proposes to allow trustees to use the assumptions set out for statutory money purchase illustrations (SMPI) and the sort of projections associated with retail financial products. The guidance says that the illustration should cover '*realistic and representative*' ranges of pot sizes, contribution rates, investment returns, time horizons, and charge and transaction-cost rates. It should be presented in 'pounds and pence' terms.

The information should be published online in such a way that it is downloadable, and can be indexed by internet search engines; there should be no log-in or authentication procedures. The Web address should be capable of being typed easily into a browser, and should clearly indicate the nature of the information to which it leads.

Pooled funds

Trustees would be required to prepare, within seven months of each scheme year-end, a document containing information that enables members to identify the pooled funds in which they were invested during the year. They would have to provide the document to a member or relevant trade union within two months of a request. Annual benefit statements would have to explain how to request the information.

[3] <www.gov.uk/government/consultations/occupational-pensions-improving-disclosure-of-costs-charges-and-investments>.

Consultation arrangements

Responses to the proposals should be submitted by 6 December 2017.

DC charge cap

Separately, the Department for Work and Pensions (DWP) announced that, following a review, there will be no change to the defined contribution (DC) charge cap.[4] However, it expects '*there to be a much clearer case for change in 2020*' (when the charge cap is due to be reviewed again).

The current cap of 0.75 per cent was introduced in April 2015. It applies to member-borne charges in DC default investments in schemes used for auto-enrolment compliance.

The Financial Conduct Authority (FCA)'s rules will oblige asset managers to provide trustees with charge and transaction-cost information, in a standard format, with effect from 3 January 2018.[5] In theory, therefore, the facts and figures underlying the new disclosures should be available in good time.

Trustees will not be thrilled to learn that the required content of their annual governance statements is set to increase, especially if they doubt that (m)any of their members will be interested. Moreover, the information is unlikely to be of use unless placed in context. The DWP is relying on unnamed '*industry participants*' to trawl the Web for all of the charges-and-costs details put out by trustees, and then publish the collated figures, thereby providing the crucial ability to see how one scheme's charges and costs compare to those of its peers. The ability to extract the relevant information could be made harder if trustees choose to publish governance statements in their entirety, rather than go to the expense of creating extracts.

DB scheme return to require record-keeping information

The Pensions Regulator has published a checklist of the new information that will need to be submitted in the defined benefit (DC) scheme return for 2017/18.[6] In particular, schemes will be required to provide information on the quality of their scheme member data. This will include the date on which the scheme's common and scheme-specific (conditional) data[7] were last measured, and what percentage of the data is present and accurate.

The data measurement and quality questions will be used to measure the quality of record keeping across the pensions industry and to monitor the progress of individual schemes. The Regulator says that it will not take enforcement action on the basis of data scores alone; however, if it has concerns that its record-keeping standards are not being met it may contact individual schemes and could use its statutory powers if trustees fail to demonstrate that they are working to improve their records.

An annex to the checklist contains questions and answers on data measurement, as well as a reference to the newly published '*Quick guide to measuring your data*'.[8]

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[4] <www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2017-11-16/HCWS249/>.
[5] *Policy Statement PS17/20: Transaction cost disclosure in workplace pensions* <www.fca.org.uk/publication/policy/ps17-20.pdf>.
[6] <www.thepensionsregulator.gov.uk/docs/db-scheme-return-checklist.pdf>.
[7] 'Common data' is information that should be held for all scheme members and is used to identify members (e.g. name and date of birth) and 'scheme-specific data' (previously referred to as 'conditional data' by the Regulator) is additional information required by a particular scheme to allow for its efficient administration.
[8] <www.thepensionsregulator.gov.uk/measuring-data>.

DWP guidance on safeguarded-flexible benefits

The Department for Work and Pensions (DWP) has published guidance to help trustees and pension providers satisfy new requirements to provide personalized risk warnings to members who are considering giving up '*safeguarded-flexible benefits*' (such as money purchase rights that come with guaranteed annuity rate terms).[9]

The new warnings, required from April 2018, will alert a member with safeguarded-flexible benefits to the risk of losing a potentially valuable guarantee. That will be so whether or not the benefits are valuable enough to make it necessary for the member to obtain independent advice before transferring. The member will have to be provided with two illustrations, produced using assumptions based broadly upon those associated with statutory money purchase illustrations (SMPI). One illustration will estimate the income that the member could get with the guarantee, and the other without it.

The DWP's non-statutory guidance contains practical advice for complying with the new obligations and sets out best-practice for preparing and issuing the warnings. It also contains a useful section on the transitional provisions that apply where a member wants to transfer safeguarded-flexible benefits in the run-up to 6 April 2018.

'*A little something for your trouble*' just got bigger

Two recent High Court decisions have considered the limits of the compensation that the Pensions Ombudsman will award for non-financial injustice caused by maladministration.[10] At the upper end, such 'distress and inconvenience' payments are likely to increase as a result of the judgments.

The Pensions Ombudsman's current guidance, *Redress for Non-financial Injustice*, says that most 'distress and inconvenience' awards will fall between £500 and £1,000.[11] It refers to a benchmark established in a 1998 court case to the effect that compensation of more than £1,000 is only appropriate in '*very exceptional circumstances*'.[12] However, it notes a trend towards higher awards.

In the first of the two recent rulings, the judge reviewed the £1,000 upper limit that was set in 1998. He considered the effects of inflation and concluded that '*after two decades it is time to rebase the upper limit for compensation… at £1,600.*' He directed the Ombudsman to reconsider his original award of £750, enumerating various '*aggravating factors*' in the case: the administrator's '*persistent mishandling*' of a transfer; its '*lack of candour*' in its dealings with the member; its approach to the internal dispute resolution procedure, which '*lacked any semblance of objective review and amounted to dogged maintenance of its original position*'; and its disregard for a recommendation from the pensions policy manager, made at the second stage of the IDRP, that it consider making an offer of compensation. The judge commented that '*Viewed from the perspective of a… beneficiary… it would be troubling if* [the administrator's] *conduct… was anything less than very exceptional.*'

The second case involved a member who had rejected her employer's offer of £5,000 compensation for distress and inconvenience and complained to the Ombudsman's service, whereupon the Deputy Pensions Ombudsman awarded her just £500. On appeal to the High Court, the judge tacitly accepted the earlier Court ruling, saying that '*The top end of the "normal" band… may be taken to be £1,600.*' He went on to conclude that the normal limit should be exceeded on this occasion, '*because of the number of opportunities there were to correct the misinformation given… the relative ease with which the true position could be ascertained… and the period through which the maladministration persisted.*' In those (implicitly very exceptional) circumstances, he decided to award the complainant £2,750.

These judgments are evidence of a trend toward higher 'distress and inconvenience' awards, and illustrate the sorts of elements of a case that may warrant compensation in excess of the normal limit.

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[9] <www.gov.uk/government/uploads/system/uploads/attachment_data/file/658855/safeguarded-flexible-pension-benefits-simplified-valuation-and-introduction-of-personalised-risk-warnings.pdf>.

[10] *Baugniet v Capita Employee Benefits Limited* [2017] EWHC 501 (Ch) and *Smith v Sheffield Teaching Hospitals NHS Foundation Trust* [2017] EWHC 2545 (Ch).

[11] <www.pensions-ombudsman.org.uk/wp-content/uploads/NFI-factsheet-TPO.pdf>.

[12] *City and County of Swansea v Johnson* [1999] 1 All ER 863.

NEST Order and rules amendment consultations

The Department for Work and Pensions (DWP) is proposing changes to the [secondary] legislation governing the National Employment Savings Trust (NEST), [13] and the Trust is planning to adapt its rules to reflect these changes, and to alter the death benefit available from the scheme[14].

The changes proposed to the NEST Order and rules will:

- ensure that the contractual and consensual enrolment of workers is still possible once staging ends in February 2018;
- give the NEST Corporation the ability to close member's accounts if they have been open for 12 months and have never received any contributions;
- clarify that where there is a bulk transfer with consent by participating employers using the NEST, workers can become members of the NEST (a similar provision for bulk transfers without consent was provided for by an earlier amendment); and
- require the NEST carry out research with the scheme members and participating employers and their representatives, in connection with the operation, development or amendment of the scheme (this is so that the NEST can demonstrate that it satisfies the EU Data Protection Regulation requirements on lawful data processing when carrying out research).

The DWP consultation ended on 27 November and the amendments are to be brought into force from 1 April 2018.

In addition to rule changes that flow from the amendments to the Order, the NEST Corporation is also consulting on changes to rules that would:

- provide for death benefits to be paid as a lump sum regardless of whether a member died before or after age 75, reflecting [2016] changes to the pensions tax rules;
- allow members to opt for death benefit lump sums to be paid, at the NEST's discretion, to either the members' nominees or their personal representatives, where they are concerned about inheritance tax (at the moment, death benefits are payable under a binding nomination process which results in them forming part of the deceased member's estate for inheritance tax purposes); and
- give them the ability to issue a notice to participating employers that have not made any contributions in a set period (e.g. a year) to inform them that their participation in the scheme will be ended unless a contribution is made to the scheme during the notice period.

The NEST consultation ends on 29 December. The majority of proposed changes are expected to be made in April 2018. However, any change to introduce a discretionary regime for death benefits will be brought in later (likely to be towards the end of 2018) to allow the NEST time to adapt its processes.

[13] DWP consultation on amendments to the National Employment Savings Trust Order 2010 (SI 2010 No.917), <www.gov.uk/government/uploads/system/uploads/attachment_data/file/657602/consultation-draft-national-employment-savings-trust-amendment-order-2018.pdf>.

[14] <www.gov.uk/government/uploads/system/uploads/attachment_data/file/657602/consultation-draft-national-employment-savings-trust-amendment-order-2018.pdf>.

Second PPF bridging pension consultation

The Department for Work and Pensions (DWP) is running a second consultation exercise on the way that the Pension Protection Fund (PPF) should deal with bridging pensions.[15] This time, it is proposing that the PPF should mirror individual schemes' rules.

A bridging pension is a temporary pension paid by some occupational pension schemes to bridge the gap between retirement and commencement of the State pension, so that the pensioner's total (i.e. occupational plus State) pension income remains roughly level throughout retirement.

Currently, the PPF compensation payments are based on a member's pension entitlement at the date that a pension scheme enters a PPF assessment period. This means that members entitled to a bridging pension at the scheme assessment date have their PPF compensation fixed at that higher rate for life. In contrast, if the scheme had not entered a PPF assessment period, the member's pension would have decreased when the bridging pension ceased to apply under the scheme rules (usually when the member reached State pensionable age).

In August 2017, the DWP published draft Regulations for consultation that contained provisions that would take account of bridging pensions by smoothing the amount of PPF compensation over the member's lifetime. At the time, the DWP rejected the alternative method of mirroring the existing schemes' rules, because of the administrative complexities that it would entail.[16]

However, most respondents in that earlier consultation exercise expressed a preference for the scheme-rules-based approach, so the DWP has produced a revised set of draft Regulations. They would more closely mirror the approach that the pension scheme would have taken. The DWP is seeking feedback on whether the draft Regulations will operate as intended, and any possible unintended consequences.

The consultation period ends on 3 December 2017.

Regulator issues chair's statement 'quick guide'

The Pensions Regulator has produced additional guidance to help trustees compose good annual governance statements ('chairs' statements') in respect of money purchase benefits.[17]

The requirement to compile and publish annual governance statements was introduced in 2015, alongside a legal duty to appoint a trustee chairperson. Those obligations apply to '*relevant schemes*': in broad terms, that means occupational pension schemes that provide money purchase benefits, although there are exceptions covering, for example, public-sector schemes and those for which the only money purchase benefits are derived from additional voluntary contributions (AVCs). One of the prescribed tasks of the chair is to sign the statement on behalf of the trustee board, and in common parlance the document is almost universally known as the chair's statement. It must be prepared within seven months of the scheme year-end, and incorporated into the trustees' annual report.

The Regulator sets itself the task of addressing the 'common misunderstandings and omissions' that have besmirched some of the chairs' statements that it has seen so far. It counsels, generally, that the statement should be drafted clearly enough to be understood by scheme members, covering all of the required points without producing information overload. It says that it should be structured as a self-contained document within the trustees' annual report, and that they should ensure that it specifies the scheme year to which it relates, as well as the date on which the chair signed it on their behalf.

The next section draws from actual specimens to give examples of what 'good' chairs' statements—and their antitheses—look like. From these it is clear that where statements have been inadequate it has often been the result of misreading or misjudging the legal requirements: for instance, by stating simply that core financial transactions were processed promptly and accurately, rather than (as the legislation requires) describing how that was accomplished; by failing to describe either

[15] <www.gov.uk/government/uploads/system/uploads/attachment_data/file/660212/consultation-pension-protection-fund-compensation-amendment-regulations-2018.pdf>.
[16] For more details on the August 2017 consultation see *Current Issues* October 2017, <www.hymans.co.uk/news-and-insights/research-and-publications/publication/current-issues-october-2017/>.
[17] *A Quick Guide to the Chair's Statement* <www.thepensionsregulator.gov.uk/docs/chair-statement-quick-guide.pdf>.

the transaction costs that applied to scheme funds or, when the trustees were unable to obtain that information, the efforts made to obtain it; or by stating that charges and transaction costs provided value for scheme members, but not explaining why or how the trustees came to such a conclusion.

The final section of the guidance is a checklist of the prescribed contents of a chair's statement, with notes setting out the Regulator's expectations.

Revaluation Order 2017

The *Occupational Pensions (Revaluation) Order 2017* has been laid before Parliament, and comes into force on 1 January 2018.[18] It specifies the minimum statutory revaluation percentages for deferred members who reach normal minimum pension age during 2018. It is based on the three-per-cent official annual (CPI) inflation figure for September 2017. That three-per-cent increase will also form the basis for the minimum statutory increases to pensions in payment.

HMRC newsletters

Her Majesty's Revenue and Customs (HMRC) has published *Pension Schemes Newsletter 93.*[19]

It includes:

- a reminder that the *Finance Bill 2017/18* (published on 1 December) will introduce changes to the tax registration of master trusts;
- notice that, as announced in the Budget, the lifetime allowance will be increased in line with CPI to £1,030,000 from April 2018; and
- confirmation that the *Finance (No.2) Act 2017*, which reduces the money purchase lifetime allowance from £10,000 to £4,000 with retrospective effect from 6 April 2017, received Royal Assent on 16 November 2017.

The latest edition of HMRC's *Countdown Bulletin* is also available.[20]

[18] SI 2017 No. 1104.
[19] <www.gov.uk/government/publications/pension-schemes-newsletter-93-november-2017/pension-schemes-newsletter-93-november-2017>.
[20] <www.gov.uk/government/publications/countdown-bulletin-30-november-2017>.

And Finally…

AF is impressed by The Pensions Advisory Service (TPAS)'s ability to find click-bait headlines that give it an excuse to promote awareness of pensions issues. It reminds one somewhat of BBC Radio 4's regular *Thought For The Day* feature, the contributors to which are famous for their ability to segue effortlessly from any given news event into a theological lesson with a deft '*And that reminds me of the time that* [insert name of religious figure]…'.

The most recent teaching opportunity came under the banner, *The World's Most Expensive Whisky*, which introduced the story of a chap who paid 10,000 Swiss francs for a shot of booze ('*a spirit obtained by distillation from a mash of cereal grains saccharified the diastase of malt*'—the legal definition of '*whisky*', according to *Chambers Dictionary*) that purported to be a 1878 Macallan, but turned out instead to have been distilled during the '70s of the twentieth century. The moral of TPAS's story was that not all investments are as they appear (i.e. beware of pension scams).

Other examples of TPAS headlines from the last few months include *Thanksgiving and the Gunpowder Plot*, *World Hello Day*, *Superhero Pensions* (a riff on International Men's Day) and *World Kindness Day*.

The one that first caught *AF*'s attention was headed, *Scottish August Bank Holiday*, and began '*Happy Bank Holiday to all our friends north of the border.*' This may not have been received as TPAS intended by all of its Alba-based readers, and perhaps especially by the employees of Scottish banks, who read it whilst slumped, bleary-eyed, over their work desks on the morning of 7 August and wondered bitterly why they weren't nicely tucked up in bed. Under the *Banking and Financial Dealings Act 1971*, the first Monday in August is indeed a bank holiday in Scotland, but the Scottish clearing banks decided a couple of decades ago that it wasn't great for them to be closed whilst their counterparts elsewhere in the UK are open for business. It *is* a local holiday in Paisley, but for some reason that isn't considered sufficient reason for the rest of the country to be given the day off. *AF* does not advise anyone to rebuke a Paisley-ite on the basis of that fact…