expert **insight**

INDEPENDENT TRUSTEE

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It is 2015. I expected to have a hover board, and was led to believe that there would be a stampede of members clambering to escape the shackles of secure, reliable retirement income.

The general election is behind us, and we have a new Pensions Minister with extensive experience within the industry. There's no talk of further revolutionary changes, but even if there are no new major developments over the next few years, there are plenty of developments currently bedding in or on the horizon. The life of the trustee is not about to get easier anytime soon.

As a trustee of a number of defined benefit schemes of vastly varying sizes I have seen a marginal increase in requests for transfer value quotations, but not for payments. For the majority of defined benefit members, retirement within the scheme will remain their best option. There always were and always will be members who due to individual circumstances could get a better, or more suitable, outcome via a transfer value. Members should always have been made aware of this option where it existed, and even more so now.

However, what can the newly empowered do with their emancipated retirement saving? Just like my hover board, we are still waiting to see the exciting post-retirement savings products we were promised. Whilst flexibility has changed the dynamic slightly, it doesn't as yet appear to have changed the ballgame.

The end is nigh for contracting out, as is the advent of the single tier state pension. Trustees of schemes that are or were contracted out have to, if they have not already done so, seriously consider what this means for them. Has a contracting out liability reconciliation been completed (not just a GMP reconciliation – beware the difference)? Is the employer aware of impending cost increases? Are benefits in any way dependent on the basic state pension? Are rule or benefit changes required, and will they need consultation? All these questions and more have to be answered sooner rather than later.

Of course there are the European elephants in the room. The in/out referendum looms. We have the question now, but can we wait for the answer? What would a no vote do for the already fragile state of the union, and what impact could this have on UK pensions?

Institutions for Occupational Retirement Provision (IORP) II has had a lower billing in the media, conference agendas and trustee discussions than one may have expected for such a potentially significant piece of legislation. Based on the headline grabbers of recent years you can, to a certain extent, understand why, but it is the next big thing for trustees to think about. The Directive is scheduled to be adopted into the laws of member states by December 2016. Can trustees afford to wait and see if we will still be in the EU – and indeed should they?

When any new laws or regulations are passed, trustee boards have to ask themselves the same questions:

- what would this mean for my scheme?
- what would we have to do that we don't already do?
- are the changes something we should consider anyway, for the good of the scheme?
- when do we need to start preparing, to ensure we are compliant on time?

UK pension regulations are already ahead of the curve.

Trustees that properly follow the Pensions Regulator's guidance on knowledge and understanding will be slightly ahead of the game in terms of what IORP II will bring, but it is far more wide-reaching than that. And the devil is going to be in the detail – the way in which the broad principles of IORP II are brought in to UK law will have significant implications for the roles and actions of trustees.

Last October's Department for Work and Pensions command paper 'Better Workplace Pensions – Putting Savers' Interests First' has already introduced the Chairman's Statement for defined contribution schemes. Under the directive a similar statement could be required for defined benefit schemes, including details of the scheme's remuneration policy.

The Directive will aim to improve the transparency of pension arrangements; amongst other things this will mean a standardised benefit statement for all members, which could require significant development time.

There are a lot of important matters for trustees to consider; most important in my mind is that they need to make sure, as a board, that they have the right information and skills to guide their scheme into the future.

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