PENSION PROFILE

ENSORS WINS PRESTIGIOUS AWARD

Ensors are delighted to announce that they have won the Pensions Accountancy Firm of the Year award at the Pensions Age Awards 2018.

The Pensions Age Awards, which are hosted by Pensions Age Magazine, are in their fifth successive year and showcases excellence within the UK pensions industry. For Ensors to reach the final stage of the competition, they had to demonstrate their excellence and innovation in the pension market and exemplify their commitment and overall dedication to the industry.

This prestigious accolade was presented to the firm at a black-tie event held at the London Marriott Hotel on 22 February 2018. It awards the firm's pensions team which is headed up by Zoe McLaughlin, Barry Gostling and Malcolm McGready.

Zoe McLaughlin, Director says *"It's a real honour to receive this award as we were up against some strong competition including some large national accountancy firms. This was the second time that we had been shortlisted for the award so I'm delighted that we have finally won it as it gives the team the recognition that they deserve."*

Barry Gostling, Partner added *"This well deserved award will be added to the top of the list of national prestigious awards which the firm has won in the past six months. The pensions team, always mindful of changing market conditions, have expanded the range of services they are able to offer pension schemes and continues to go from strength to strength."*

ENSORS

Making you more than just a number

Pensions in the news

Recently there has been some high-profile company collapses with large pension deficits. This has sparked a new-found debate on director's responsibilities, payment of dividends and an employer's ethical responsibility to the scheme and its members. People are now calling on tougher laws to protect members interests. The BBC reported in January 2018 that there are 11 million people in the UK with a DB pension scheme with 1,878 in surplus and 3,710 in deficit with a collective deficit of £103.8bn.

CARILLON

When construction giant Carillon went into liquidation, not only was the effect of such a large company collapse catastrophic in its own right, employees had the added worry that not only had they lost their income, they now face uncertainty over their lifetime income. The scheme is reported to have a deficit of £990m, and the PPF now have the strain of a 28,000 member scheme.

ROYAL MAIL

The UK postal operator sparked debate when it announced that it was closing the Royal Mail DB scheme to future accrual.

Members were offered the option of joining a DB cash balance scheme or a defined contribution scheme, but more recently it was announced that both parties were considering a collective defined contribution scheme (CDC). A CDC scheme differs from a DB scheme in that it doesn't guarantee a fixed income on retirement, but works towards a target based on risk sharing.

This kind of scheme has yet to be tried in the UK, and the secondary legislation needed to provide the legal framework has not yet been drafted. These plans are widely used in other countries including Canada and Holland.

BRITISH STEEL

The British Steel DB Pension scheme closed to future accrual from 31 March 2017. In Oct 2017, 130,000 former steel workers were given the option of staying in the former British Steel scheme that was falling into the PPF or join a new scheme.

This is a contrast to the BHS scheme where no other option was offered. However there have been over 150 complaints and the volume is increasing. The Pension Ombudsman is investigating these. The complaints relate to the change in basis used to calculate the transfer value.

CAPITA

Capita has issued a series of profit warnings which has seen the share price plummet. It is hoped that a series of measures including cost cutting and selling unprofitable businesses can turn the company around. The reduction of future dividend payments has also been mused. Like Carillon, Capita has a large pension deficit and now faces increased scrutiny from the Pensions Ombudsman.

BHS

The former owner of BHS has been ordered to pay £87,170 in fines for failing to respond to three of the Regulators section 72 notices.

TOYS R US

It is reported that the Toys R Us scheme has only received a fraction of the £9.8m deficit recovery contributions – a deal they struck with the PPF in 2017. With the troubled retailer now falling into administration, the PPF is on standby.

ANGLIAN WATER

Industrial action is expected, as the CEO refuses to enter discussions over its defined benefit pension scheme.

A disappointing Spring Statement for Pensions

Chancellor Philip Hammond's inaugural Spring Statement, that was held on the 13th March 2018 failed to mention pensions.

However, the wider economic announcements such as inflation falling, and real wage growth, will have an impact on pensions, such as the state pension future triple lock increases, also inflation levels do have an impact on final salary scheme funding.

Falling inflation could also signify significant market downturn, and there are calls for Trustees to perhaps reconsider the investment risk in their scheme in light of this.

DC Chair's Report

The FCA have now issued a policy statement on the disclosures required for transaction costs, what this means is that Chair's statement for years ending after 3rd January 2018 should include information on transaction costs and an assessment of the value of these.

Further changes impact for scheme years ending on or after 6th April 2018, where the charges quoted need to be by fund, instead of a range of costs.

The Regulator has shown an increased focus on the statement recently, and fines have been issued for not preparing one, or statements that are not adequate.

Reference to the statement now also needs to be flagged on annual benefit statements issued to members.

Trustees must ensure that they are regularly reviewing and updating this document annually for the Annual Report and Financial Statements.

The DB White Paper

The DWP published the long awaited White Paper: Protecting Defined Benefit Pension Schemes on Monday 19th March 2018.

The paper acknowledged that most private sector Defined Benefit pension schemes are closed to new members and/or future accrual. However, the sector remains an integral part of the UK pensions system and is of crucial importance to the UK economy. The Government is committed to ensuring that we do everything we can to protect pensions for those who have saved for their retirement, and to help employers to meet their promises to pension scheme members.

The White Paper sets out an approach for the future of the Defined Benefit system and supports the Regulator's ambition to be clearer, quicker and tougher.

Despite the recent high-profile cases, the DWP reported that there is no systemic problem in the regulatory and legislative framework that governs defined benefit schemes.

The DB framework has to be flexible to accommodate the ever-changing economic conditions during the life time of a member, but the White Paper suggested that there are examples of sponsoring employers misusing this flexibility and sometimes benefitting at the expense of pension scheme members, resulting in a significant impact on the members.

The White Paper states that increasing longevity, a prolonged period of low interest rates, and expected low future investment returns mean that currently schemes are more expensive to maintain than was anticipated when they were set up.

Whilst the new paper aims to put in place measures to increase the protection of members' benefits, the DWP cannot prevent insolvency, and it reiterated that the Regulator will not force a company which is already struggling, to pay substantial pension contributions that risk worsening the situation.

In an ideal world, the best protection for a defined benefit scheme is a strong solvent employer, but failing that we do have the support network of the PPF.

The comprehensive White Paper details the proposed changes, and the full paper can be found on our website
www.ensors.co.uk/pensions

A few highlights include:

- Legislation to introduce a robust penalty regime for deliberate wrong doing, and also to bring in a criminal offence to punish those that have acted recklessly in relation to their pension scheme.
- Strengthening the clearance process for corporate transactions.
- Information sharing and joint working with the Insolvency Service.
- Inspection powers at premises for the Regulator
- Targeted support with schemes at higher risk.
- DB schemes to appoint a Chairman, and the Chair to issue a report, focussing on the key scheme funding decisions.
- Consideration of corporate consolidation vehicles to benefit from shared functions and improved governance.

This White Paper is a key step to helping members secure their benefits for the future, whether it will prevent another Carillion though, remains to be seen.

Regulatory round up

In November 2017, the FRC produced the Revision of Practice Note 15: The audit of occupational pension schemes.

The FRC states that: Practice Notes are intended to assist practitioners to comply with the requirements of UK auditing standards, by providing additional contextual material on the application of those standards in particular circumstances or in specialised sectors.

The revisions to the practice note were needed to include the changes in UK auditing standards, The FRS102 Pensions SORP, and to include master trusts which are increasingly being used in practice.

The key changes are summarised below:

MASTER TRUST

The practice note simply states what a master trust is, its intended use, governance and operational structure, these weren't specifically addressed in the previous practice note.

AUDITORS RESPONSIBILITIES

ISA (UK) 200 includes a requirement to comply with the FRC's Ethical standards in the conduct of any audit of financial statements.

A fundamental principle is that practitioners should not accept or perform work which they are not competent to undertake.

Practitioners should be satisfied when they undertake the audit of occupational pension schemes that they have or can attain the necessary level of competence. e.g. an audit of financial statements in accordance with ISAs (UK).

GOING CONCERN

Company audit reports now have a paragraph on going concern. The Practice note has prompted auditor scepticism when considering the going concern status of the scheme.

Generally, the going concern basis is assumed in the preparation of the financial statements of pension schemes unless a decision has been made to wind up the scheme, and/ or an event triggering wind up has occurred. The two common events would be a formal deed of wind up on cessation of the scheme or insolvency of the employer.

LIAISING WITH SCHEME ACTUARIES

Generally, scheme auditors liaise directly with the scheme actuary, and the Trustees will provide authority for these to be contacted directly in view of the importance of the scheme actuary's work in the annual report.

The authority serves to enable liaison regarding the schemes affairs and enables discussion of matters of financial significance that may need reporting by both parties to the Pensions Regulator.

Documentation of this authority should be included in the engagement letter.

MEET THE TEAM

Pension specialists

Our pensions team have considerable experience in providing a wide range of services to pension schemes, including audit, day-to-day bank account management, preparation of statutory financial statements, pensioner payroll services, cyber security audits and employer covenant reviews. Unlike many other companies which provide accounting services to pension schemes, we are also registered auditors.

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"Barry is a great person to work with and have on your side. He is a well respected Partner at Ensors and is a leading role model for their high standards of professionalism which he delivers with clarity and a caring approach. I have worked with Barry for over 15 years as a Trustee, a Company Director and an Employee Benefits Consultant. Whether it is challenging financial issues or an audit of a pension scheme, Barry always provides a cost-effective no-nonsense approach to find successful solutions."

Geoff Ashton – Independent Pension Scheme Trustee & Consultant

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PENSIONS ACCOUNTANCY FIRM OF THE YEAR

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