THE MONTH IN PENSIONS

Keeping you on the cutting edge of developments in pensions

JUNE 2020

TIPPING POINT FOR CONSOLIDATION?

Sometimes ideas generate a lot of noise and fury and then disappear. Sometimes, ideas take root and flourish. In the early 2010s, two ideas promised to change workplace pension savings. One was automatic enrolment and the other was defined ambition. Auto-enrolment is now embedded as a key part of the pensions landscape in the UK. Defined ambition? Not so much. At least, not under that name.

As we sit at the beginning of this decade, two more ideas promise to shake up the pensions industry. They both take the idea of consolidation and apply it respectively to defined benefit (DB) schemes (in the form of superfunds) and defined contribution arrangements (in the form of collective defined contribution (CDC)). This month, The Pensions Regulator (TPR) issued interim guidance on superfunds, opening the door to the first transactions in this space. CDC already has an employer backing it in the form of Royal Mail.

So, where will we find ourselves in ten years' time? Will we look back and see two ideas that seemed promising but never quite lived up to their potential? Or will they have become established parts of the pensions landscape? At this stage, it seems likely that superfunds will find a niche rather than being the mainstream solution for many defined benefit schemes. And there is a chance that Royal Mail's CDC scheme will be an unusual rather than typical arrangement in the pensions world. Time will tell, but, whatever the outcome, I'm sure we'll have all moved on to the next big ideas.

TRUSTEESHIP AND GOVERNANCE

TPR updates its measures on helping pension schemes tackle COVID-19 challenges

TPR is making changes to its easements on suspension or reduction of deficit repair contributions (DRCs) and reporting requirements. TPR notes that only around 10% of schemes have agreed a temporary suspension or reduction of deficit repair contributions (DRCs) so far. TPR acknowledges that temporary suspensions or reductions of DRCs may still be needed by schemes. TPR expects that most trustees should now be able to undertake more accurate and detailed due diligence on the employer's financial position before agreeing any new suspensions or reductions. In addition, TPR has announced that it is back to business as usual for certain aspects of its reporting regime that were suspended as part of the package of measures designed to help pension schemes cope with challenges arising from COVID-19. From 30 June 2020, master trusts should return to issuing a formal report to notify TPR of all triggering and significant events. From 1 July 2020, pension scheme trustees should resume reporting to TPR on:

- suspended or reduced contributions (in addition, TPR will expect a revised recovery plan or a report of missed contributions);
- late valuations and recovery plan not agreed; and
- delays in CETV quotations and payments.

Easements that will continue include allowing 150 days rather than 90 days for reporting late payments of contributions. In addition, TPR has confirmed that it will not be looking to take enforcement action in respect of late accounts signed off by 30 September 2020 and won't be reviewing Chair's statements before the autumn (with the implication that enforcement action will be delayed until this point in time).

- Click here or visit tinyurl.com/TMIP0620A for TPR's press release announcing changes to its COVID-19 measures

GOWLING WLG

SCHEME INVESTMENT, FUNDING AND THE PPF

Government fast-tracks new corporate insolvency legislation

The Corporate Insolvency and Governance Bill 2020 (the Bill) was published and had its first reading in the House of Commons on 20 May 2020. The Bill is intended to offer protection to businesses that are having difficulties trading due to the current economic downturn. This raises a number of questions for trustees of occupational pension schemes (which are covered in more detail in our Insights - see below). The Bill is being fast tracked through Parliament and is expected to pass into law before the end of June.

- Click here or visit tinyurl.com/TMIP0620C for our Insight 'The Corporate Insolvency and Governance Bill 2020: what pension scheme trustees need to know';
- Click here or visit tinyurl.com/TMIP0620D for our Insight Pensions solutions for distressed defined benefit schemes and/or employers.

PENSIONS POLICY

Pension Schemes Bill 2019 - 21 remains a 'top priority' for the government

The report stage of the Pension Schemes Bill 2019-21 will commence in the House of Lords on Tuesday 30 June 2020. In addition, the director of private pensions and arm's length bodies at the Department for Work and Pensions has confirmed that the Pension Schemes Bill 2019-21 will continue to be a priority despite delays as a result of the COVID-19 pandemic.

TPR launches a new interim regime for the emerging superfund pension market

TPR has unveiled the high bar it expects new superfunds to meet to ensure savers in defined benefit schemes are protected ahead of a legislative authorisation framework coming into force. The new guidance (click here), which comes into force immediately, sets out TPR's expectations for how defined benefit consolidator superfunds and other new consolidation vehicles will work.

- Click here or visit tinyurl.com/TMIP0620E for our Insight on TPR's guidance framework for superfunds.

PENSION BENEFITS AND TAXATION

New FCA measures on DB pension transfers

This month, the Financial Conduct Authority (FCA) published a package of measures designed to address weaknesses in the DB pension transfer market. It included a policy statement setting out its final rules and guidance on pension transfer advice and a guidance consultation paper on advising on pension transfers. The most consequential development is banning contingent charges by requiring advisers to charge the same monetary amount for advice to transfer as for advice not to transfer (except for limited carve-outs for specific groups of consumers with certain identifiable circumstances). These rules will come into force on 1 October 2020.

- Click here or visit tinyurl.com/TMIP0620B for the FCA's DB transfer documentation.

JULY 2020 IN PENSIONS

- **1 July 2020 - Most scheme reporting duties recommence** - easements to reporting obligations will be scaled back with schemes being expected to report key information to TPR.
- **2 July 2020 - Appeal due to be heard in *Safeway Ltd v Newton and another* [2017] EWCA Civ 1482** - A further hearing is due in the Court of Appeal after the case was remitted back from the ECJ in October 2019.
- **2 July 2020 - PCRIG consultation on guidance on climate change risk closes** - The Pensions Climate Risk Industry Group consultation on draft guidance closes. The guidance is intended to help scheme trustees implement the recommendations of the Task Force on Climate-Related Financial Disclosures on integrating, managing and reporting on climate change risks.
- **6 July 2020 -MaPS launches call for input on pensions dashboards** - The Money and Pensions Service will ask the pensions industry for input on data scope and data definitions working papers issued in April 2020.
- **31 July 2020 - MaPS informal market engagement on pension dashboards ends** - initial engagement with potential suppliers of the digital architecture for pensions dashboards comes to an end.