

THE MONTH IN PENSIONS

Keeping you on the cutting edge of
developments in pensions

FEBRUARY 2021



THE END OF THE QUARTERLY MEETING?

Has COVID-19 sounded the death knell for the quarterly trustee meeting? In a recent survey carried out by the Pensions Management Institute, almost 80% of defined benefit (DB) trustees thought that the quarterly meeting cycle will no longer be the default for scheme meetings.

Changes like this often have a combination of 'push' and 'pull' factors. Push factors during the pandemic have included the need for trustees to meet more regularly to stay on top of rapidly evolving situations. Trustees have also been pushed to adopt technological solutions to meetings, with video calls and secure online platforms becoming increasingly familiar tools. The ubiquitous availability of these tools have facilitated the shift to shorter, more frequent and more targeted meetings. There are also pull factors - it is a lot more convenient for trustees to gather online than to travel across the country for a meeting in person.

Is this a permanent change or a necessary response to the pandemic? It seems likely that trustees will assess how effective they have been over the lockdown months and retain any changes that work well for them. But it also seems too soon to announce the death of all periodic and in-person meetings. Maybe the future will be a flexible mix of both.

TRUSTEESHIP AND GOVERNANCE

Government issues further consultation on climate change risk

The DWP has responded to its consultation issued in August 2020 in relation to policy proposals for taking action on climate-change risk and improving governance and reporting by occupational pension schemes. The government also issued a further consultation covering draft regulations and new statutory guidance that are intended to implement the policy proposals. These are intended to ensure occupational pension schemes have effective governance, strategy, risk management, metrics and targets for the assessment and management of climate-related risks and opportunities and also report on them. The consultation closes on 10 March 2021.

- [Click here or visit \[tinyurl.com/GWLG210127\]\(https://www.gov.uk/consultation/webpage-with-links-to-new-consultation-taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations\)](https://www.gov.uk/consultation/webpage-with-links-to-new-consultation-taking-action-on-climate-risk-improving-governance-and-reporting-by-occupational-pension-schemes-response-and-consultation-on-regulations) for the DWP's consultation webpage with links to new consultation 'Taking action on climate risk: improving governance and reporting by occupational pension schemes – response and consultation on regulations'; and

- [Click here or visit \[tinyurl.com/GWLG200921\]\(https://www.gowling-wlg.com/insights/webinars/esg-implementation-challenges-and-practical-solutions\)](https://www.gowling-wlg.com/insights/webinars/esg-implementation-challenges-and-practical-solutions) for our on demand webinar on ESG implementation – challenges and practical solutions.

TPR confirms increase in regulatory activity in Q4 2020

TPR's latest compliance and enforcement bulletin revealed an increase in its use of statutory powers by nearly 50% from the previous quarter. Of particular note is the increase in fines, with the number of:

- escalating penalty notices rising to 2,957 compared with just seven in the previous quarter; and
- fixed penalty notices rising to 8,362 compared with the previous quarter's total of 83.

This reflects TPR returning to 'business as usual' following easements which were introduced to support employers during the initial months of the pandemic.

- [Click here or visit \[tinyurl.com/GWLG210218\]\(https://www.gowling-wlg.com/insights/press-releases/enforcement-activity-rises-as-expected-to-protect-savers\)](https://www.gowling-wlg.com/insights/press-releases/enforcement-activity-rises-as-expected-to-protect-savers) for TPR's press release 'Enforcement activity rises as expected to protect savers (18 February 2021)'.

FUNDING, INVESTMENT AND THE PPF

PPF publishes levy rules and policy statement for 2021/22 levy year

The PPF has published its levy rules and policy statement (and related documentation) for the 2021/2022 levy year. This follows an earlier note from the PPF (in December 2020) that set out a number of key decisions following its 2021/2022 levy consultation. Key points to note include:

- the levy estimate of £520 million is confirmed;
- the levy scaling factor of 0.48 will be retained;
- the small scheme adjustment will be implemented;
- the reduction in the risk-based levy cap to 0.25% of liabilities (from 0.5%) is also confirmed; and
- the PPF will continue to measure insolvency risk on the basis that has been in use since April, using credit ratings and the PPF specific insolvency risk model operated by Dun & Bradstreet.

The PPF has stated that it will continue to review insolvency experience and monitor the Dun & Bradstreet insolvency risk model to ensure it remains "risk reflective".

The PPF will also continue to monitor the impact of COVID-19 on schemes and their sponsors and respond flexibly to issues as they arise.

- [Click here or visit \[tinyurl.com/GWLGPPF2122\]\(https://www.ppf.com/2021/22-levy-webpage\)](https://www.ppf.com/2021/22-levy-webpage) for the PPF's 2021/22 levy webpage.

PENSIONS PAYMENTS AND TAX

PASA issues guidance on tax issues in GMP equalisation

The Pensions Administration Standards Association (PASA) GMP equalisation working group has released further guidance to UK pension schemes on various tax issues. The new guidance highlights tax issues which schemes may encounter in adjusting benefits to correct for the inequalities of GMPs and identifies possible approaches for dealing with those issues.

- [Click here or visit \[tinyurl.com/GWLG210212\]\(https://www.pasa.org.uk/gmpewg-guidance-note-on-tax-issues\)](https://www.pasa.org.uk/gmpewg-guidance-note-on-tax-issues) for the PASA GMPEWG Guidance Note on Tax Issues.

PENSIONS POLICY

The Pension Schemes Act 2021 becomes law

On 11 February 2021, the Pension Schemes Bill 2019 - 21 received Royal Assent. This gives us the long-awaited Pension Schemes Act

2021 (PSA 2021) Many of the provisions in the PSA 2021 will require secondary legislation to be brought into force - only the powers to make regulations were brought into force on 11 February 2021. The Pensions Regulator is also expected to issue draft guidance for consultation on aspects of its new powers before these come into force. The PSA 2021 is divided into five parts:

- Parts 1 and 2 - sections 1 to 51 of the PSA 2021 cover collective money purchase schemes (i.e. collective defined contribution (CDC) schemes);
- Part 3 - sections 103 to 115 of the PSA 2021 cover changes to The Pensions Regulator's enforcement powers;
- Part 4 - sections 118 to 122 of the PSA 2021 provide a legislative framework to support pensions dashboards; and
- Part 5 - sections 123 to 126 cover:
 - the funding of defined benefit schemes (section 123 of the PSA 2021);
 - climate change risk reporting requirements (section 124 of the PSA 2021);
 - the right to a cash equivalent transfer value (section 125 of the PSA 2021); and
 - PPF compensation rules (section 126 of the PSA 2021).
- [Click here or visit \[tinyurl.com/GWLGPSA21\]\(https://www.pensions.gov.uk/pension-schemes-act-2021\)](https://www.pensions.gov.uk/pension-schemes-act-2021) for our Pension Schemes Act 2021 hub; and
- [Click here or visit \[tinyurl.com/PSA2021Trustee\]\(https://www.pensions.gov.uk/psa-2021-trustee\)](https://www.pensions.gov.uk/psa-2021-trustee) for our one-page overview of what the Pension Schemes Act 2021 will mean for trustees.

MARCH 2021 IN PENSIONS

- **10 March 2021** - DWP consultation on draft regulations implementing trustee climate risk governance and disclosure duties closes.
- **18 March 2021** - PPF consultation on updated assumptions to be used for valuations under sections 143 and 179 of the Pensions Act 2004 closes.
- **31 March 2021** - COVID-19 easements regarding various scheme administrative processes (e.g. pension scheme returns for 2019/20, accounting for tax, payment delays and reporting transfers to QROPS) come to an end.