

What's on the horizon for DC?

What to look out for in 2019

As we plan ahead for 2019, it's very clear that those involved in DC pensions have plenty on the horizon to keep them busy and interested.

Master Trust Authorisation

The six month application period for existing DC Master Trusts opened on 1 October 2018 so many providers and trustees will still be working on their applications ahead of the 1 April 2019 deadline. The Pensions Regulator's team will also be busy reviewing those applications and making decisions on whether to grant authorisation. The Pensions Regulator has 6 months to make a decision from receipt of application so it could be well into 2019 before some existing schemes have an authorisation decision. The Pensions Regulator will publish a list of schemes that achieve authorisation.

Automatic enrolment

Minimum contribution levels are scheduled to increase again in April 2019. The minimum total contribution will be 8%. Employers and Schemes using one of the alternative certification options will also experience contribution increases.

Chair's Statement

For many DC trustees, early 2019 will be the time when they need to get to grips with and understand the new requirement (applicable to scheme years ending after 6 April 2018) to include an illustrative member example in their chair's statement. This must demonstrate the cumulative effect of costs and charges in pounds and pence by reference to a typical scheme member. Trustees will need to consider a number of criteria when constructing their typical member example.

DC SIP requirements

From 1 October 2019, most DC schemes will need to publish their statement of investment principles (and relevant sections of the chair's statement and annual report) on a publically available website. Information about how to access the website will also need to be included in annual benefit statements. The DWP [link] has provided guidance for trustees and managers of DC schemes.

Regulatory approach

The Pensions Regulator has made it clear that more schemes will experience regulatory intervention. This could be most noticeable for DC schemes who, historically, have had limited business as usual interactions with the Pensions Regulator. Increasingly, DC non-compliance is a significant part of the Pensions Regulator's quarterly enforcement bulletin.

Investment Innovation and Consolidation

On 5 February 2019, the DWP issued a consultation on proposals to encourage DC schemes to invest in a wider range of investments and "nudge" smaller DC schemes towards consolidation. The Government is keen to facilitate DC investment into alternative and illiquid asset classes for a number of reasons and recognises that there are currently a number of barriers. For smaller DC schemes, it is proposing that trustees should give regular consideration as to whether member interests would be best served within the existing structure or in a larger DC arrangement such as a master trust. The consultation closes on 1 April 2019.

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