

Action in uncertain times

UK Pensions Agenda

July 2020



1. COVID-19

The Pensions Regulator continues to [update its guidance on COVID-19](#) and the steps that it expects schemes and sponsors to take to mitigate the impact of the pandemic on members. Where deficit repair contributions have been suspended because of COVID-19, the guidance sets out what trustees should consider before agreeing to further extensions and how they should approach the payment of dividends. Changes have also been made to the furlough arrangements to allow furloughed employees to work part-time.

Action – where COVID-19 is causing any issues either in relation to scheme administration or sponsor covenant, consider the latest guidance from the Pensions Regulator. In addition, where employees are working whilst on furlough, thought will need to be given to how their pension benefits should be calculated.

2. Investment

Schemes will need to make [further changes to their SIP](#) by October 2020 to cover arrangements with asset managers and, depending on the type of the scheme, additional information will need to be made publicly available. There are also requirements in the [CMA order](#) on competitively tendering fiduciary management agreements and setting objectives for investment consultants to report compliance by 7 January 2021 (although that may change if the DWP issues planned regulations to replace the order).

Action – consider what changes need to be made to the SIP and what additional information must be published. More details of the action that needs to be taken to comply with the SIP requirements and CMA notifications are in our Pensions [investment newsletter](#).

3. GMP equalisation

The High Court has recently considered whether trustees retain any liability for unequalised GMPs they have transferred out in the past and the judgment should be published later this year. In the meantime, the GMP working group has issued [guidance on the data needed for equalisation](#) and HMRC has also published new guidance on the [tax treatment of lump sums](#) paid in the past where an additional payment is now required to equalise benefits. HMRC's guidance expressly does not deal with conversion.

Action – if your scheme has GMPs, consider how to move forward the GMP equalisation exercise and what the next steps should be.

4. Restructuring

The [Corporate Insolvency and Governance Act](#) provides new “breathing-space” mechanisms for companies in financial difficulties. Companies may make use of a moratorium on debts and a new form of corporate restructuring. Where trustees would have a vote in any creditor meetings connected with these processes, the PPF will have rights to vote in place of DB trustees, but must consult them.

Action – if it is possible that sponsors may make use of these new processes, consider the implications for the scheme. For more detail on how the Act might affect sponsoring employers and schemes, see our [Speedbrief](#).

5. Money Purchase Annual Statements

A [consultation in 2019](#) looked at the possibility of requiring DC schemes to give members annual statements in a more unified format, possibly following a template. The consultation also considered requiring additional information about costs and charges to be included in some cases and benefit projections to be calculated using standardised assumptions. The government intends to issue a response to this consultation shortly.

Action – keep an eye out for the government response to consultation and consider what changes may be required to any annual statements sent out to DC members. More information is set out in our [Speedbrief](#).

6. Finance Act

[The Act](#) changes the way in which the tapered annual allowance works with effect from 6 April 2020. The taper will reduce the annual allowance for those with earnings (including employer pension contributions) over £240,000. The annual allowance will be reduced by £1 for every additional £2 of earnings down to a minimum of £4,000.

Action – ensure that administrative process and any information to members which refers to the annual allowance taper are updated to reflect the new requirements.

7. Transfers and advice

There continues to be concern around the risks of transferring to scam vehicles and the quality of financial advice available to members. There are provisions in the [Pension Schemes Bill](#) which are likely to require increased due diligence on transfers. In addition, the FCA is [consulting on guidance](#) around its expectations for DB transfer advice and is [banning contingent charging](#).

Action – monitor due diligence around transfers. Consider the merits of helping members choose appropriate IFAs. For more detail on facilitating financial advice for members, see our [joint discussion paper](#) with Royal London.

8. Dashboards and data

The group taking forward development of the pensions dashboards is [seeking views](#) on the data that schemes will be required to provide to the dashboards. It is anticipated that only information that currently needs to be provided to members under the disclosure regulations will need to be provided to the dashboards.

Action – consider what data may need to be made available and whether more could be done now to improve scheme data.

9. PPF levies

The PPF has [said in relation to 20/21 levy invoices](#), where schemes and sponsors are impacted by COVID-19 and can't pay within the usual 28 days, they can apply for the payment period to be extended to 90 days. The 21/22 levy calculation may also be affected by the pandemic and by a [recent court case](#) which says that the application of the PPF compensation cap is unlawful. The PPF is due to review its methodology for calculating the levies more generally towards the end of this year.

Action – consider whether the pandemic may make paying PPF levies difficult and whether to apply for an extension. Look out for consultation on the calculation of the levy. For more details on the implications of the recent court case, see our [Speedbrief](#).

10. Consolidators

The Pensions Regulator has issued [interim guidance](#) on its expectations in relation to DB consolidators. It envisages a two-stage process – the consolidators themselves will apply for authorisation and then clearance will need to be sought when schemes are transferred into a consolidator. This guidance deals with the features that the Regulator expects consolidators to have and additional guidance is expected on the criteria for trustees to consider when transferring into one.

Action – where transfer to a consolidator might be a possibility in the future, consider the features that the Regulator expects a consolidator to have when considering which vehicle might be appropriate. For more information see our [Speedbrief](#).

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