

In our winter edition of Hot Topics in Pensions, we look at some of the news headlines from the last decade that involved successful (or not so successful) risk planning. At the same time, we equip our readers with risk mitigation tips so that they are ready to rise to the many pensions challenges they will face in the 2020s.



1. Strikes, Penalties and Fines

In **2019**, schoolchildren went on strike to protest against climate change, putting parents at risk of absence-related fines. On the subject of penalties, the pension schemes bill proposes new criminal offences, as well as new and increased civil penalties, for specific actions in relation to defined benefit (DB) schemes. Note that a £1 million fine can be issued for knowingly or recklessly providing false information to The Pensions Regulator (TPR) or to DB trustees – so care should be taken when trustees are completing scheme returns or when companies are providing financial information to trustees.



2. The Winds of Change Blow Through Scheme Funding

Did you risk commuting through the heavy snow brought by the “Beast from the East” in March **2018**? A bit of a storm is whipping up around scheme funding, with the pension schemes bill requiring trustees to put in place a detailed funding and investment strategy to ensure that pensions and other benefits can be provided over the long term. TPR plans to issue the first of its two consultations on the new funding code of practice in January 2020 which will contain the principles of complying with funding requirements on a “fast-track” basis (with requirements set out in statute) or a “bespoke” basis.



3. Transfer Advice – A Step Away From “La La Land”

Extra checks might have prevented the “Best Picture” award being incorrectly announced at the **2017** Oscars. The Financial Conduct Authority has announced that it is streamlining its procedures in relation to advisers who are authorised to give pensions transfer advice from December 2019. Trustees of schemes that provide safeguarded (DB) benefits will need to carry out extra checks when members apply to transfer their benefits and the transfer value is £30,000 or more, to ensure that the adviser is suitably authorised. See our [blog](#) and TPR’s updated [guidance](#) on DB to defined contribution (DC) transfers and conversions.



4. Revised Investment Guidance – As Powerful as the Heart of Te Fiti?

In the **2016** Disney film, Moana undertook risky adventures to find the heart of Te Fiti and restore vegetation to the island of Motunui. TPR has updated its DB investment guidance to address the environmental issues that trustees should consider when formulating their statement of investment principles. The guidance also addresses stewardship and trustee considerations pertaining to the investment consultancy market. One mitigation tip in the guidance is for trustees to sign up to the [UK Stewardship Code 2020](#), effective from 1 January 2020. See our [investment communication](#).



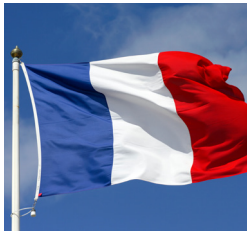
5. Tick-tock – Time to Improve Data Quality

In **2015**, a “leap-second” allowed the Earth’s rotation to catch up with atomic time – therefore, the clocks read “23:59:60”. TPR has decided that it is time to leap on schemes with poor record-keeping. It has asked 400 schemes to conduct a data review within the next six months and has reminded a further 1,200 schemes of their record-keeping duties. The focus on data quality is set to increase. We recommend that trustees consider (or revisit) how they assess and audit data quality in their scheme. Our [factsheet](#) contains some mitigation tips.



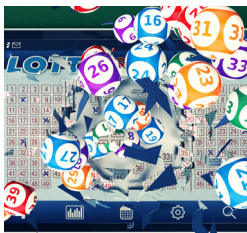
6. Objectives for Investment Consultants – Education and Groundwork

Malala Yousafzai took a courageous risk when advocating education for girls. She also knew that planning was key to success. After learning in **2014** that she had won the Nobel Peace prize, she continued her school day in order to prepare for her exams. Trusteeship involves education and groundwork. Understanding the services that investment consultants provide is important, so trustees must now set objectives for them. To mitigate against investment consultants “marking their own homework”, trustees should take legal advice. Likewise, trustees must undertake groundwork before appointing fiduciary management providers. See our [blog](#) for further information.



7. Benefit Statements – “Oh Là Là!”

In 1800, the French government favoured conformity in women by introducing a ban on women wearing trousers. While French women blatantly defied the ban for several decades, it was not formally revoked until **2013**. The UK government would like to introduce conformity into pension benefit statements and has proposed the use of simpler, more consistent statements for workplace DC schemes, along with other measures, including the provision of costs and charges information to members in monetary terms. Hopefully, this type of conformity will prove more popular than the French trouser ban!



8. What Are the Odds for the Pension Protection Fund (PPF)?

Would you buy a lottery ticket if your chances of winning were one in 176 million? In **2012**, three lucky people defied the odds by winning the American Mega Millions’ US\$640 million jackpot. The PPF, however, will not feel like it has won the lottery if the Court of Justice of the European Union follows the opinion of Advocate General Hogan. In May, the advocate general reached the view that member states should ensure measures are in place to protect 100% of a person’s occupational pension scheme benefits on the employer’s insolvency. This could significantly increase the PPF’s liabilities.



9. Consolidations and Unexpected Holidays

In **2011**, the government risked the wrath of bosses everywhere by awarding the nation an extra bank holiday to celebrate the wedding of Prince William and Kate Middleton. In terms of pensions unity, employers and trustees planning a transfer to a DC master trust can now proceed with certainty following TPR’s authorisation of 37 DC master trusts. Those interested in the incarnation of collective money purchase (formerly known as CDC) schemes will need to follow the progress of the pension schemes bill, and we await further news of legislation to enable new models of DB consolidation.



10. An Eruption of Developments!

In **2010**, an eruption of volcanic ash from Iceland caused worldwide travel chaos. In 2020, we expect an eruption of pensions developments to disperse some dark clouds of uncertainty. Look out for consultations on (1) TPR guidance for trustees on climate-related practices; (2) the alignment of RPI with CPIH effective between 2025 and 2030; and (3) regulations to aid DC consolidation. We are waiting for (1) news of the accreditation process for professional trustees; (2) the outcome of consultation on DB consolidation; (3) the outcome of consultation on the future of pension trusteeship; and (4) clarification from HM Revenue & Customs on the tax implications of guaranteed minimum pension equalisation.

For more risk mitigation tips, see our Protect Against Unmitigated Liabilities (#meetPAUL) [factsheets](#).

Employers are reminded of the need to ensure ongoing compliance with automatic enrolment and re-enrolment duties. See our [blog](#) for top tips to stay compliant.

Contacts

Kirsty Bartlett

Partner, London
T +44 20 7655 0298
E kirsty.bartlett@sqpirepb.com

Matthew Giles

Partner, Birmingham
T +44 121 222 3296
E matthew.giles@sqpirepb.com

Elizabeth Graham

Partner, Leeds
T +44 113 284 7494
E elizabeth.graham@sqpirepb.com

David Griffiths

Partner, Manchester
T +44 161 830 5359
E david.griffiths@sqpirepb.com

Wendy Hunter

Partner, London
T +44 20 7655 1119
E wendy.hunter@sqpirepb.com

Catherine McKenna

Partner, Leeds
T +44 113 284 7045
E catherine.mckenna@sqpirepb.com

Helen Miles

Partner, Birmingham
T +44 121 222 3138
E helen.miles@sqpirepb.com

Clifford Sims

Partner, London
T +44 20 7655 1193
E clifford.sims@sqpirepb.com

Philip Sutton

Partner, Birmingham
T +44 121 222 3541
E philip.sutton@sqpirepb.com

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