

Pensions Lessons for Trustees

Back to Basics



We invite trustees to go back to basics in our annual back to school publication. This year, we explore the **three Rs – Reading, Writing and 'Rithmetic**. Our roundup of pensions developments should help trustees to get back on track after the summer break in preparation for the busy academic year ahead.

We summarise some key issues that may require action in the short term, but if you need more background on the topics covered, hit the [revision](#) button to access more detailed information.



Section 1 – Reading

A roundup of items for trustees' autumn reading lists.



Section 2 – Writing

Implementing the Pension Schemes Act 2021 – progress to date.



Section 3 – 'Rithmetic

Do the numbers add up? We look at the latest industry and government developments driving scheme consolidation.





Section 1 – Reading

The books that you enjoyed during your formative years are likely to remain lifelong favourites. You may have been inspired by the works of Hans Christian Andersen, Enid Blyton, Roald Dahl or JK Rowling. Or maybe you preferred to read comics or magazines? The acknowledged literary “classics” are not everybody’s cup of tea but, love them or hate them, you probably had to study some of the works referenced in our reading section below.

Single Code of Practice – Great Expectations

Revision

It is appropriate that we start our reading section with the draft [single code of practice](#), which, at 149 pages, is essential reading for trustees.

We await the full outcome of The Pensions Regulator’s (TPR) consultation on the new single code. The recent [interim response](#) confirmed that TPR will be looking more closely at some of the points raised in consultation but, due to the amount of work that will be involved with complying with the new single code, we suggest that trustees start to plot their route towards compliance now.

As part of this first phase of consolidation, 10 codes of practice have been streamlined and updated. The draft single code contains more information on TPR’s current expectations and covers new governance regulations that came into force in 2019. These regulations require occupational pension schemes to establish and operate an “effective system of governance including internal controls”, proportionate to the size, nature, scale and complexity of the activities of the scheme. Many of the new governance requirements relate to private sector occupational schemes with 100 or more members, but some are considered to be best practice for smaller schemes. The single code also covers public service schemes.

The single code has a strong focus on scheme governance, including TPR’s expectations around policies, practices, procedures, reviews and evaluations. Trustees will need to undertake a gap analysis of their current governance practices and documentation against the single code. All schemes will need to make changes. For example, the need for an annual “own risk assessment”, described by TPR as a “substantial process”, is likely to exceed current risk assessment exercises. TPR’s expectations around cybersecurity will also require additional work for most schemes.

When trustees are formulating their approach to the single code, a key aspect will be applying the concept of “proportionality” and considering what this means for their pension scheme. Advance planning, in conjunction with advisers, is likely to result in efficiencies in the longer term.

The single code will ultimately need parliamentary approval and we expect it to come into force in the summer of 2022.

Action 1. Trustees should now be taking preparatory steps, as compliance is likely to be a time consuming task and will be subject to strict timeframes. Consider training to make sure that all trustees are up to speed and take legal advice on implementing a “proportionate” approach. Our One Step at a Time [Roadmap](#) should set trustees on the right track.





Pension Scams – War and Peace

The pensions industry is winning some battles in its fight against pension scams but is still a long way from winning this particular War. The “Peace” element is currently aspirational.

1. Statutory Transfer Legislation

New legislation affecting members’ statutory transfer rights is expected to come into force in autumn 2021. The government’s **consultation** proposed that in order for a statutory transfer to proceed, at least one of four conditions would need to be satisfied.

The First Condition

The transfer is to a scheme that is deemed to be very low risk from a pension scams perspective. These schemes are:

- Public service pension schemes
- Personal pension schemes operated by an insurer that is registered and authorised by the Financial Conduct Authority and authorised by the Prudential Regulation Authority
- Authorised master trusts
- Authorised collective money purchase schemes

The Second Condition

The transfer is to a UK occupational pension scheme to which the member can demonstrate an “employment link” with a participating employer. This includes evidence of salary and member and employer contributions to the scheme.

The Third Condition

The transfer is to a qualifying recognised overseas pension scheme (QROPS) and the member can demonstrate either an “employment link” or a “residency link” proving residence in the same jurisdiction as the QROPS for at least six months.

The Fourth Condition

This involves the trustees assessing whether prescribed “amber flags” or “red flags” are present. Amber flags include where the trustees have concerns about fees or investments in the receiving scheme. Red flags are stronger indicators of a potential scam vehicle, or show a failure by the member to supply sufficient evidence. Where an amber flag is present, the transfer can proceed if the member takes scams guidance from the Money and Pensions Service. If a red flag is present, the transfer cannot proceed.

The second, third and fourth conditions will also be satisfied if the member provides written evidence of having made a transfer to the same receiving scheme in the previous 12 months (and has taken scams guidance if an amber flag was present).

Action 2. The final regulations may change as a result of consultation. Trustees and administrators should be prepared to take prompt action to implement the new regulations, particularly around establishing an employment link on transfers to other occupational pension schemes. Seek legal advice if delays to statutory transfers are anticipated (which could lead to complaints to The Pensions Ombudsman (TPO) or even compliance breaches) or if there are questions around interpreting the new regulations.

2. Industry Standards

In April 2021, the Pension Scams Industry Group updated its voluntary good practice **code**. This contains new standards around reporting all transfers of concern (whether they proceed or not) and details of management information that should be kept (on transfers refused, cancelled by members after concerns have been raised, or paid under discharge at member insistence). The code also recommends additional telephone engagement with members.

In a recent determination, TPO commented that he would expect trustees and pension providers to implement new industry standards on pension scams within a month. This comment related to the implementation of TPR’s 2013 “scorpion” scams material, but it may indicate the stance that TPO will take on new standards generally.

Action 3. Trustees should make sure that good practice standards are followed. Seek legal advice if, for practical reasons, changes to standards cannot be implemented promptly.





GMP Equalisation – Les Misérables

This is not a subject that gladdens the hearts of many trustee boards or pensions industry professionals! However, the PASA-led GMPE working group (the GMPEWG) has attempted to lessen the misery by publishing a series of helpful guidance notes, most recently on GMP conversion and transfer payments.

The [guidance note on GMP conversion](#) runs through the different approaches to implementing a GMP conversion exercise and the key decisions to be made by trustees. There is recognition that, in the absence of further statements from HMRC (addressing uncertainties regarding the tax consequences of GMP conversion) and from the DWP, there still remain a number of technical issues that trustees will need to navigate. The guidance describes approaches to GMP conversion that the authors are aware have either been adopted by schemes, or are being actively considered, together with the associated considerations (but is careful to note that the GMPEWG does not advocate a particular course of action).

The latest [guidance note on transfer payments](#) is a response to the November 2020 court judgment commonly referred to as “*Lloyds 3*”. The court examined the extent to which pension scheme trustees would need to revisit, and potentially “top up”, past transfers out if the transferring scheme had not equalised benefits between male and female members for the effect of unequal GMPs. The court determined that trustees need to proactively address past transfers, hence this aspect is moving up the trustee priority order (click on the Revision link below for more information regarding the ruling). Again, the GMPEWG examines pragmatic approaches to some of the issues that will crop up in practice, noting that the judge in *Lloyds 3* recognised that the administration costs involved could easily exceed any correction payments needed. The guidance examines the position of both a scheme that paid an individual transfer and the scheme that received it. It also briefly considers the impact of the *Lloyds 3* judgment on bulk transfers.

Revision

The GMPEWG guidance note on transfer payments suggests that trustees may wish to seek legal advice on the specific wording of their forfeiture rules. This echoes the ruling in the recent *Axminster* case, which considered two clauses, each providing the trustees with a discretion to apply unclaimed benefits for other purposes in certain circumstances. The court held that one clause validly operated as a forfeiture clause and the other did not, underlining the importance of reviewing the specific wording of such rules carefully.

Action 4. Press on with assessing the need to revisit past transfers, systematically working through both individual and bulk transfers.

Data Protection – Measure for Measure

A collective sigh of relief was heard in June 2021, when the EU Commission announced that adequacy decisions for the UK had been approved, meaning that the UK’s data protection regime is considered to be robust enough to ensure data can continue to flow safely to the UK from the EU (and EEA). The adequacy decisions include a “sunset clause”, which provides that the decisions will automatically expire after four years, although those decisions may then be renewed. The EU’s adequacy decisions, paired with the UK’s adequacy regulations permitting personal data transfers from the UK into the EU/EEA, mean that personal data can continue to transfer smoothly in both directions.

Where trustees or their service providers transfer personal data to (or allow access to personal data from) a country which is not in the EEA and rely upon contractual protections (Standard Contractual Clauses or Binding Corporate Rules) then further action is likely to be required. Following the *Schrems II* judgment of the Court of Justice of the European Union, assessments should be carried out to ensure that the contractual protections can operate as intended and are not undermined by the legal regime of the other country. In addition, where service providers currently rely upon Standard Contractual Clauses (SCCs) to lawfully transfer personal data outside the UK/EEA then these clauses are being replaced and, therefore, the relevant documentation will also need to be updated. The EU Commission has adopted replacement SCCs and the Information Commissioner’s Office (ICO) is currently consulting on the UK equivalent – an International Data Transfer Agreement.

Action 5. As a first step, trustees should identify whether any of their service providers transfer personal data to (or allow access to personal data from) outside the EEA/UK and seek further information regarding measures taken to ensure compliance with data protection legislation and the *Schrems II* judgment.





Separately, the ICO finalised its code of practice on data sharing. The code provides guidance on how to share personal data in a legally compliant way and what the ICO expects where a “controller” (such as a pension scheme trustee) shares personal data with another controller. There are recommendations regarding the carrying out of Data Protection Impact Assessments before sharing personal data and the need for data sharing agreements.

Action 6. Where trustees share personal data with another controller (including a sponsoring employer) they should consider whether any extra safeguards are needed to comply with data protection legislation and the ICO’s recommendations, and review any existing data sharing agreements. The ICO’s [data sharing hub](#), contains useful resources.

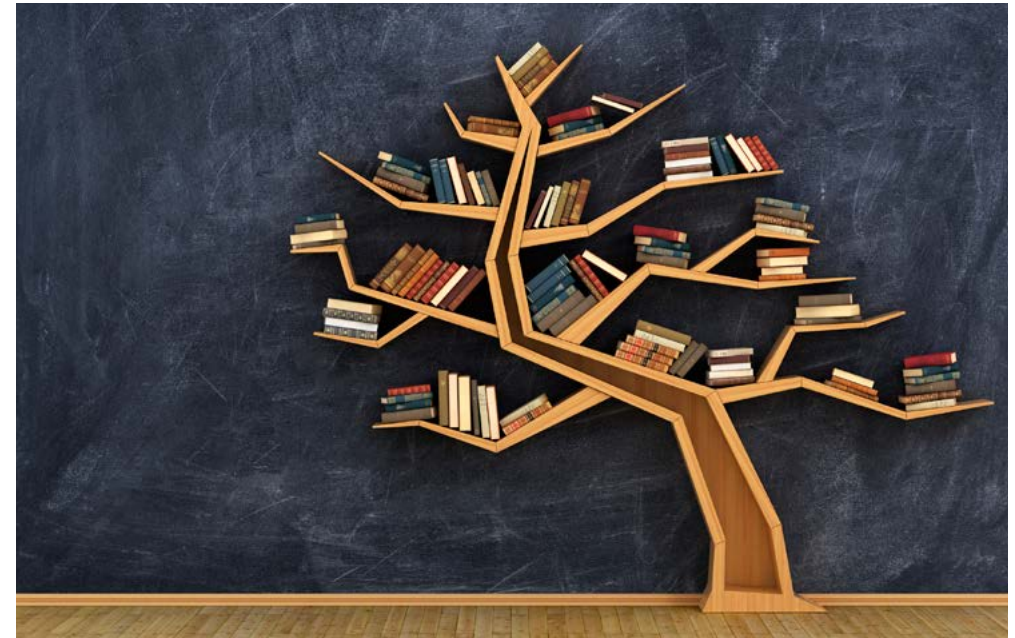
EU Guarantors – A Tale of Two (or More) Cities

When the Brexit transitional period ended, arrangements relating to the reciprocal recognition and enforcement of court judgments between the UK and EU member states came to an end. This means that, in most cases (including where there is a Pension Protection Fund (PPF) compliant guarantee from an EU parent company), it is a matter of national law in the guarantor’s jurisdiction whether it will recognise a judgment made by a UK court.

In order to address these potential difficulties, the UK government applied to become a party to the Lugano Convention, which would place it in a broadly similar position to that before 1 January 2021.

The agreement of all of the existing parties to the Lugano Convention, including the EU, is required before the UK can become a party. The European Commission has now lodged a notice under the Lugano Convention, stating that the EU is not in a position to give its consent to the UK becoming a party to the Lugano Convention. While there is still some legal argument around the extent to which this is the EU’s final decision, it does mean that, for the time being at least, it will be up to the courts of individual EU member states to decide whether to recognise and enforce a judgment obtained in a UK court if the agreement between the UK entity and the EU entity contains a non-exclusive jurisdiction clause. If the agreement contains an exclusive jurisdiction clause, reference should instead be made to the Hague convention, to which the UK is a party, but this may only offer comfort in relation to guarantees that post-date our joining the Hague convention.

While any arrangement, such as a PPF guarantee or other security, that pension trustees have with an EU parent company would still be valid, enforcement might become more time consuming and costly unless reliance can be placed upon the relevant convention.



Action 7. Trustees should take legal advice if they have a guarantee granted by an EU company, to assess whether there is any merit in restating and/or amending the guarantee.

Minimum Pensions Age to Rise to Wuthering Heights

The government is progressing with its [plans](#) to increase the normal minimum pension age (the earliest age at which a non ill-health pension can be drawn) to 57 from 2028, at which point the state pension age will have reached age 67. The government has confirmed that those with an unqualified right to take their pension before age 57 will retain that right and individuals will be able to retain a protected pension age on certain pension transfers.

Action 8. Trustees should check the scheme rules and seek legal advice as necessary to assess the impact on members, including whether any members will have a protected pension age of less than 57 under the scheme rules. Consider updates to scheme communications.



Section 2 – Writing

The English language has evolved rapidly in recent years. In part, this is due to the informal and abbreviated language used in text messaging and social media, with emojis increasingly taking the place of words 😊.

However, before we get carried away on the subject of informal language, readers of a certain age will recall some strict English grammar rules. You were taught that it was not good practice to start sentences with words like “but” and “and”. But you may now be happy to embrace modern standards by ignoring this rule. And you may still feel slightly rebellious when you do so. We explore some further English grammar rules below as we look at developments connected with the Pension Schemes Act 2021 (PSA21).

You may want to hit the revision button for a refresher on the PSA21. The link takes you to our earlier communication, which explores this legislation in some depth and contains a comprehensive list of potential actions and penalties for non-compliance. Here, we summarise the latest developments.

Revision

The Split Infinitive – New Powers Allow TPR to Boldly Go Into New Territories

1. Contribution Notices

Brief reminder – the PSA21 introduces two new grounds on which TPR will be able to issue a contribution notice, known as the employer insolvency test and the employer resources test.

There has been a great deal of concern expressed by the pensions industry that TPR could use the new contribution notice tests, introduced by the PSA21, retrospectively. The government has commented on this in its [response](#) to consultation, saying that TPR will only use the new employer resources test and the employer insolvency test in respect of acts or failures to act committed on or after 1 October 2021 and further regulations will clarify this.

On 1 October 2021, regulations will come into force that set out what will constitute the resources of an employer, and how the value of those resources is to be calculated for the purposes of the new employer resources test. The employer’s resources will be based on normalised profit before tax (i.e. excluding the effects of non-recurring or exceptional items).

The purpose of the new tests is to allow TPR to consider a snapshot in time when assessing whether or not to issue a contribution notice. This should make it easier for TPR to issue (or threaten to issue) a contribution notice.

TPR is updating its code of practice on contribution notices, which currently sets out the circumstances that TPR will take into account when considering the “material detriment test” and whether to issue a contribution notice. The code is being expanded to include the two new tests and to take account of TPR’s experience to date.

Action 12. To note. Trustees should be aware of these new regulations, with the uncertainty around them meaning that we might start to see more clearance applications.





2. New Criminal Penalties

Brief reminder – the PSA21 introduces two new offences in relation to defined benefit (DB) schemes, avoidance of an employer debt and conduct risking accrued scheme benefits, which could potentially capture a wide group of people involved in a pension scheme or sponsoring employer.

The two new offences are due to come into force in autumn 2021 and they carry a maximum sentence of up to seven years in prison or an unlimited fine. It is important to note that the targets of these offences are not restricted to those who are connected or associated with an employer – trustees and their advisers can be caught. TPR can take account of actions occurring before the new powers come into force if they are relevant to an investigation (for example, if they indicate a party's intention).

TPR has **consulted** on a draft policy setting out its approach to the new criminal sanctions. TPR says that the aim of the offences is to address intentional or reckless behaviour that would be caught by a contribution notice if a person were connected or associated with a scheme employer. TPR does not expect the new powers to change the behaviour that it investigates, but the powers give TPR more options for dealing with certain types of behaviour. The draft policy contains examples of behaviours that might be caught and example criteria that TPR might apply in selecting cases for prosecution.

Action 13. Trustees should consider this from a risk management perspective ensuring that these offences are considered when action is taken (or not taken) that could affect the pension scheme. Consider the need for training of both trustees and employers and assess how the trustees are protected by indemnities and/or insurance policies.

3. Inspection and Interview Powers

Brief reminder – TPR will have increased powers to request information and to require anyone involved with running the pension scheme or the sponsoring employer to attend an interview.

The new inspection and interview powers are effective from 1 October 2021. Regulations set out the information that must be contained in a notice calling a person for interview with TPR (including how to attend a virtual interview) and the fixed and escalating penalties that TPR can impose.



4. Super Notifiable Events

Brief reminder – The PSA21 allows TPR to impose extra requirements around “super” notifiable events, which carry additional information and advance notification and mitigation requirements and strong penalties (of up to £1 million) for non-compliance.

We are waiting for consultation on draft regulations in relation to “super” notifiable events, which are expected to come into force in 2022.

Action 14. To note. Trustees should monitor developments and establish communication protocols with employers when the new notifiable events are clarified.



The Fronted Adverbial – Rapidly, ESG has Moved to the top of Trustee Agendas

Trustees have a wide power to invest the assets of a pension scheme as though they were the trustees' own assets, but there are certain considerations and regulatory requirements that trustees must take into account when making investment choices. These include acting in good faith, for the purposes of the trust (which usually means acting in the best financial interests of members and other beneficiaries) and acting as a prudent person. There has been a recent push by the government to **encourage** pension funds to invest in longer-term assets that would help the economic recovery but, when evaluating this approach, trustees should be mindful of their overarching fiduciary duties.

1. Taking Account of ESG

With COP26 taking place in Glasgow from 31 October, there is an ever-increasing focus on climate change and ESG investing. Trustees must formulate their investment beliefs and, as part of this, they are required by law to take account of ESG considerations that are financially material to the scheme. ESG expressly includes the risks and opportunities posed by the effects of climate change, but note that taking account of ESG factors is different to social impact investing (i.e. choosing an investment because it is socially worthy).

Trustees must include their policy on ESG considerations in their statement of investment principles (SIP), which must be published on a website in a freely accessible form. They must also include in their report and accounts an implementation statement setting out how they have implemented the policies in their SIP, which must also be published online (although trustees of DB schemes have until 1 October 2021 to publish their shorter form implementation statement).

Trustees of most schemes will also be required to assess and manage the risks and opportunities associated with climate change as part of TPR's new single code of practice, which is currently in draft. This will involve considering the possible short, medium and long-term effects of climate change on the objectives of the scheme and its operations, maintaining and documenting processes for identifying and assessing climate-related risks and opportunities and integrating these processes into risk management and governance arrangements.

Action 15. Trustees should regularly review their policies in relation to ESG and climate-related risks and opportunities and should consider the **non-statutory guidance** produced by the Pensions Climate Risk Industry Group to be best practice.

Action 16. Trustees should expand information sharing protocols with the employer, so that they can then consider the employer's approach to ESG when assessing the employer covenant.

2. Additional Governance Requirements

Revision

From 1 October 2021, trustees of larger schemes will also have additional governance, reporting and disclosure requirements in relation to the effects of climate change, in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Trustees will have to produce and publish their first TCFD report within seven months of the end of the scheme year that is underway on 1 October 2021. Trustees will be required to have regard to **statutory guidance**. To start with, the requirements will affect schemes that had an asset value of £5 billion or more on the first scheme year end falling on or after 1 March 2020 and those schemes that are authorised master trusts as at 1 October 2021. The requirements will be phased in for schemes with an asset value of between £1 billion and £5 billion. It is likely that the government will consider in 2023 whether the requirements will be extended to schemes with an asset value of less than £1 billion.

Action 17. Trustees should arrange training so that they can meet the relevant knowledge and understanding requirements of the new TCFD provisions, if applicable.

The Passive Voice – TPR's Funding Code of Practice Is Anticipated

We await the full response to the **consultation** that TPR carried out in 2020 on its DB funding code of practice. We expect a full response to the first consultation and, building on this, the second consultation by the end of 2021. It is unlikely that the code will come into force before the end of 2022.



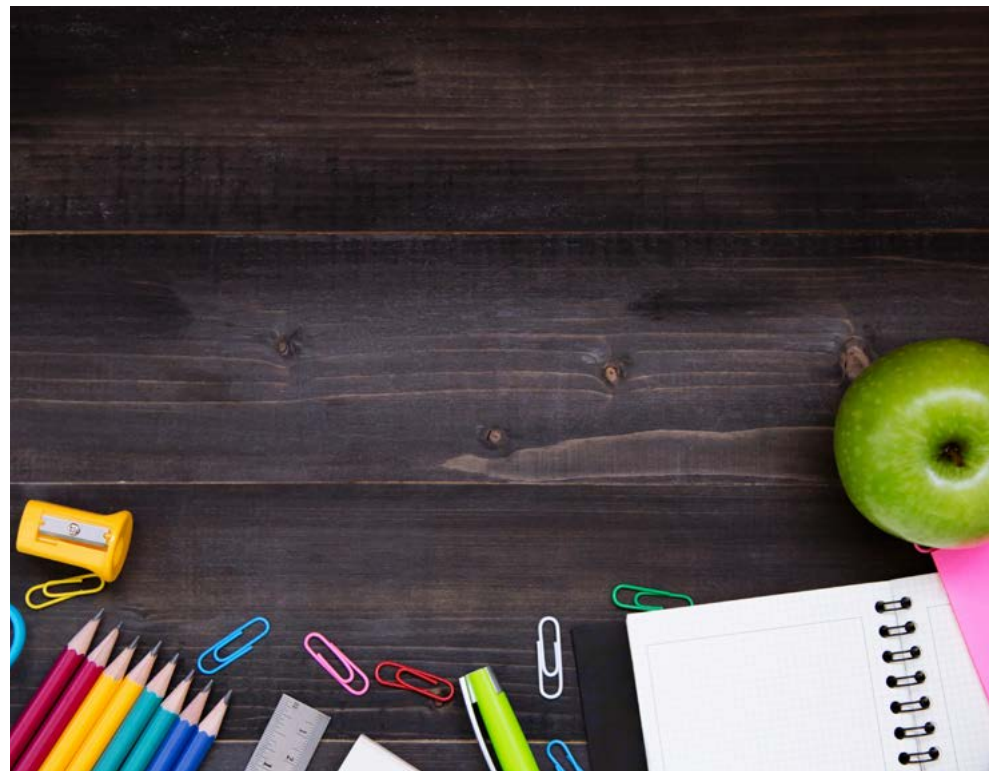


Misused Prepositions – Where Is the Dashboards Programme at?

The Pensions Dashboards Programme has been gaining pace in recent months. One of the major challenges is finding a way to match individuals logging onto a dashboard with their pensions records. Getting this right is fundamental to the success of the project, as otherwise members could be provided with another person's data or could have gaps where the system has failed to identify all of their pensions records.

It was recently announced that the Pensions Administration Standards Association, the Pensions and Lifetime Savings Association and the Association of British Insurers are collaborating to develop industry standards for pension dashboards data matching. The group is working closely with administration software providers for workable solutions but emphasises that trustees and pension providers will still need to ensure that their data and technology are dashboard ready. In the meantime, seven large pensions providers will connect to the dashboards ecosystem later this year, ready for the Alpha phase of testing in early 2022. There will be a phased approach to compulsory connection with the dashboard, which is expected to start for the largest schemes in 2023. The timescales will be set out in legislation in due course. There are still many issues to resolve, but the direction of travel is becoming clearer.

Action 18. Trustees are advised to monitor progress of the dashboard so that they can identify any potential compliance issues for their scheme. Seek updates from legal advisers as the legislation progresses and focus on filling data gaps. The Pensions Dashboards Programme has created a **hub** to help trustees to prepare.





Section 3 – 'Rithmetic

How do you solve arithmetic problems? Your answer to this question may depend on your age.

Times have changed. Logarithm tables were replaced by scientific calculators, which, in turn, were superseded by the smart phone. Instead of turning to their parents for help, children can now ask Alexa!

The government has been doing a lot of number crunching over the last few years to assess how much size matters. It has concluded that scale is an important factor in terms of good governance and ensuring good member outcomes. Progress on DB superfunds has been slow, but we have seen a flurry of DC activity, with a number of government consultations aimed at speeding up consolidation and removing barriers to investing in illiquid assets.

Finding the Right Formula for DB Superfunds

We expect to hear more about the progress of DB superfunds in autumn/winter 2021 when the Department for Work and Pensions aims to set out its "vision" for future regulations. In the meantime, TPR's [interim guidance](#) sets out its expectations for how superfunds should operate, including governance standards, funding and capital backing requirements. Trustees and employers who are considering a transfer to a superfund should consult TPR's [guidance](#) which details the processes that trustees should follow and TPR's views on when it would consider such a transfer to be appropriate.

Collective Money Purchase Schemes – A New Angle to UK Pensions Savings

The government has [consulted](#) on draft regulations to establish the framework for Collective Money Purchase (CMP) schemes. The first phase is for single employer or connected employer CMP schemes but Pensions Minister Guy Opperman considers that this is "a job half done". Consideration will be given to expanding this to non-connected employer schemes, master trusts and decumulation vehicles in the future. CMP schemes present many unique challenges around target benefits, intergenerational fairness and scheme communications – lessons will be learnt from the first phase that will shape the future rollout. TPR is responsible for the authorisation and supervision regime for CMP schemes and this has many similarities to the master trust regime.

DC Consolidation – £5 Billion?

The government issued a [call for evidence](#) to assess barriers and opportunities for greater consolidation of DC schemes with between £100 million and £5 billion of assets. Pensions Minister Guy Opperman said, "scale is the biggest driver in achieving value for money for savers and ultimately better retirement outcomes." Scale is also expected to lead to more innovative investment strategies, including in infrastructure, clean growth and other illiquid assets. Mr Opperman is keen to accelerate the pace of consolidation, saying, "It is not my intention to stop at £5 billion but given the present size of the UK market, this is the appropriate cut off for now."





New DC Governance Requirements Are Increasing Exponentially

New disclosures for all DC schemes will enable smaller schemes to make value comparisons. If a smaller scheme does not meet good value and governance standards, trustees will be expected to consider winding up the scheme and transferring members' benefits into a scheme that offers better value. The new requirements for all schemes and the requirements for small schemes are considered below.

1. Net Assets Disclosures

Trustees of schemes with DC benefits that are "relevant schemes" under The Occupational Pension Schemes (Scheme Administration) Regulations 1996 must produce and disclose net assets information for scheme years ending after 1 October 2021. "Relevant schemes" are, broadly, private sector occupational schemes that provide money purchase benefits. Some small schemes and schemes that do not provide money purchase benefits other than via additional voluntary contributions are not covered by the definition.

Trustees should state their net returns for the default funds and all other funds that members can select or have been able to select. The information must be issued on a publicly accessible website and it should be included in the chair's statement. Trustees should have regard to [statutory guidance](#), which contains examples of how the data could be presented.

Action 19. Trustees of affected schemes should add this to their business plans. Consider the best way to present the data and ensure that the net returns information is available for all affected funds.



2. New Value for Member Assessment

The Net Assets disclosures described above pave the way for new value for member assessments that trustees of smaller DC schemes will be required to carry out. For scheme years after 31 December 2021, trustees of relevant DC schemes with less than £100 million of assets that have been operating for at least three years will be required to demonstrate that they offer value for members comparable with larger schemes. Hybrid schemes, where the DB and DC assets together are less than £100 million, will need to comply with the new requirements in respect of the DC element of the scheme.

The annual value for member assessment must include a comparison of the scheme's reported costs and charges and fund investment net returns against three larger schemes. Trustees should have clear rationale for selecting the comparator schemes and must "have had discussions" with one of these schemes about a transfer of members' rights if the scheme were wound up.

Trustees will also be required to assess themselves and their schemes against a wide range of governance and administration criteria, which is covered in detail in the statutory guidance.

The outcome of the value for member assessment must be explained in the chair's statement and reported on the scheme return. If a scheme does not satisfy the standards, trustees will be expected to consider winding-up the scheme and transferring the funds into a scheme that offers better value, unless immediate improvements can be made.

Where trustees have notified TPR that the scheme is in wind-up, they do not have to carry out this new value for member assessment, but they must mention in the chair's statement why they are not carrying out the assessment.

Action 20. The value for member assessment could be an onerous task, especially in the first year. Trustees should consult the statutory guidance, seek advice as necessary and ensure that adequate time is allocated to this assessment.





Additions and Subtractions to DC Charge Capping

A number of changes will come into force on 1 October 2021 affecting the calculation of the charge cap applying to the default DC funds of schemes used as qualifying schemes to satisfy auto-enrolment duties. Changes include the ability to smooth performance fees over a five-year period when calculating the charge cap. There are also amendments to the presentation and disclosure of costs and charges, which are set out in the updated **statutory guidance**. This is part of the government's drive to remove barriers that prevent pension schemes from investing in illiquid assets.

Action 21. Trustees of qualifying schemes used to satisfy auto-enrolment requirements should assess whether they are impacted by the changes to DC costs and charges.

Counting the Cost of Small Pensions Pots

Look out for more from the Small Pots Cross Industry Co-ordination Group who are examining low cost consolidation solutions to reduce the number of small deferred pension pots – which are costly to administer and easy for members to lose track of.



Any Questions?

Please get in touch if you have any questions about the subjects covered in this publication.



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