

Price inflation and the high cost of living continue to dominate the news. Inspired by recent market turbulence, our autumn Hot Topics in Pensions embraces a theme of volatility as we take a lighthearted look at some of the general ups and downs that we witness in our daily lives, while highlighting 10 topics for your trustee and corporate agendas.



Ouch! How Much?

With the high cost of living, there are reports of increasing numbers of members opting out of pension schemes due to affordability issues. Consider whether scheme communications and websites contain clear information on how and when members can rejoin the scheme, and whether there are any options for members to reduce contributions. Meanwhile, some schemes are considering paying discretionary increases to pensioners – legal advice should be sought to ensure that trustees and employers are clear on their powers, duties and discretions.



TCFD – Up, Up and Away

Originally floated by some as a lot of hot air, governance and reporting in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) has got off the ground and is gaining in speed, much like a hot air balloon. From 1 October 2022, [regulations requiring the largest pension schemes](#) to undertake TCFD reporting were extended to those pension schemes that have relevant assets of £1 billion or more. Joining us on this journey is the [stewardship guidance](#), the statutory elements of which (relating to the preparation of implementation statements) came into force on 1 October 2022. The government is consulting on applying TCFD requirements to Local Government Pension Scheme funds.



TPR Turns Up the Volume

The Pensions Regulator (TPR) has a few things to shout about. 1. In its [action plan](#) on equality, diversity and inclusion, TPR confirms that it will clarify its expectations for trustee boards in the new single code of practice. 2. In a [podcast](#), TPR urges the pensions industry to prepare for dashboards onboarding and confirms that it will adopt a robust approach to non-compliance where this stems from lack of preparation. 3. TPR reminds employers to consult its [online information](#) on auto-enrolment duties, following the discovery of numerous errors in calculating pension contributions and communicating with staff.



Notifiable Events – Awaiting the Rocket Launch

“To infinity and beyond” seemed an appropriate description when the draft notifiable events regulations were published. The draft set out a structure for early notification to TPR and defined benefit (DB) pension trustees of certain types of corporate transactions. It also stipulated the need for an accompanying statement, which would specify the likely impact on the pension scheme and the level of mitigation on offer. Unfortunately, we are still awaiting the final frontier, with no news on when the regulations are likely to materialise.



CMA Order – A Firecracker or a Damp Squib?

While the Competition and Markets Authority (CMA) order in relation to the investment consultancy and fiduciary management market originally caused some sparks to fly, trustees quickly got to grips with the requirements. The Department for Work and Pensions (DWP) has now published [regulations incorporating into pensions legislation the CMA order](#), effective from 1 October 2022. TPR will whoosh in and take over from the CMA to supervise compliance by pension trustees. The sky will not be alight with many changes, but one difference is that trustees’ annual compliance confirmation will be submitted via the pension scheme return on Exchange.



Annual Benefit Statements – Moving up the League Table

Annual benefit statements have become increasingly long and complex, due to the weight of disclosure requirements. From 1 October 2022, [regulations introducing simpler annual benefit statements](#) have been in force. Trustees of schemes providing defined contribution benefits only, which are used for auto-enrolment, will be required to present the annual benefit statement for deferred and active members in a format that does not exceed one double-sided sheet of size A4 paper. The DWP has published [statutory guidance](#), including a template benefit statement. The new statements should score top points with members and help with the drive towards raising communication standards.



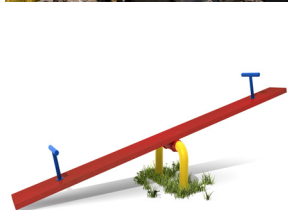
TNFD – A Volcano of Change

Those living close to Mount Etna appreciate the unpredictability of nature. There are also nature-related risks of a different kind, which can impact pension fund investments. The [Taskforce on Nature-related Financial Disclosures](#) (TNFD) is a global taskforce erupting onto the investment scene by creating a risk management and disclosure framework to assist organisations to report and act on evolving nature-related risks. The TNFD recently turned up the heat, by publishing version two of its framework for consultation. The TNFD aims to have the framework finalised for use by September 2023.



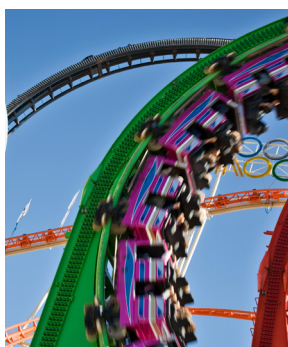
State Pension Age Challenges – Like Climbing Mount Everest

The challenge to the change in women's state pension age has been an uphill struggle for those affected. The Parliamentary and Health Service Ombudsman (PHSO) has [published an update](#) on its investigation into the way in which the DWP communicated the changes. Reaching the summit of its investigation, the PHSO is now considering what remedies should be implemented. Under consideration is an appropriate compensation scale for all women affected by the DWP's failings. The PHSO emphasises that it is unable to overturn primary legislation to reinstate the earlier retirement age.



PPF Levy – Ups and Downs

The Pension Protection Fund (PPF) has published its [consultation document on the 2023-24 PPF levy rules](#). The PPF levy estimate for 2023-24 has plummeted to £200 million, down from £390 million in 2022-23. This reflects a change in the approach to assessing insolvency risk, along with a drop in the levy scaling factor by 23% and scheme-based levy multiplier by 10%. It is not all a downward trajectory – the PPF has said that the easement of a 25% limit on increases to the risk-based levy from the prior year will not continue.



A Rollercoaster of Events

Get set for a bumpy ride! We expect progress on a number of key developments in the coming weeks. Look out in particular for TPR's second consultation on the DB funding code of practice, and the outcome of the DWP's consultation on funding and investment regulations; the final form of the single code of practice; the final form of the dashboards regulations; and the response to consultation on dashboards standards. Recent political changes may delay but are unlikely to derail these developments. The chancellor recently announced that EU rules on solvency II would be "scrapped" – it will be interesting to see how future pensions policy develops under new leadership.

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