

# PerioDiC

The elements that you  
need to know

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Whether you are a trustee running an occupational scheme, or you are a company offering a master trust or contract-based scheme (such as a Group Personal Pension), these newsletters help keep you up-to-date with elements relevant to your defined contribution (DC) arrangement.

## IN THIS NEWSLETTER



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## Elements related to Covid-19

We give brief details of some of the areas affected by the health pandemic. There may be more; in particular, delays to some activities and initiatives.

### Coronavirus Job Retention Scheme extended

On 31 October 2020, the government announced that the Coronavirus Job Retention Scheme (CJRS) was to be extended from 1 November until 2 December 2020 in line with a new period of national lockdown for England. This was closely followed by a [further announcement](#) that the CJRS is to be extended until 31 March 2021, subject to a review of its provision in January 2021.

The eligibility and rules of the extended CJRS have changed; e.g. employers can now claim only for employees who were employed on 30 October 2020 (the employer must have made a PAYE Real Time Information (RTI) submission to HMRC between 20 March 2020 and 30 October 2020, notifying a payment of earnings for that employee).

Employers will only be asked to cover employer National Insurance and pension contributions for hours furloughed; i.e. not any part of the wages grant.

The Job Support Scheme, scheduled to come into force on 1 November 2020 has been postponed, at least until the CJRS ends.

### Budget 2021

The Autumn Budget was cancelled to allow the Chancellor to focus on economic plans for dealing with Covid 19. The next Budget is expected in March 2021.

## The Pensions Regulator (TPR) guidance and enforcement

Following earlier guidance on circumstances in which redirecting contributions away from gated investment funds (e.g. property funds temporarily closed to contributions) could create default arrangements, TPR published some [guidance](#). This gives detail on when redirecting contributions back into reopened gated funds might also result in the creation of default arrangements.

The relevance of this issue is that default arrangements are subject to additional requirements; e.g. disclosures in a statement of investment principles, annual governance (chair's) statement and, normally, the charge cap.

TPR also confirmed reverting back to normal operation in the following areas:

- Enforcement in relation to late preparation of audited accounts and late review of a statement of investment principles resumed from 1 October 2020
- Reporting payment failures that are 90 days outstanding should resume from 1 January 2021

## Trustee elements

### Proposed new Value for Members (VFM) assessments

The Department for Work & Pensions (DWP) consultation, (['Improving outcomes for members of DC pension schemes'](#)) closed on 30 October 2020. Its proposals would be effective for scheme years from 6 October 2021 and include requirements around:

- Disclosure of net returns for all schemes' investment options - in chair's statements and online
- New annual VFM assessments for schemes with total assets of less than £100m. Charges/costs and net returns to be compared against three comparator schemes, of which the trustees must believe at least one could be used for consolidation. Administration and governance would be considered on a standalone basis. TPR will expect schemes not delivering value to quickly improve or wind up.

There are aspects of the proposals that need clarification but the requirements will raise governance obligations and costs and many trustees may decide to consider consolidation. Read our [blog](#) to find out more.

The consultation also covered proposals for the charge cap calculation to recognise performance related fees, in order to pave the way for trustees of large schemes to invest in illiquid assets.

### Simpler annual benefit statements

In October, the DWP published its [consultation response](#) on simpler annual benefit statements for workplace pensions. The DWP noted the good work undertaken by some providers but concluded that any approach dependent on voluntary adoption is unlikely to drive timely change.

To drive progress, the DWP will now consult on a mandatory approach to simpler statements for DC schemes used for auto-enrolment, taking the two page statement template originally developed by the Pensions and Lifetime Savings Association (PLSA) as the starting point in considering the length, content and design.

The consultation also invited views on encouraging people to open statements; e.g. through consistency of envelope colour and a short 'statement season'. There was no consensus on statement colour, so this idea will not be taken forward at this time. However, the DWP will consult later on a mandatory approach for the timing of provision for an annual written pension benefit statement.

### Stronger nudges to pensions guidance

In October, the DWP published a [statement of policy intent](#), setting out proposals to encourage individuals to take up the guidance services offered via Pension Wise, with the aim of helping them make informed choices about their retirement income.

Following trials that showed stronger nudges were successful, the government will make appropriate regulations to require trustees to nudge individuals towards guidance when they seek to access their pension savings. The aim is to ensure individuals have either taken or actively opted out of taking guidance.

Trustees will have the flexibility to choose a process that works best for their members. But they will be required to take proactive steps to facilitate guidance appointments and to present taking guidance as a natural part of the process of accessing DC pension savings.

### Responsible investment

The following activity over the summer signals an increasing spotlight on this area:

- In July, the PLSA published [guidance](#) to help trustees with the new requirements to publicly disclose their investment and responsible investment activity in an Implementation Statement.
- In July, the Defined Contribution Investment Forum (DCIF) published a two-part [report](#) which gives pension scheme decision-makers a clear rationale and framework for embracing Environmental, Social and Governance (ESG) issues. The first part of the report examines how DC savers have become even more concerned about ESG issues and the second part provides a guide to having thoughtful and structured conversations about ESG.
- In August, the DWP published a [consultation](#) on pension scheme governance and reporting on climate change. Schemes with £5 billion or more in assets, e.g. master trusts, would need to have arrangements in place on climate change governance, strategy, risk management, metrics and targets from October 2021, and to publish an annual report on these by the end of 2022. This requirement would then be rolled out to schemes with £1 billion or more of assets the following year, with application to smaller schemes reviewed in 2024.
- In August, the PLSA published a [guide](#) on climate indexes. The guide aims to help trustees understand how climate change indexes work and how they can help mitigate risk and promote good stewardship.

### Stewardship of investments

In July, the PLSA and Investor Forum published a new [guide](#) to help trustees assess the effectiveness of their investment managers' delivery of stewardship. The guide focuses on the key questions that trustees may wish to ask their investment managers. It also provides a framework against which to assess the quality of investment managers' engagement and stewardship work.

Then in September, the PLSA [published](#) templates to help trustees and investment managers disclose how they exercise their shareholder voting rights and do so in a consistent way. This may help trustees to demonstrate, via the Implementation Statement, how they are acting as effective stewards of their assets.

## Company elements

### Auto-enrolment duties continue

TPR has confirmed that, irrespective of the impacts of Covid-19, it remains firmly focused on protecting savers. Employers must continue to assess and put eligible staff into a qualifying pension scheme. They must also continue to make the correct contributions on time and they must comply with re-enrolment duties and complete their re-declarations of compliance.

Employers using furlough will have had very short time to understand and implement these measures and may later wish to revisit their approach to calculating pension contributions during this period. We could support with any such review.

## Other elements

### Government launches 'small pots' Working Group

In September, the government [announced](#) the launch of a Working Group to assess and make recommendations on ways to tackle the growth of small deferred pension pots. The Working Group will report later this year.

### Charge cap review

The government's review of the charge cap, applicable to default investment arrangements of workplace pension schemes, is expected by the year end. An earlier call for evidence from the DWP included potential proposals for lowering the charge cap and bringing transaction costs into scope, as well as restricting the use of flat fees for small pots.

An updated Pension Charges Survey, informing the review of the charge cap, is expected to be published by the DWP, also by the year end.

## Provider news

**Legal & General's** postponed transfer of legacy business, including Group Additional Voluntary Contributions (AVC) arrangements to **ReAssure** (itself subject to a proposed acquisition by Phoenix Group) completed on 7 September 2020.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact Mark Futcher, Partner and Head of DC via the following:

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