

Newsletter

PerioDiC

Occupational DC schemes

**STOP
PRESS**

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

Disclosure of costs, charges and investments

On 26 February, the Department for Work and Pensions (DWP) published the response to its consultation on improving the disclosure of costs, charges and investments in occupational DC arrangements.

The consultation explored how DC savers could be supported with improved transparency and disclosure of the costs and charges they are paying, and with where their savings are invested.

The Government's key objective is to assist the function of a healthy market in an area that is perceived as being opaque. The aims are that improved and public disclosure will enable trustees and others to compare the value for money they are receiving, and assist in the development of benchmarking services.

Why this is important

For many of the schemes in scope, the changes will require significant advance planning and consideration. This includes, for example, ensuring the availability of cost and charge information, consideration of the illustrative example and how the disclosures are to be suitably contextualised within communications.

Schemes in scope

In scope are those schemes that already have to provide a chair's statement. This excludes, for example, certain public service pension schemes and schemes which provide no DC benefits other than additional voluntary contributions (AVCs).

What is changing for cost and charge disclosure?

The key changes are:

- The chair's statement will need to include more detailed information on costs and charges. Under the changes, disclosing ranges of costs and charges will not be sufficient; the level of costs and charges must be disclosed for the default arrangement(s) and for all other funds that members can select.
- The chair's statement will need to include an illustrative example of the compounding effect that costs and charges have on members' pension savings.
- Trustees will be required to make certain information (including the value for money statement) in the chair's statement publicly available on the internet, free of charge. There will be no central website provided for this purpose; statutory guidance suggests making use of the scheme or employer's website, or another website such as a social media site! The document must be public and able to be indexed by search engines.
- Pension members must be provided with the web address in their annual benefit statements. This information must be provided to members (or certain others) in hard copy on request, where the trustees are satisfied it would be unreasonable for the person to access it online.
- Trustees will need to have regard to statutory guidance on the illustrative example and the publication of the information on the internet.

What is changing for investment reporting?

The expanded reporting requirements on a scheme's pooled funds are designed to help give members access to further material such as the funds' top holdings, how the asset managers select investments on trustees' behalf; and how they engage with the companies in which they invest.

On request and within two months, trustees must provide members with specified information corresponding to the investment options in which the member was invested at the time of request. Trustees may limit requests to only one in a six-month period.

When do the new disclosures come into effect?

The cost and charge disclosures will take effect for scheme years ending on or after 6 April 2018, i.e. at the earliest by 6 November 2018 for a scheme year ending on 6 April 2018, and at the latest by 5 November 2019 for a scheme year ending on 5 April 2019. The disclosure of information on a scheme's pooled funds will come into force on 6 April 2019.

Further information

DWP consultation response:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/684664/government-response-to-disclosure-of-costs-charges-and-investments-in-dc-occupational-pensions-consultation.pdf

DWP statutory guidance for trustees:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/684124/cost-and-charge-reporting-guidance-for-trustees-and-managers-of-occupational-schemes.pdf

Bulk transfers without member consent

Also on 26 February, the DWP published the response to its consultation on simplifying the process for bulk transfers without member consent between occupational DC arrangements.

Why this is important

The current requirements were designed originally with Defined Benefit pensions in mind, and have long been considered inappropriate in the context of DC transfers. The changes may remove barriers to proposed transfers previously hindered by the existing rules.

What is changing?

Most importantly, regulations will remove both the requirement for trustees to obtain actuarial certification and the 'scheme relationship' requirement.

For transfers to authorised Master Trust schemes, trustees may rely on their own judgement, rather than taking specific advice. For other transfers, trustees will be required to take advice. The Government and the Pensions Regulator will work together to deliver guidance in this area by April 2018.

When do the changes come into effect?

Regulations giving effect to the changes have been laid before Parliament and will come into effect from 6 April 2018. The actuarial certification process can continue to be used for transfers of 'pure' DC benefits up to 1 October 2019.

How does this affect current and forthcoming bulk transfers?

Whilst trustees may continue to use the actuarial certification route for some time still, the simplified process will be available from 6 April 2018.

The Master Trust authorisation regime is not due until October 2018, so advice will be required for any transfers to Master Trust schemes in the interim (guidance on the advice requirement is expected by April 2018). Irrespective of the requirement for advice, we believe that in practice trustees will want assurance that transfers are appropriate from a member perspective.

Further information

DWP consultation response:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/683709/government-response-simplifying-the-process-for-dc-pension-scheme-consolidation-while-maintaining-member-protection.pdf

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:

✉ mark.futcher@barnett-waddingham.co.uk

☎ 0333 11 11 222

www.barnett-waddingham.co.uk

Barnett Waddingham LLP is a body corporate with members to whom we refer as "partners". A list of members can be inspected at the registered office. Barnett Waddingham LLP (OC307678), BW SIPP LLP (OC322417), and Barnett Waddingham Actuaries and Consultants Limited (06498431) are registered in England and Wales with their registered office at Cheapside House, 138 Cheapside, London EC2V 6BW. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority and is licensed by the Institute and Faculty of Actuaries for a range of investment business activities. BW SIPP LLP is authorised and regulated by the Financial Conduct Authority. Barnett Waddingham Actuaries and Consultants Limited is licensed by the Institute and Faculty of Actuaries in respect of a range of investment business activities.