

# PerioDiC

## The elements that you need to know

RISK | PENSIONS | INVESTMENT | INSURANCE



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 coronavirus

The impacts of the coronavirus health pandemic on pensions are wide reaching. We provide brief details of some of the areas affected, but there may be more. In particular we can expect delays to some activities planned over the coming year.

### FCA guidance

On 17 March 2020, the Financial Conduct Authority (FCA) published [guidance](#) to firms it regulates (such as pension providers and investment managers) to consider their arrangements and customers' circumstances. The FCA expects firms to take reasonable steps to ensure they are prepared to meet the challenges Covid-19 poses to customers and staff, particularly through their business continuity plans. It also expects firms to manage their financial resilience and actively manage their liquidity.

### Coronavirus Job Retention Scheme

On 26 March 2020, and updated a number of times since then, HM Revenue & Customs (HMRC) published [guidance](#) on the Coronavirus Job Retention Scheme, designed to support employers whose operations have been severely affected by Covid-19. The scheme commenced on 1 March 2020 and was initially set to run for at least three months (this was later extended by a further month).

The scheme allows employers to claim the employment costs of furloughed employees. It involves paying 80% of regular wages, up to £2,500 per month, plus the associated employer National Insurance contributions and minimum regulatory employer pension contributions on those wages.

On 12 May the Chancellor confirmed that the scheme will be extended until the end of October 2020. Employers will be given greater flexibility from August to start to bring staff back to work and will be asked to start sharing the cost of the scheme from that date.

### Pensions Regulator guidance

On 20 March 2020, and updated a number of times since, the Pensions Regulator (TPR) has published [guidance](#) on dealing with the impacts of coronavirus. Key areas include:

- Auto-enrolment duties continue to apply as normal; e.g. assessing workers and paying contributions
- Investment related matters; e.g. how members might react to market falls and trustees reviewing their investment governance arrangements
- Employer pension contribution costs that can be claimed through the Coronavirus Job Retention Scheme and those payable to workplace pension schemes
- Considerations for reducing employer pension contributions
- Technical guidance on pension contributions for furloughed employees participating via salary sacrifice arrangements
- Communicating to members during the health pandemic

TPR also confirmed some flexibility in the following areas:

- Agreeing (in certain circumstances) to temporarily suspend taking regulatory action on employers failing to consult for the full 60 days where the employer is reducing the level of its pension contributions (however contractual and scheme rule considerations continue to apply)
- Reporting breaches that do not have a negative impact on members and taking enforcement action in relation to breaches
- Reporting late payment of contributions

### Applications to the Pensions

#### Ombudsman

Following an initial announcement that it would focus on existing enquiries and complaints only, on 22 April 2020, the Pensions Ombudsman [confirmed](#) it will accept online applications and email enquiries, but cannot accept post.

#### Good practice guidance for virtual meetings

In March 2020, the Chartered Governance Institute published a [guidance note](#), giving an overview of the legal and practical issues for virtual board and committee meetings.

#### Filing accounts with Companies House

On 11 March 2020, Companies House published a [statement](#) that companies (including trustee companies) that find themselves unable to file their accounts on time as a result of coronavirus can apply for an extension. To avoid an automatic fine this must be done before the filing deadline.

#### ICO guidance

On 15 April 2020, the Information Commissioner's Office (ICO) published a [statement](#) on how it will regulate during coronavirus. The ICO stated that it will be flexible in its approach, taking into account the impact of the potential economic or resource burden its actions could place on organisations. The ICO will focus its efforts on the most serious challenges and greatest threats to the public; e.g. in relation to data protection and misuse of personal information.

## Trustee elements

### Future of trusteeship and governance

In February 2020, TPR published its response to the consultation on raising standards of [response](#) and protecting the interests of members. This consultation had sought evidence and views on proposals in three key areas:

- **Trustee knowledge and understanding (TKU)** – TPR wants trustees and those managing schemes to have the right knowledge, understanding and skills, and to keep these up-to-date. TPR will review and update its TKU Code of Practice guidance, varying its requirements by scheme type and trustee role. It will also review the Trustee Toolkit, provide clearer guidance on how trustees can demonstrate compliance and monitor ongoing TKU compliance by making enquiries with a large number of schemes.
- **Scheme governance structures** – TPR wants to look at how trustee boards can become more diverse and inclusive and be able to demonstrate the right mix of skills, knowledge and understanding. It also states a desire for all trustee boards to have an accredited professional trustee, although crucially there will be no requirement for all trustee boards to have professional trustee representation at this stage.
- **Driving DC scheme consolidation** – TPR wants those schemes that do not meet its standards to improve or be actively encouraged to wind up. It will continue to monitor defined contribution (DC) consolidation activity and will work with the both industry and the Department for Work and Pensions (DWP) to help overcome barriers to consolidation.

### PLSA publishes guidance on diversity and inclusion

On 13 March 2020, the PLSA published a [made simple' guide](#) on diversity and inclusion aimed at trustee boards. The guidance summarises the benefits of diversity and inclusion and gives some practical steps for trustee boards to consider.

## Company elements

### DWP confirms aim to remove lower threshold to qualifying earnings

In March 2020, with the annual review of the auto-enrolment earnings trigger and the thresholds for the qualifying earnings band, the DWP restated the government's aim to remove the lower threshold from the mid 2020s. Qualifying earnings is the regulatory definition of pensionable earnings under auto-enrolment (other certified options can be used) and removal of the lower threshold would mean contributions are calculated from the first pound of earnings. The lower threshold is set at £520 per month for the 2020/21 tax year.

## Other elements

### Budget

In the Budget on 11 March 2020, the Chancellor confirmed changes to the Tapered Annual Allowance. The earnings levels at which the taper starts is much increased and the potential impact of the taper extended. For the 2020/21 tax year, individuals with 'threshold income' of £200,000 or below will not be affected and the tapering will impact only those with 'adjusted income' of more than £240,000. For 'adjusted income' of £312,000 or more, the Tapered Annual Allowance will be just £4,000.

As expected, the Lifetime Allowance is increased in line with the Consumer Prices Index, to £1,073,100 for the 2020/21 tax year.

## Pension Schemes Bill 2019/20

In early January 2020, the [Pension Schemes Bill](#) was reintroduced in Parliament after a temporary halt in the legislation's progress due to the December general election.

The Bill includes new rules for pension dashboards, collective defined contribution (CDC) schemes and new powers for the Pensions Regulator (making it a criminal offence to have committed "willful or grossly reckless behaviour" in relation to a pension scheme).

## Provider news

**Equitable Life** business transferred to **Utmost Life and Pensions** on 1 January 2020. Unless trustees instructed otherwise, former with-profits investments will be invested entirely in a deposit type fund up to 30 June 2020 and then transitioned into a longer term strategy over the following six month period.

**Legal & General** had postponed a transfer of some legacy business, including Group Additional Voluntary

Contributions (AVC) arrangements to **ReAssure** (itself subject to a proposed acquisition by Phoenix Group).

The transfer date had been re-scheduled for 6 April 2020, pending approval by the High Court, but the parties jointly gained consent from the Judge to delay the transfer until the situation regarding coronavirus is more stable.

**The People's Pension** announced that the tiered reduction to its charges for members, delayed from summer 2019, was effective from 17 February 2020. This announcement was closely followed by another - an adjustment to the lowest rebate threshold and introduction of a small annual flat charge.

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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