



SPRING 2022 NEWSLETTER

PerioDiC

The elements that you need to know

Stay up to date with elements relevant to your defined contribution (DC) arrangement.





Trustee elements

Conflict in Ukraine

On 4 March 2022, the Pensions Regulator (TPR) published [guidance](#) in relation to the conflict in Ukraine. TPR expects trustees to be vigilant and talk to their advisers about any action which they may need to take, depending on their scheme's circumstances; e.g. aligning with sanctions announced by the UK Government.

Trustees may see an increase in concern, or requests for information, from members, and TPR suggested they should prepare for this and be vigilant to the potential for scam activity. TPR suggested trustees should also consider whether to communicate with their members to let them know the steps they are taking to manage risks to the scheme.

It is important to note that most members will have a limited exposure to either Russian assets facing sanctions or the Russian economy. The impact of the conflict on wider markets, central bank policies and inflation will be of greater importance to many investors.

New carbon emissions template launched

On 31 January 2022 a new [Carbon Emissions Template \(CET\)](#) was launched, following collaboration between the Association of British Insurers, the Investment Association and the Pensions and Lifetime Savings Association (PLSA). The CET should help trustees meet their obligations under the Climate Change Governance and Reporting Regulations, requesting the core data required to calculate the three mandatory metrics and to make the required disclosures about data coverage and data quality. It should be used to provide data for use by pension schemes in relation to their scheme years ending on or after 31 December 2021.

In the second quarter of 2022, the group intends to look at implementation experiences, additional metrics, more recent regulatory developments, and emerging best practice.



Decrease in number of DC schemes

On 27 January 2022, TPR announced the release of its [annual DC Trust report](#), giving a high-level snapshot of the trust-based DC and hybrid scheme landscape.

The report's findings evidenced further consolidation in the DC market:

- In the last year, the number of non-micro (twelve or more members) DC schemes has declined by 12%
- Since the beginning of 2012, the number of non-micro DC schemes has declined by 63% (from 3,660 to 1,370)

TPR believes this trend of consolidation in the DC market to be good news for savers and expects this trend to continue as small DC schemes are now required to demonstrate that they provide value for members.



Stronger nudge to pensions guidance

On 17 January 2022, the Department for Work and Pensions (DWP) published its [response](#) to the July 2021 consultation on a stronger nudge to pensions guidance. Regulations were laid before Parliament and will come into force on 1 June 2022, aligning with similar requirements for Financial Conduct Authority (FCA) regulated pension schemes.

Trustees will need to ensure that individuals in scope are made aware of Pension Wise guidance when they seek to access their DC pension savings and facilitate the booking of a Pension Wise appointment as part of the application process. Rules will apply in relation to how members may opt out of taking guidance to ensure this is an active and considered decision. There will be exemptions; e.g. transfers for members under age 50.

On 2 March 2022, TPR updated its [communicating and reporting guidance](#) to help trustees and administrators prepare for the changes.

Charge cap guidance updated for ban on flat fees

On 10 January 2022, the DWP updated its [charge cap guidance](#) for trustees to reflect the ban on flat fees applying to small pots. From 6 April 2022, a de minimis of £100 applies to the charging of flat fees on pots invested in a default arrangement; i.e. flat fees cannot reduce the value of the pot to less than £100.

Diversity in trustee boards

On 21 December 2021, TPR published a [blog](#) in relation to its ambitions to drive down inequality among savers and to create a fairer and more inclusive culture across the pensions industry.

The blog highlighted areas where TPR thinks improvements can be made; e.g. diversity in trustee boards leads to more debate and challenge, addressing the risk of 'group think', and leads to better decisions. It also provided an update on the plans of the working group TPR set up to tackle the barriers to diversity and inclusion across the industry.

New PLSA 'Made Simple' guides

In December 2021, the PLSA published two 'Made Simple' guides:

- An [ESG guide](#), explaining ESG as an investment concept and suggesting how it can be integrated into the investment strategy and oversight of pension schemes. The guide also provides a glossary of relevant terms and suggests a template to help trustees create their own ESG policy.

- An [updated Cost Transparency guide](#), aiming to give trustees a good working knowledge of the various costs associated with managing a pension scheme, so they can make more informed decisions on behalf of their membership.

Guidance on climate-related risks and opportunities

On 16 December 2021, TPR published its [guidance](#) to help trustees meet governance and reporting requirements in relation to climate-related risks and opportunities.

Trustees must produce and publish a report ('TCFD report') within seven months of the end of any scheme year in which they were subject to the climate change governance requirements. [Paragraphs 8 to 16 of Part 1 of the DWP's statutory guidance](#) describe the phasing in of the requirements. This includes trustees of schemes with £1bn or more in relevant assets, as well as trustees of authorised master trusts.

TPR updated its [monetary penalties policy](#) to include an appendix on breaches of the climate change governance and reporting regulations. On 23 February 2022, TPR added an appendix to its guidance, in response to requests for more information and examples received during its consultation. The example set out in the appendix is intended to help develop trustees' understanding of how they might approach implementing the climate change regulations at a practical level.



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Other elements

Review of automatic enrolment thresholds

On 8 February 2022, the DWP confirmed the results of its [annual review](#) of the automatic enrolment thresholds. The Secretary of State considered the analytical evidence and concluded that the earnings trigger and the lower and upper limits of the qualifying earnings band would not change for the 2022/23 tax year.

The review estimated that keeping the earnings trigger at £10,000 will bring an additional 17,000 savers into pension savings when compared to increasing the trigger in line with average wage growth. The Secretary of State also considered the equality impacts of keeping the earnings trigger unchanged and remains of the view that voluntary opt-in provides the most appropriate option for those earning less than the earnings trigger who wish to save.

The review referred to the ambition set by the 2017 Review of Automatic Enrolment to remove the lower limit of the qualifying earnings band in the mid-2020s, commenting that close attention would be paid to the impact and costs of making changes and the optimal approach on implementation would be considered.

Review of State Pension age

On 9 February 2022, the DWP published a [consultation](#) as part of the evidence gathering stage to inform an independent report making recommendations to the government on what other specified factors should be considered when setting State Pension age in future.

The government is required by the Pensions Act 2014 to conduct a periodic review of State Pension age. The independent report on other specified factors will in turn provide evidence to inform that review.

Pensions dashboards progress

On 31 January 2022, the DWP consulted on draft regulations, intended to set out:

- requirements to be met by 'qualifying pensions dashboards services'
- requirements on trustees or managers of relevant occupational pension schemes in relation to cooperating with and connecting to the Money and Pensions Service (MaPS), and the data they must provide to individuals via MaPS



- provisions for TPR to take enforcement action in relation to pension schemes that do not comply

On 11 February 2022, the FCA published a consultation on draft rules requiring FCA regulated providers to connect and supply information about personal and stakeholder pensions to pensions dashboards.

On 14 February 2022, the Financial Reporting Council published a consultation on proposals that Actuarial Standard Technical Memorandum 1 (AS TM1), used for Statutory Money Purchase Illustration (SMPI) statements, will also be used for the illustrations of DC pensions shown on pensions dashboards.

TPR's strategy for protecting savers

On 24 January 2022, TPR published a [blog](#) setting out its strategy for protecting savers. TPR:

- wants trustees to take a decisive and common-sense approach to the new regulations for halting suspicious transfers so that savers are protected
- wants to see more trustees, administrators and scheme managers sign up to its pledge to combat pension scams, and to see increased reporting of suspected scams

- hopes that its new single code of practice, expected to be laid before Parliament this summer, will be a clearer and more accessible source of information on trustees' legal duties and TPR's expectations
- is working with its regulatory partners to establish common standards on value for money across pension scheme types
- looks forward to seeing more schemes demonstrating they are considering climate change and wants to see those trustees required to submit climate change disclosures do so without the need for enforcement action
- will take an appropriate and proportionate approach to the use of its new criminal powers, targeting those who intentionally or recklessly and without reasonable excuse avoid liabilities or put pension savings at risk
- wants to continue to improve diversity across the pensions industry and reduce inequalities in saving.



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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