

ALLEN & OVERY

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Pensions: what's new this week

Welcome to your weekly update from the Allen & Overy Pensions team, bringing you up to speed on all the latest legal and regulatory developments in the world of occupational pensions.

TPR: latest DC trust report | PPF levy ceiling and compensation cap 2020/21 | TPR: new blog posts on transfers and scams | FCA publishes cost disclosure rules | TPR: further AE spot checks | Annual state pension uprating order | Pensions and equal pay: new Bill | Pensions Academy: 18 March 2020

TPR: latest DC trust report

The Pensions Regulator (TPR) has published its annual [report](#) on the DC landscape, based on scheme return information. A [summary](#) of the key findings (in graphs) and [press release](#) are also available.

The report indicates that the DC market has seen noticeable consolidation with an increase in the number of members (and the value of assets) but a decrease in the number of schemes. There has also been a significant increase in membership of the largest schemes (5000+ members), particularly master trusts. TPR has highlighted that 95% of members use the default investment strategy. There has also been a significant decrease in the value of transfers-in to DC schemes since last year.

PPF levy ceiling and compensation cap 2020/21

The latest Pension Protection Fund (PPF) [order](#) sets the levy ceiling at GBP1,099,455,505, and the compensation cap at GBP41,461.07 for the year starting 1 April 2020.

The Court of Justice of the European Union ruled in *Hampshire* that EU law requires compensation for each eligible member to be equivalent to at least 50% of the value of his or her accrued entitlement (see [WNTW](#), 10 September 2018); it subsequently ruled in *Bauer* that benefits cannot be reduced so as to leave an individual living below the at risk-of-poverty threshold, even where the 50% or over requirement is met ([WNTW](#), 6 January 2020). The Explanatory Memorandum notes that the PPF's proposals for implementing the *Hampshire* decision are being challenged by judicial review, and that the government and the PPF are considering the implications of *Bauer* and will respond in due course. It does not give any indication of when the government might make changes to legislation in response to these decisions.

TPR: new blog posts on transfers and scams

The Pensions Regulator (TPR) has published new blog posts focusing on transfer risks and scams.

The [first post](#) reminds trustees that TPR considers the proper processing of transfers to be an important element of good governance. The post focuses on transfers of safeguarded benefits – trustees are expected to consider the industry code of practice on incentive exercises (which includes transfer exercises) and to provide all relevant information to members in a clear and timely fashion. The [second post](#), on behalf of the Pension Scams Industry Group (PSIG), encourages trustees to complete a confidential [survey](#) to contribute to research into pension scams. It also discusses an ongoing initiative to build an industry scams intelligence sharing tool (a shared network of information on ‘potentially dodgy’ arrangements, open to PSIG members).

FCA publishes cost disclosure rules

The Financial Conduct Authority (FCA) has [published](#) new rules and guidance on the disclosure of costs and charges information (a) to workplace schemes (ordinarily by asset managers) and (b) to members of FCA-regulated workplace money purchase schemes (such as group personal pension plans). This follows a consultation last year (see [WNTW](#), 4 March 2019).

Disclosure to schemes: Asset managers already have to provide information on costs to workplace pension schemes (see [WNTW](#), 25 September 2017). The FCA has clarified the reporting of costs related to ‘anti-dilution’ (where a fund passes on costs to an incoming/outgoing investor) and to over-the-counter transactions in bonds.

Disclosure to members: As there is no common definition of a ‘scheme year’ for contract-based schemes, the FCA has specified that the scheme governance year will run from 1 January to 31 December. The FCA has made some changes to its proposals and will phase in the new rules. For the first year, governance bodies will only have to report costs and charges information for default options/funds, with a deadline for publication of 31 July 2021. In subsequent years, information on all member-select options will be required. Illustrations of the compounding effect of costs and charges will be required for a representative range of funds/options (not for all options).

The rule changes come into force on 1 April 2020.

TPR: further AE spot checks

TPR has [announced](#) that it is running a number of short notice inspections on large employers to verify compliance with auto-enrolment obligations. The inspections began in January and will continue for several months. You can read more about auto-enrolment obligations in our guide ‘[Auto-enrolment and re-enrolment deconstructed](#)’.

Annual state pension uprating order

The government has laid before Parliament a draft [order](#) specifying increases to various social security benefits and pensions, including state pensions. The [proposed rates](#) will be of interest to schemes operating a bridging pension/state pension offset.

Pensions and equal pay: new Bill

A Private Member's [Bill](#) on equal pay has been introduced in the House of Lords. It contains a number of proposals, including: giving employees a 'right to know' information about a possible comparator for equal pay purposes; creating a discretion to extend time limits for certain claims; and expanding remedies in some employment cases to include sums for injury to feelings, personal injury and lost pension rights. The date for second reading has not been announced.

Pensions Academy: 18 March 2020

Please join us on Wednesday 18 March 2020 for our Pensions Academy – a free update on current issues for pension schemes and the people that run them. The session will run from 9am to 12.30pm, with breakfast and registration available from 8.30am. Topics covered will include:

- The Pension Schemes Bill
- Cybersecurity – practical tips on dealing with a breach
- An update on ESG, implementation statements and other legal developments

To reserve your place, please email pensions.team@allenoverly.com.

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