inside pensions

Regulatory update

October 2020 to December 2020

Supporting you to improve governance and stay on top of the ever-changing technical issues in the pensions industry.

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New Issues – FCA publishes final Brexit instruments and Temporary Transitional Power directions

"Onshoring" was the process of amending EU legislation and regulatory requirements so that they work in a UK-only context now that the Brexit transition period has ended. The onshoring process means that there are some areas where the requirements on firms and other regulated persons have changed. To help firms adapt to new requirements, HMT gave UK financial regulators the power to make transitional provisions to financial services legislation for a temporary period. This is known as the Temporary Transitional Power (TTP).

The TTP will be applied on a broad basis from the end of the transition period until 31 March 2022, but there are some areas where the TTP will not apply.

On 22 December 2020, the FCA published the final onshoring instruments, related guidance and TTP directions that apply from the end of the Brexit transition period.

On 31 December 2020, the FCA released a statement on the use of the TTP to modify the UK's derivatives trading obligation. The FCA confirmed it will keep its use of the TTP under review and will consider by 31 March 2021 whether market or regulatory developments warrant a review of its approach.

A new webpage has also been created which explains how the FCA has prepared its Handbook and binding technical standards for the end of the transition period.

For more information (FCA guidance):
https://www.fca.org.uk/news/news-stories/fca-publishes-final-brexit-instruments-ttp-directions

For more information (FCA statement):
https://www.fca.org.uk/news/statements/temporary-transitional-power-derivatives-trading-obligation

For more information (FCA webpage):
https://www.fca.org.uk/brexit/onshoring-updates-handbook-technical-standards

New Issues – Scheme returns – reminders and documents

TPR will start to issue scheme return notices from the end of January 2021. Ahead of this, it has updated its guidance on DB and mixed benefit scheme returns and published an example 2021 return.

The guidance notes that DB schemes should be prepared to answer "two additional questions that may be added" if TPR updates its systems, where a scheme would have to provide:

- a website link to its published SIP;
- its assessment of the employer covenant grade – and where it would fall in TPR's grading system.

TPR also encourages schemes to consider downloading PDFs of previous years' returns from Exchange, as, with its planned system upgrade, these may no longer be available after 31 December 2020.

TPR will contact schemes in January to confirm the final version of its questions, and whether the system updates will be in place for scheme return submissions. It also notes that it is allowing more time to complete and submit the scheme return (until 31 March 2021).

For more information:
https://www.thepensionsregulator.gov.uk/en/trustees/submit-reports-payments-and-requests-to-us/scheme-return/db-and-mixed-benefit-scheme-return

New Issues – Brexit transition period ends, EU-UK Trade and Co-operation Agreement reached

The Brexit transition period ended at 11pm on 31 December 2020 (IP completion day). After protracted negotiations, the EU-UK Trade and Co-operation Agreement (the Agreement) was announced on 24 December 2020. The Government has published a summary. The Agreement was signed on behalf of the EU on 30 December 2020 and will be provisionally applied as of 1 January 2021. The Agreement will be examined by the European Parliament and the Council before it can be ratified by the EU.

The European Union (Future Relationship) Act 2020 received Royal Assent on 30 December 2020. Among other things, this Act provides the Agreement with domestic legal effect and enables it to be ratified by the Government.

The key points include:

- the Agreement provides for transfers of personal data between the UK and the EU to continue for a further transitional period (of up to six months) while an adequacy decision is agreed. The ICO recommends that businesses work with EU and EEA organisations who transfer personal data to them, to put in place alternative transfer mechanisms, to safeguard against any interruption to the free flow of EU to UK personal data;
- the law governing UK-EU/EEA cross-border occupational pension scheme arrangements will cease to apply from 1 January 2021. (On 18 December 2020, TPR had updated its guidance on cross-border schemes in the event of a no-deal Brexit; it intends to publish revised guidance in early 2021 on how trustees should manage cross-border aspects of their schemes for the post-transition period).

For more information:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948093/TCA_SUMMARY_PDF.pdf

IFoA publishes paper on pension scheme cyber risks

On 17 November 2020, the Institute and Faculty of Actuaries (IFoA) published a paper on the variety of cyber risks that pension schemes are vulnerable to, such as ransomware attacks, data breaches, theft of assets and disruption to service. The paper examines these risks in detail, including the types of losses that scheme sponsors may be exposed to, and outlines who is responsible for managing cyber risk. The paper reminds schemes that whilst they typically outsource their day-to-day running to third parties, the trustees or employer ultimately remain responsible. The paper also addresses how trustees and schemes can manage their risk though cyber hygiene, third party assessment, cyber insurance and incident management.

The paper focuses on deliberate acts, rather than the accidental loss of data and other inadvertent breaches of data protection legislation.

For more information:
https://www.actuaries.org.uk/system/files/field/document/Pension%20scheme%20cyber%20risk%20v7.pdf

TPR urges pensions industry to pledge to combat pension scams

TPR, supported by the Pension Scams Industry Group (PSIG), has launched a new campaign urging the pensions industry to publicly pledge to combat pension scams. A dedicated website is available where trustees, advisers and providers can sign up to carry out the six pledge steps, being to:

- regularly warn members about pension scams;
- encourage members asking for cash drawdown to get impartial guidance from TPAS;
- get to know the warning signs of a scam and best practice for transfers by completing the scams module in the Trustee Toolkit and encouraging all relevant staff or trustees to do so; study and use the resources on the ScamSmart website, TPR's scams information and the PSIG code; consider becoming a member of the Pension Scams Industry Forum;
- take appropriate due diligence measures by carrying out checks on pension transfers and documenting pension transfer procedures;
- clearly warn members if they insist on high-risk transfers being paid;
- report concerns about a scam to the authorities and communicate these to the member.

TPR has also launched an online interactive training module outlining the stringent processes it expects all trustees and providers to follow to keep savers safe.

At the same time, TPR updated its guidance on avoiding pension scams to include material on how trustees and administrators can help to educate and protect members.

For more information (campaign):
https://www.thepensionsregulator.gov.uk/en/pension-scams/pledge-to-combat-pension-scams

For more information (scams guidance):
https://www.thepensionsregulator.gov.uk/en/pension-scams

TPR guidance on protecting schemes from sponsoring employer distress

On 12 November 2020, TPR published guidance urging DB trustees to prepare now for the possibility their sponsoring employer faces difficulties. It highlights issues arising from corporate transactions and how trustees should engage in these.

The guidance makes clear that trustees should ensure they have access to relevant and up-to-date employer business and financial information. It highlights potential signs of corporate distress, outlines TPR's expectations on trustee risk management and sets out what can be done to protect schemes.

The guidance also includes illustrative examples showing how a scheme's position can be worsened by corporate activity or sudden changes in fortunes, and TPR's expectations of trustees in such circumstances.

In addition, TPR has published a short accompanying blogpost by its Director of Supervision, telling DB trustees how they can prepare for the "bumpy" economic road ahead and what to expect from TPR.

For more information (guidance):
https://www.thepensionsregulator.gov.uk/en/document-library/regulatory-guidance/protecting-schemes-from-sponsoring-employer-distress

For more information (blogpost):
https://blog.thepensionsregulator.gov.uk/2020/11/12/act-fast-to-secure-schemes-when-sponsors-see-distress/#more-1343

PMI launches new competency framework

On 11 November 2020, the PMI launched a new competency framework setting out the functional and technical competencies needed to be effective in the pensions industry. Pension professionals and trustees will be able to use the framework to identify their strengths and areas for development and help them choose which qualifications and learning interventions would best help them.

The competences are grouped into seven different functional areas: the role of the pensions profession; strategy and policy development; leadership and management; operational management; quality and client management; compliance, ethics and ESG; and trusteeship.

For more information:
https://www.pensions-pmi.org.uk/learning/competency-framework

EDPS publishes Strategy on Schrems II for EU institutions

The European Data Protection Supervisor (EDPS) has issued a Strategy following the ECJ's decision in (in Schrems II) which invalidated the EU-US Privacy Shield and introduced additional considerations for the use of standard contractual clauses.

The Strategy aims to ensure and monitor compliance with the decision by EU institutions and addresses short and medium-term actions for compliance with international transfers requirements.

The Strategy may be of wider interest to other organisations looking at how to comply with the ruling. The EDPS is also working with the European Data Protection Board and other supervisory authorities to develop further guidance and recommendations for controllers and processors, then aims to establish long term compliance priorities for 2021. For new processing operations, it currently strongly encourages institutions to avoid processing activities involving transfers to the US.

For more information:
https://edps.europa.eu/sites/edp/files/publication/2020-10-29_edps_strategy_schremsii_en_0.pdf

APPT code of practice for sole trustees

On 27 October 2020, the Association of Professional Pension Trustees (APPT) launched a new code of practice setting out "rigorous new standards for professional trustees carrying out sole trustee appointments".

Developed in consultation with TPR, the code of practice for Professional Corporate Sole Trustees sets out a range of governance and risk controls that sole trustee firms must adhere to in order to ensure that members' interests are properly protected. The new code "bolsters the APPT's existing professional standards code" which all accredited professional pension trustees must follow and comes into force on 1 January 2021.

For more information:
https://appt.org.uk/new-code-of-practice-for-sole-trustees-announced/

TPR updates guidance on gated funds

On 15 October 2020, TPR published an updated version of its DC scheme management and investment: COVID-19 guidance for trustees.

In relation to the temporary closure (or “gating”) of funds, including property funds, TPR now provides further detail on when redirection of a member’s contributions might result in the creation of a default arrangement.

For more information:
https://www.thepensionsregulator.gov.uk/en/covid-19-coronavirus-what-you-need-to-consider/dc-investment-and-transfer-values-covid-19-guidance-for-trustees

Guidance: Using personal data after the transition period

On 16 October 2020, the Government and ICO issued guidance on using personal data in your business or other organisation after the transition period. The guidance covers the actions that will need to be taken regarding data protection and data flows with the EU / EEA and third countries from 1 January 2021. It includes notes on adequacy decisions and Standard Contractual Clauses, the ongoing application of GDPR, and the implication of the Schrems II decision.

For more information:
https://www.gov.uk/guidance/using-personal-data-in-your-business-or-other-organisation-after-the-transition-period

PRAG publishes updated guidance on cybercrime

On 6 October 2020, the Pensions Research Accountants Group (PRAG) published updated guidance aimed at helping trustees protect their schemes from cybercrime. The guidance updates the previous version published in 2018 to reflect the “considerable” developments and growth in cybercrime since then.

For more information:
https://www.prag.org.uk/wp-content/uploads/2020/10/PRAG-cybercrime-press-release-October-2020.pdf

New Issues – FCA to consult on TCFD-aligned disclosures

The FCA has confirmed it plans to consult in the first half of 2021 on potential Taskforce on Climate-related Financial Disclosures (TCFD) aligned disclosures by UK-authorised asset managers, life insurers and FCA-regulated pension providers designed to better inform their clients and end investors.

The FCA's Policy Statement PS20/17 summarises the feedback the FCA received to its Consultation Paper CP20/3 and contains a final rule and guidance intended to promote better climate-related financial disclosures for UK premium listed commercial companies.

The FCA also notes that the DWP is pursuing an amendment to the Pension Schemes Bill that will give it the power to require climate-related disclosures by occupational pension schemes. The DWP issued a consultation in August 2020 proposing a phased implementation of mandatory obligations, beginning with the largest schemes from 2022.

For more information:
https://www.fca.org.uk/news/news-stories/fca-introduces-rule-enhance-climate-related-disclosures

New Issues – PDP publishes key dashboard data standards

On 15 December 2020, the Pensions Dashboards Programme (PDP) published the key data standards which are intended to underpin the initial dashboard technology and allow individuals to view their pensions via their chosen dashboard.

Data standards "provide a common language to describe the pensions information that will be found and displayed on the dashboards", for each individual's different pensions. UK-based state and private pensions, including in the public sector, will be included in the first iteration of pensions dashboards. UK pension providers will be required to ensure that the data they hold is consistent with the data standards so that consumers can access this information.

The data standards guide contains detailed information on the data elements required for initial dashboards. It includes definitions of the overall process, the high-level data elements and a technical breakdown of each data element, plus examples of how the data elements should work, using example data.

The publication of the data standards follows the release of the PDP's second Progress Update Report in October 2020, which included an indicative timeline for the development of dashboards and estimated the point at which dashboards could be available to consumers is likely to be from 2023 onwards.

For more information:
https://www.pensionsdashboardsprogramme.org.uk/2020/12/15/data-standards-published-underpin-pensions-dashboards/

New Issues – DWP publish report on small pension pots

On 17 December 2020, the DWP published a report by the cross-sector working group on small pension pots which launched in September 2020. The report makes recommendations on how to tackle the growth in the number of deferred members with small pension pots. The areas covered in the report are:

- the deferred small pots challenge;
- member-led solutions – analysis and recommendations;
- scheme-led solutions – analysis and recommendations;
- micro-pots (pots worth only a few pounds, often accrued when automatic enrolment opt-outs are not returned in time);
- administrative processes to support large-scale transfer and consolidation solutions;
- working group-suggested next steps, and outline roadmap.

The report recommends that further work between the DWP and pensions industry is undertaken during 2021 to assess the potential solutions, including models such as default consolidator schemes, and "pot follows member".

For more information:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/small-pots-working-group-report.pdf

New Issues – TPR comments on responses to first DB funding code consultation

TPR has published a blog post reflecting on the responses received to its first DB funding code consultation.

TPR is currently considering whether any of the principles set out in its first consultation need to be adjusted and has yet to firm up the proposals for its second consultation. These proposals will be informed by responses to the first consultation, an impact assessment, and the final legislative package.

The blog post also briefly addresses de-risking, open and immature schemes, TPR's "Fast Track" and "Bespoke" proposals, and the "importance of liquidity".

TPR is expected to carry out its second consultation on the DB funding code in mid-2021.

For more information:
https://blog.thepensionsregulator.gov.uk/2020/12/08/db-funding-code-busting-a-few-myths/

PASA release their Pensions Dashboard Working Group update

PASA's Pensions Dashboard Working Group (PDWG) have released a short update on the Pensions Dashboard Programme (PDP) confirming that the PDP will publish the initial data requirements for pensions dashboards in December 2020. Following this, PASA will publish detailed guidance for schemes and providers on how to start getting ready.

The update paper aims to remind those responsible for pensions of the timetable, and to review the "three major data areas" which trustees, schemes and providers need to think about: accessibility, accuracy and availability.

This update follows the PDP's second Progress Update Report published in October 2020.

For more information:
https://www.pasa-uk.com/wp-content/uploads/2020/11/PASA-PDWG-November-Alert2-FINAL.pdf

Executive remuneration: IA Principles of Remuneration for 2021

On 16 November 2020, the Investment Association (IA) published a revised version of its Principles of Remuneration revealing that investors will be "clamping down further on executive pension perks in a move to promote fairness and good employee relations".

It has been common for pensions contributions for executives to be considerably higher than for the wider workforce. Although significant progress has been made on bringing executive pensions in line with the majority of their workforce, investors will now be expected to take a stronger stance against those companies which have not taken sufficient action.

Where the pension contributions for incumbent directors are above the majority of the workforce rate, remuneration committees must set out "a credible action plan" to align the two by the end of 2022. In a letter sent to the Chairs of Remuneration Committees of FTSE 350 companies, the IA noted that its highest level of warning will be given to those that fail to do so. New executive directors are expected to automatically join with a pension contribution aligned to the workforce rate.

The IA has also updated its guidance on investor expectations on COVID-19 and executive pay.

For more information (revised principles):
https://cdn.roxhillmedia.com/production/email/attachment/830001_840000/640558ffc20f7c44355ecf106a3529fa1bd25678.pdf

For more information (guidance on investor expectations):
https://cdn.roxhillmedia.com/production/email/attachment/830001_840000/52c0e648e7a95cc8709e340fb8f9c9ca58c22899.pdf

Roadmap published on implementing TCFD's recommendations

On 9 November 2020, the joint Government-Regulator Task Force for Climate-related Financial Disclosures (TCFD) published its interim report with a roadmap detailing the UK's approach to implementing the recommendations of the TCFD. The Government is aiming to introduce fully mandatory climate-related financial disclosure requirements by 2025, with significant mandatory requirements in place by 2023.

The upcoming rules and regulations will capture a significant portion of the economy, including FCA-regulated pension schemes and occupational pension schemes, listed commercial companies, UK-registered large private companies, banks, building societies, insurance companies, UK-authorised asset managers and life insurers.

The report covers the reasons for mandatory TCFD aligned disclosures, the path towards mandatory TCFD-aligned disclosures, key considerations in developing the roadmap and next steps.

For more information:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933782/FINAL_TCFD_REPORT.pdf

European Commission publishes revised standard contractual clauses for consultation

Following the ECJ's decision in Schrems II, which invalidated the EU-US Privacy Shield and introduced additional considerations for the use of Standard Contractual Clauses (SCCs), the European Commission has published a draft implementing decision on SCCs for the transfer of personal data to third countries (i.e. countries outside the EU and the EEA). It is seeking feedback before 10 December 2020.

The EDPS has also adopted recommendations on supplementary measures in the wake of the case, for public consultation.

The ICO has issued a statement to the effect that it is considering the recommendations published by the EDPS, and the European Commission's new draft SCCs. It reiterates the advice that organisations should take stock of the international transfers they make and update their practices as guidance and advice become available.

For more information (EC draft implementing decision on SCCs):
https://edpb.europa.eu/news/news/2020/european-data-protection-board-42nd-plenary-session-presentation-two-new-sets-sccs_en

For more information (EDPS recommendations):
https://edpb.europa.eu/news/news/2020/european-data-protection-board-41st-plenary-session-edpb-adopts-recommendations_en

For more information (ICO statement):
https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2020/11/updated-ico-statement-on-recommendations-published-by-the-european-data-protection-board-following-the-schrems-ii-case/

Responsible Investment Bill presented to MPs

On 5 November 2020, ShareAction (a charity which lobbies for responsible investment) proposed new legislation to MPs at an event held in collaboration with the All-Party Parliamentary Group on Sustainable Finance.

The proposed Responsible Investment Bill is designed to strengthen the legal duties of fiduciary investors (primarily pension trustees and their asset managers) to act in the best interests of their beneficiaries, by stipulating in law that "best interests" include environmental and social considerations. The Bill also includes provisions to improve transparency and accountability of pension trustees to their beneficiaries, among other things.

ShareAction's intention is to lobby for the Bill to be introduced before the end of the current parliament.

For more information:
https://shareaction.org/wp-content/uploads/2020/10/Responsible-Investment-Bill-briefing.pdf

Progress of the Pension Schemes Bill

The Pension Schemes Bill has progressed through the House of Commons Committee Stage, with the Public Bill Committee (the Committee) scrutinising the Bill line by line. The Committee sat on 3 November and concluded its consideration of the Bill on 5 November.

The Committee rejected the House of Lords' amendment which would have required open DB schemes (schemes expected to remain open to new members either indefinitely or for a significant period of time) to be regulated differently for scheme funding purposes. Proposed amendments aimed at clarifying the extension of TPR's powers were not progressed.

In addition, the Government considered points raised by the WPC in relation to transfer "red flags" and on strengthening member guidance requirements.

The Bill will now proceed to the Report Stage, scheduled for 16 November 2020.

For more information:
https://services.parliament.uk/Bills/2019-21/pensionschemes/committees/houseofcommonspublicbillcommitteeonthepensionschemesbillhl201921.html

DWP "stronger nudge to pensions guidance"

On 28 October 2020, the DWP published a "statement of policy intent" setting out proposed measures to encourage beneficiaries to access "appropriate pensions guidance" (via Pension Wise), with the aim of helping them make informed decisions and avoid scams.

Trustees will be required to "nudge" beneficiaries to guidance when they seek to access their pension through the retirement freedoms, and to ensure the member has either taken or actively opted out of taking guidance. Schemes will have "flexibility to choose a process that works best for them and their members" but be required "to take proactive steps to facilitate appointments for their members and to present taking guidance as a natural part of the process of accessing pension savings".

Draft regulations for occupational schemes (which will commence the relevant sections of the Financial Guidance and Claims Act 2018) will be published for consultation. The Government "expects" that TPR will provide guidance for trustees and managers to support them to implement these changes. The FCA will also consult on rules for contract-based pensions "in due course".

For more information:
https://www.gov.uk/government/publications/stronger-nudge-to-pensions-guidance-statement-of-policy-intent/stronger-nudge-to-pensions-guidance-statement-of-policy-intent

Financial Services Bill 2019-21

On 21 October 2020, the Financial Services Bill was introduced to Parliament.

Measures in the Bill are intended to:

- enhance the UK's "world-leading" prudential standards and promote financial stability by enabling the implementation of the remaining Basel III standards and a new prudential regime for investment firms. The Bill will also give the FCA the powers it needs to oversee an orderly transition away from the LIBOR benchmark;
- promote openness between the UK and international markets by simplifying the process to market overseas investment funds in the UK, and delivering a Ministerial commitment to provide long-term access between the UK and Gibraltar for financial services firms;
- maintain an effective financial services regulatory framework and sound capital markets with a number of smaller measures, including improving the functioning of the Packaged Retail and Insurance-based Investment Products Regulation and increasing penalties for market abuse.

The timing of the Bill's progression through Parliament is subject to parliamentary scheduling.

For more information:
https://services.parliament.uk/bills/2019-21/financialservices.html

DWP response on simpler annual benefit statements

On 19 October 2020, the DWP published its response to the consultation on simpler annual benefit statements for workplace pensions.

The response notes that voluntary adoption of the PLSA's template has not been as high as hoped. As a result, the Government now plans to consult "later this year" on a mandatory approach to simpler statement templates for DC schemes used for auto-enrolment, "taking the two-page statement template… included in our consultation document as the starting point in considering the length, content and design". It will work with industry on the detailed design of the template.

In terms of costs and charges, the Government's proposal is to include a line in the simpler annual statement template with a clear signpost to the more detailed assessment of this information which schemes are already required to provide elsewhere.

Following the implementation of measures for these schemes, the Government will then evaluate the impact to inform a consultation on how a similar approach for all remaining schemes could be delivered.

The consultation also invited views on whether the use of high-visibility coloured envelopes (as successfully used in Sweden) would encourage people to open their pension statements. The responses did not result in a consensus of views, and flagged risks, so the Government does not propose taking this idea forward at this time.

It still believes that a "statement season" might support engagement through helping to generate a national conversation around pension saving and acknowledges that the Government would hold joint responsibility with the pensions industry to prompt engagement with this.

For more information:
https://www.gov.uk/government/consultations/simpler-annual-benefit-statements-for-workplace-pensions/outcome/government-response-simpler-annual-pension-benefit-statements

WPC publishes views on small pots and evidence on pension scams

The Work and Pensions Committee has written to Guy Opperman, Minister for Pensions and Financial Inclusion, to welcome the establishment of a working group to address the current problem of proliferating small pension pots, and to share the views that the Committee had received to date on possible "workable solutions".

The WPC has also published written evidence submitted by TPR to its pension scams inquiry, plus correspondence between it and the Government on the issue prior to the second reading of the Pension Schemes Bill.

For more information (letter to Guy Opperman):
https://committees.parliament.uk/publications/2853/documents/27747/default/

For more information (TPR evidence):
https://committees.parliament.uk/writtenevidence/12113/default/

New Issues – Briefing papers on the end of the Brexit transition period and state pension uprating

The House of Commons Library has published a webpage collating various briefings on policy areas and sectors impacted by the end of the Brexit transition period, and has also updated its briefing papers on “Brexit and private pensions” and “Brexit and state pensions” to take account of the recent developments.

The House of Commons Library also published a briefing paper on state pension uprating. This paper focuses on the current policy regarding the uprating of state pension and pension credit for members who have reached state pension age, including the implementation of the Social Security (Uprating of Benefits Act) 2020.

For more information (Brexit transition period):
https://commonslibrary.parliament.uk/brexit/end-of-brexit-transition-period/

For more information (Brexit and private pensions):
https://commonslibrary.parliament.uk/research-briefings/cbp-7629/

For more information (Brexit and state pensions):
https://commonslibrary.parliament.uk/research-briefings/cbp-7894/

For more information (State pension uprating):
https://commonslibrary.parliament.uk/research-briefings/sn05649/

New Issues – PLSA survey on diversity and inclusion

In a PLSA survey of pension schemes, 91% agreed diversity improves decision-making and attracts and retains talent while 89% agreed that it can improve the representation of members’ interests. However, there were mixed views as to the current diversity of pension trustee boards, with two-thirds of those surveyed finding it ‘average’ or ‘poor’. Age, gender and social background were seen to be better represented, while disability and ethnicity are perceived to be least well represented.

For more information:
https://www.plsa.co.uk/Press-Centre/Press-Releases/Article/Greater-diversity-and-inclusion-can-aid-pension-schemes-effectiveness-PLSA-survey-finds

New Issues – ICO publishes Code of Practice on responsible data sharing methods

On 17 December 2020, the ICO published its Data Sharing Code of Practice. The code, and a suite of new resources, provide practical advice to businesses and organisations on how to carry out responsible data sharing. Alongside the code, the ICO has launched a data sharing information hub where organisations can find targeted support and resources, which include case studies and data sharing FAQs and checklists.

For more information:
https://ico.org.uk/for-organisations/data-sharing-a-code-of-practice/

New Issues – PPI issues briefing note on longevity inequality

On 9 December 2020, the PPI published a briefing note on longevity inequality. This briefing note focuses on the inequalities in life expectancy and healthy life expectancy, looking at potential reasons why these inequalities exist and the implications of this for retirement income. Policy options which could help reduce the inequality are also explored.

For more information:
https://www.pensionspolicyinstitute.org.uk/research/research-reports/2020/2020-12-08-briefing-note-number-125-longevity-inequality/

New Issues – IFoA publish report on actuarial factors used to calculate benefits in UK pension schemes

On 8 December 2020, the IFoA published a Thematic Review Report on the actuarial factors used to calculate benefits in UK pension schemes. The report looks at current practices adopted by actuaries, including how factors such as commutation at retirement are determined for schemes, and how frequently these factors are reviewed.

The report highlights that, when advising trustees, actuaries should focus on explaining the range of factors affecting calculations for transfer values and commutation rates and the reasons for the difference between the two.

For more information:
https://www.actuaries.org.uk/news-and-insights/media-centre/media-releases-and-statements/pension-scheme-actuaries-should-prioritise-clear-communication

New Issues – ICO warns public to be vigilant against pensions cold callers

Last year, the law changed to limit who can call people about their pensions. Now, companies can only phone and talk to people about their occupational or personal pensions if:

- the caller is authorised by the FCA, or is the trustee or manager of an occupational or personal pension scheme; and
- the recipient of the call consents to calls, or has an existing relationship with the caller.

Fining a company for flouting the law by harvesting contact details from the internet and making more than 39,000 direct marketing calls, the ICO issued a warning to the public to be vigilant against such calls, and to report them to the ICO.

For more information:
https://ico.org.uk/make-a-complaint/nuisance-calls-and-messages/

New Issues – Fifteenth version of the Purple Book published

The PPF published the fifteenth edition of the Purple Book on 2 December 2020, which gives a comprehensive picture of the risks faced by DB pension schemes in the UK, reviewing 5,318 (99.8%) of the estimated 5,327 private DB schemes eligible for the PPF. The data is based on information that eligible schemes are obliged to provide to TPR and covers the period from 1 April 2019 to 31 March 2020.

The latest edition found that, as of March 2020, the DB scheme aggregate funding ratio declined to 94.9%, largely due to market movements following the COVID-19 pandemic. This resulted in lower gilt yields driving up liability values and a fall in equity value.

It also reveals:

- the universe of DB schemes continues to shrink. There are now 5,327 eligible schemes, down from 5,436 in 2019 and 7,751 in 2006. The number of members in those schemes is now 9.9 million, compared with 10.1m in 2019 and 14m in 2006;
- 63% of DB schemes in deficit had a combined deficit of £229bn, up from £160bn in March 2019, and;
- on an estimated full buy-out basis, the net funding position worsened to a deficit of £668.5bn from a deficit of £644.92bn in 2019, although the funding ratio improved slightly from 71.52% to 71.8%.

Despite the statistics, the PPF commented that it remains “on a strong footing to continue protecting the UK DB pensions universe”.

For more information:
https://www.ppf.co.uk/sites/default/files/2020-12/PPF_Purple_Book_20.pdf

PASA launches Cybercrime Guidance for Pensions Administrators

On 9 November 2020, the Pensions Administration Standards Association (PASA) launched their new Cybercrime Guidance for Pension Administrators. This aims to help administrators take relevant steps against possible cyberattacks, to enable them to test their vulnerability and resilience, and to be prepared to function under any circumstances so they can continue to pay pensions uninterrupted.

The guidance outlines four key areas covering different elements of cybercrime: meeting legal and regulatory standards; understanding their organisation’s vulnerability to cybercrime; ensuring resilience; and finally, in case of an attack, remaining able to fulfil critical functions.

For more information:
https://www.pasa-uk.com/cybercrime-guidance-november-2020/

Fraud Compensation Fund eligibility criteria is clarified

Members of certain types of scam pension schemes are eligible for Fraud Compensation Fund (FCF) compensation, following a ruling on 6 November 2020 (PPF v Dalriada Trustees) in which the High Court clarified how the legislation governing the FCF should be interpreted.

The FCF is open to claims by occupational pension schemes that have suffered a loss as a result of an act of dishonesty. A number of claims had been made to the FCF to compensate members of schemes that were themselves part of a scam, but it had not been clear whether these schemes were eligible. The PPF therefore asked the Court to clarify how to interpret the legislation, using a test case which broadly represented other schemes.

The High Court confirmed that these types of claims are eligible for FCF compensation and clarified the core principles that apply. The PPF will now process the applications which were waiting for the Court's decision.

For more information:
https://www.ppf.co.uk/news/fraud-compensation-fund-eligibility-criteria-confirmed

TPR updates guidance on pension scams

On 4 November 2020, TPR updated its guidance on pension scams. Among other things, the updated guidance:

- warns savers that scammers' tactics have evolved since the introduction of the cold calling ban in 2019 (e.g. by using social media);
- now includes a section on how to report scams and suspected scams, and;
- advises that TPAS can support people who want to rebuild their pension savings.

For more information:
https://www.thepensionsregulator.gov.uk/en/pension-scams

PLSA publishes report on climate-aware investment

On 14 October 2020, the PLSA published a climate investment report, identifying some key recommendations to overcome some of the barriers "that prevent pension funds from fully embracing climate-aware investment".

For more information:
https://www.plsa.co.uk/Policy-and-Research/Document-library/A-changing-climate

TPR publishes new guidance for trustees and employers considering a DB superfund

On 21 October 2020, TPR published guidance for trustees and employers contemplating a transfer to a DB consolidator or "superfund" (or other new model). The guidance sets out TPR's approach to regulating such transfers, and its expectations of trustees and employers when considering whether to transact.

This follows the June launch of TPR's interim regime for the regulation of superfunds, pending the DWP's establishment of a full legislative framework for their authorisation and supervision.

Key points include:

- TPR notes that "[w]ell-run superfunds have the potential to offer good outcomes for pension savers and employers, but they will not be the solution for all schemes".
- Before trustees and their sponsoring employers enter into a transaction with a superfund, TPR expects schemes to demonstrate why they believe it is in the best interest of members, and how the transaction meets three "gateway principles".
- TPR expects transferring ("ceding") employers to apply for clearance and for trustees to demonstrate they have undertaken appropriate due diligence in respect of the transfer. Where a clearance application is not appropriate (for example, as the scheme is in PPF assessment) TPR still expects to be notified of the transaction, and to engage with the ceding scheme and superfund.
- The guidance provides specific information on transferring to superfunds where there is no immediate severance of employer covenant, for schemes in PPF assessment, and on partial transfers.
- Schemes should ensure that they take appropriate advice and engage with TPR "at an early stage". In particular, TPR would generally expect professional covenant advisers to be used and suggests trustees consider the appointment of an independent trustee "in view of the complexity of the considerations".

For more information:
https://www.thepensionsregulator.gov.uk/en/trustees/managing-db-benefits/db-superfunds/superfund-guidance-for-prospective-ceding-trustees-and-employers

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