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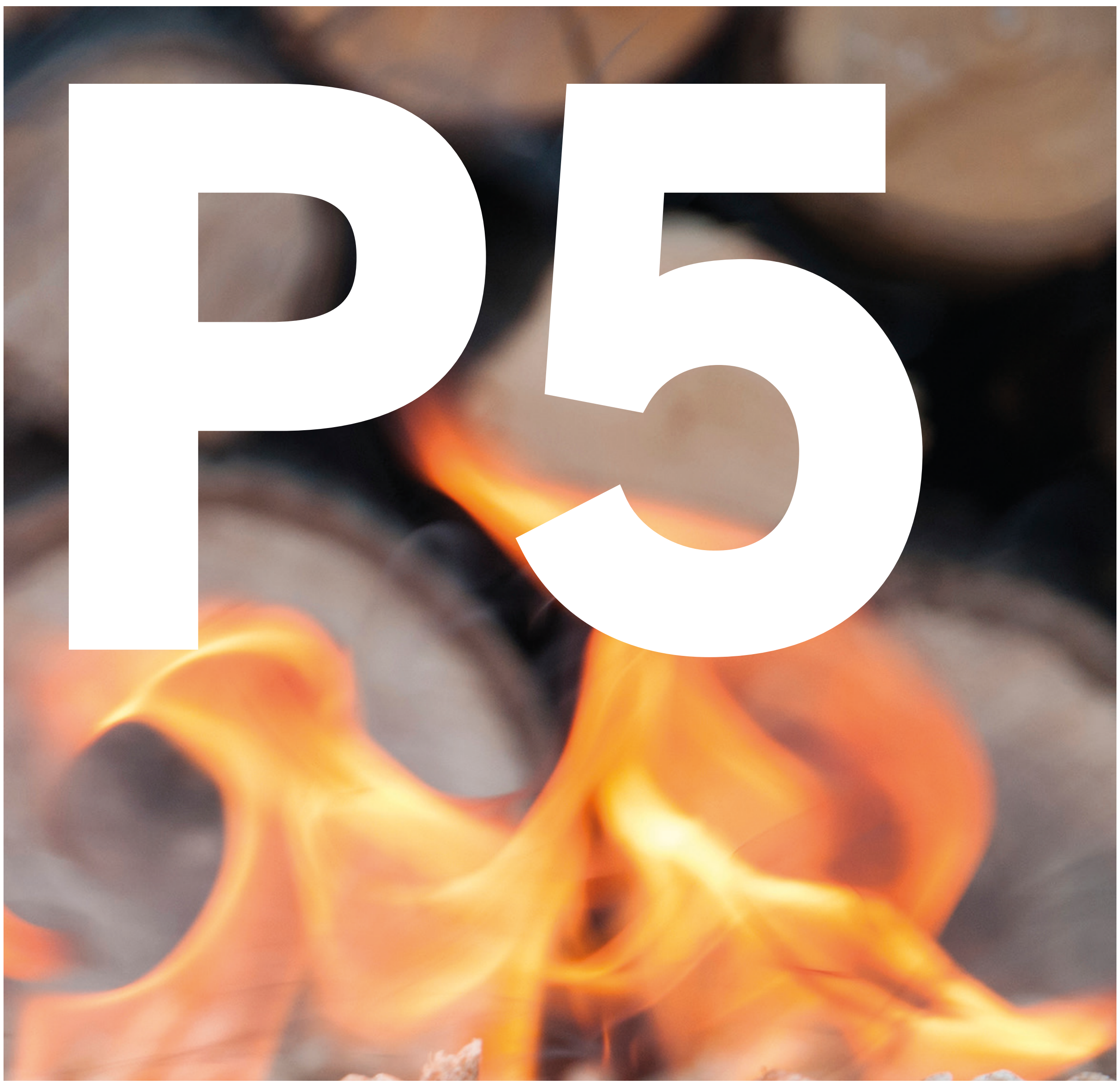

Pensions in five: **Pension developments this month**

November | **2021**

Annual benefits statements

The Government has published its response to its consultation on simpler annual benefit statements for DC schemes used for auto-enrolment and the final regulations have been made and laid before Parliament. They provide that the annual benefit statement provided to members of such schemes must not exceed one double-sided sheet of A4 when printed. The statutory guidance has been published and can be viewed here. The regulations will come into force on 1 October 2022.

Communication with members

The Pensions Ombudsman has published guidance on best practice for communicating with pension scheme members. The guidance highlights that the disputes and complaints seen by the Pensions Ombudsman often stem from poor communication and includes a list of top tips (such as using plain English, avoiding unnecessary technical terms and avoiding delays).

Climate change

The Government has published a consultation on draft regulations which will amend the climate change requirements that came into force on 1 October. The Government is also consulting on an updated version of the climate change statutory guidance, as well as draft statutory and non-statutory guidance on SIPs and implementation statements.

The consultation closes on 6 January 2022 and the Paris alignment requirements are expected to come into force for all schemes in scope on 1 October 2022. This means they will apply immediately to schemes with £1bn or more in assets when the climate change requirements first apply to them from 1 October 2022 (as well as applying to schemes with £5bn or more in assets and authorised master trusts from that date). More detail can be found in our client alert here.

Still on climate change, the Pensions Regulator, the FCA and the PRA have each published their climate adaptation reports.

Increase to normal minimum pension age

The Finance Bill 2021-22 was published on 4 November and includes a clause to increase the normal minimum pension age from 55 to 57 from 6 April 2028 (originally announced in 2014). The Government proposed to introduce a window to give individuals an opportunity to join pension schemes which offer a protected pension age. This would apply where the scheme rules on 11 February 2021 already conferred an unqualified right to take pension benefits below age 57 and the member joined that scheme by 5 April 2023. The Finance Bill actually provides that the window closed on 3 November 2021 (except for individuals who requested a transfer on or before that date). The Government has published a statement, which explains that this change was made following concerns expressed by stakeholders. It adds that the change was not announced at the Autumn Budget due to concerns that it could have led to unnecessary turbulence in the pensions market and consumer detriment.

Sustainable finance

The Government has published a policy paper entitled Greening Finance: A Roadmap to Sustainable Investing. From a pensions perspective, the key point to note is that the Government intends to introduce new requirements for occupational pension schemes to disclose their sustainability-related risks, opportunities and impacts in a way that enables clear communication with savers. Subject to consultation, the information will be combined with TCFD reporting on climate-related risks and opportunities, and will stand separate from, but linked to, the annual report and accounts. The scope and timing of requirements for pension schemes, and the reporting detail, will be determined following consultation, which is expected in 2022.

More detail can be found in our client alert here.

Scheme return changes

Following the Pensions Regulator and PPF's joint consultation on proposed changes to the asset information the Regulator collects annually from DB schemes via the scheme return, they have now published a response to the consultation, which confirms their intention to:

- implement the introduction of the new asset class categories proposed in the consultation in 2023;
- use a tiered approach to collect asset information based on scheme size;
- set the Tier one to two boundary at £30m, keeping it under review and reducing the threshold to £20m (or less) in the future;
- set the boundary for Tier two to three at £1.5bn; and
- continue to use the simplified roll-forward system for the new asset categories.

New regime for pension scheme transfers

Following a consultation on draft regulations relating to transfers and scams, the Government has now published its consultation response and the final regulations have been made and laid. The regulations will come into force on 30 November. Regulations bringing the relevant provisions of the Pension Schemes Act 2021 into force have also been made.

From 30 November, trustees will need to ensure that one of two conditions is satisfied before a transfer can proceed. More detail can be found in our client alert here.

Permitted charges in DC schemes

Following the Government's consultation on (i) regulations to introduce a de minimis pot size (set at £100) below which flat fees cannot be charged and (ii) a proposal to move to a single, permitted universal charging structure for use within the default fund of qualifying DC schemes used for auto-enrolment, the Government has now published its response to that consultation.

The response confirms a small number of minor changes will be made to the regulations, which are intended to come into force on 6 April 2022. It also confirms that the Government will respond separately to the second part of the consultation (the proposal to move to a universal charging structure).

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