CLIFFORD CHANCE

UK: PENSIONS UPDATE – DECEMBER 2018

1. PPF PUBLISHES FINAL LEVY RULES FOR 2019/20

The Pension Protection Fund (**PPF**) has published the final rules for the 2019/20 levy year. The levy rules will remain largely unchanged, but there are some key points to be aware of, as follows:

- *Levy estimate for 2019/20*: despite a challenging past year, the PPF's funding position remains strong and the PPF has confirmed a levy estimate for 2019/20 of £500 million (down from £550 million for 2018/19).
- *Re-execution of certain existing contingent assets*: the PPF has confirmed its policy intention (announced last year) to require any schemes which have a Type A (group company guarantee) or Type B (security over cash/real estate/securities) contingent asset containing a fixed sum maximum element in the cap on the amount that could be recovered[1] which is not on the 2018 standard-form, to 're-execute' it on the 2018 standard-form in order to obtain levy recognition for 2019/20. Re-executed versions must be certified by 31 March 2019. (The re-execution requirement does **not** apply to Type C (letter of credit/bank guarantee) contingent assets or Type A or Type B contingent assets which do **not** have a fixed cap element.)

  Some simplifications will apply to the certification process for re-executed contingent assets (when compared with that for brand new contingent assets), but these are unlikely to make the process much simpler. In particular, the PPF will accept 'refresher' legal opinions and guarantor strength reports in certain circumstances, but these should still be completed and up-to-date by reference to the 2019/20 requirements. Schemes affected by the re-execution requirement should have already been written to by the PPF and will therefore likely already be working towards re-execution, if desired.

  The PPF has confirmed it does not propose to make any further changes to the standard forms at this stage.
- *New rules for consolidation vehicles:* the PPF acknowledges the recent consultation of the Department for Work and Pensions (**DWP**) on a new regulatory regime for defined benefit (**DB**) superfunds (see item 6 below) but is aware of proposals to launch consolidators within the existing regulatory environment. It has therefore published new rules to calculate the levies of such schemes, while recognising these rules may only be an interim approach and will likely need development as the new regulatory regime develops/vehicles take shape. The new rules are broadly based on those which currently apply to the calculation of levies for schemes

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[1] This includes those where the fixed sum element is within a 'lower of' formula.

without a substantive sponsor but adjusted to ensure they reflect the particular risks posed by consolidation vehicles. Some specific amendments have been made to the calculation methodology due to responses received during the consultation on the draft rules.

- *Brexit-proofing*: the PPF has introduced a new rule to give it discretion to change its interpretation of the levy rules if any aspect of the rules would no longer work as a result of a change of circumstances arising from Brexit.
- *Guaranteed Minimum Pension (**GMP**) equalisation*: the PPF has commented that the recent High Court ruling in *Lloyds*[2] concerning GMP equalisation (please see our special edition of the UK: Pensions Update for more details) means some employers may need to make accounting adjustments to reflect higher scheme liabilities, which could in turn lead to a worsening in insolvency risk scores. However, the PPF has confirmed that it will not be making an adjustment to the rules to neutralise the effect of this.

2. CMA ANNOUNCES INVESTMENT CONSULTANCY AND FIDUCIARY MANAGEMENT REFORMS

The Competition & Markets Authority (**CMA**) has announced a range of reforms to the investment consultancy and fiduciary management sector after finding competition problems. Following extensive market investigation, the CMA has concluded that:

- Some pension trustees are choosing their existing investment consultant to act as fiduciary manager, even if a better deal may be available elsewhere (with only a third of pension trustees asking fiduciary managers to compete for their business via a tender).
- Investment consultants who offer fiduciary management services have an advantage when it comes to getting business from existing clients, as they are able to steer customers towards their own service.
- Many trustees do not have sufficient information on the fees or quality of investment consultancy and fiduciary management to be able to judge if they are getting a good deal from their existing provider, or if they could do better elsewhere.
- These features reduce trustees' ability to effectively compare all their options and reduce providers' incentives to compete.

As a result, the CMA is proposing a number of changes to address these concerns, in particular:

- Pension trustees who wish to delegate investment decisions for more than 20% of their scheme assets to a fiduciary manager must run a competitive tender with at least three firms. Trustees who have appointed a fiduciary manager without a tender must put the service out to tender within five years. This will increase competition and reduce the competitive advantage held by incumbent investment consultants when it comes to getting new business.
- Fiduciary management firms must provide potential clients with clear information on their fees and use a standard approach to show how they have performed for other clients, so that trustees have the information needed to compare different providers.

The CMA is also recommending that the Pensions Regulator produce new guidance to help trustees with these services and that the Government broaden the regulatory scope of both the Financial Conduct Authority (**FCA**) and the Pensions Regulator, to ensure greater oversight of this sector in future.

The CMA will issue a draft Order setting out these requirements in more detail, for consultation early next year. Implementation of the new requirements is then expected to begin later in 2019.

3. HIGH COURT HANDS DOWN JUDGMENT IN SUPPLEMENTARY HEARING ON *LLOYDS* GMP EQUALISATION CASE

Following the High Court's judgment of 26 October in the above case (please see our special edition of the UK: Pensions Update for an overview), a supplementary hearing took place at the beginning of this month and the judgment was handed down on 6 December.

[2] *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC and others [2018] EWHC 2839 (Ch).*

The judgment is limited to consideration of one particular point – essentially whether or not method "D2" (a method involving GMP conversion and a one-off actuarial equivalence calculation to compare the actuarial value of the male/female benefits) could be applied as a standalone method, or whether the trustees need to first use method "C2" (a 'dual record' approach which involves providing the better of male or female comparator pensions each year, subject to accumulated offsetting and factoring in an adjustment for interest) to equalise benefits before method D2 can be adopted.

The judge concluded that:

- It is not necessary to use method C2 to equalise benefits before using method D2.
- Method D2 requires the calculation of the actuarial equivalent of the unequalised benefits for a male and female. These benefits are then equalised by taking the higher of the actuarial equivalent of the unequalised male and female benefits. The higher of these two equivalents can then be used for GMP conversion.
- The 1% over base rate interest rate specified in the original judgment must be used if method C2 is adopted, but not if method D2 is adopted (it would be up to the actuary to decide how to build in interest).
- Method D2 can only be used for future payments and method C2 would have to be used for the past.

While the judgment provides some further clarity on the potential equalisation methods themselves, there are still a number of areas where uncertainty remains and in relation to which scheme trustees (and employers) are likely to need to seek advice, in particular, how to deal with ongoing transfer and lump sum requests.

Further guidance from the DWP and minor changes to the GMP conversion legislation are also expected in the near future. In the DWP's recently published consultation paper on DB superfunds (see item 6 below), the DWP says it is working with the pensions industry working group to consider minor changes to the GMP conversion legislation and it is hopeful of finalising this in the 'near future'. In the consultation paper, the DWP says it is also hoping to be able to provide schemes with some guidance on GMP equalisation more generally and is working with HRMC to investigate whether changes to tax legislation might be necessary as a result of benefit changes and corresponding Lifetime Tax Allowance and/or Annual Allowance requirements.

4. DWP ANNOUNCES AUTO-ENROLMENT EARNINGS THRESHOLDS FOR 2019/20

The DWP has announced the outcome of its annual review of the auto-enrolment earnings thresholds. For the 2019/20 tax year:

- The earnings trigger will remain at £10,000.
- The lower end of the qualifying earnings band will increase from £6,032 to £6,136.
- The upper end of the qualifying earnings band will increase from £46,350 to £50,000.

A statutory Order formalising the changes is expected to be published in the New Year.

Schemes and employers will also be aware of previously announced increases to the statutory minimum contribution rates for auto-enrolment purposes which will apply from 6 April 2019.

If basing contributions on qualifying earnings, the rates are as follows:

Dates	Employer Minimum Contribution	Total Minimum Contribution
Current rates from 6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards	3%	8%

For those employers who base contributions on a different definition of pay and self-certify, the rates are as follows:

Dates	Employer Minimum Contribution	Total Minimum Contribution
Tier 1 – contributions based on basic pay		
Current rates from 6 April 2018 to 5 April 2019	3%	6%
6 April 2019 onwards	4%	9%
Tier 2 – contributions based on basic pay where basic pay equals at least 85% of total earnings		
Current rates from 6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards	3%	8%
Tier 3 – contributions based on total earnings		
Current rates from 6 April 2018 to 5 April 2019	2%	5%
6 April 2019 onwards	3%	7%

5. IORP II IMPLEMENTATION REGULATIONS COME INTO FORCE IN JANUARY

Two new sets of regulations have been laid before Parliament and will come into force on 13 January 2019 – the deadline for implementation of the IORP II Directive.

A summary of the key changes to be made by the regulations is discussed below. However, we expect the practical implications of these changes to be fairly limited, with the DWP indicating that it does not expect schemes to need to make drastic changes to their systems to comply (and we expect most well run schemes are unlikely to need to take any action before January).

It has not yet been confirmed whether we can expect any more UK legislation regarding the implementation of IORP II. Although many of the IORP II requirements are already reflected in current UK pensions legislation (and these regulations cover off two key areas where legislative change for implementation is needed), there may be more developments to come, in particular, relating to disclosure requirements. (IORP II contains more detailed disclosure requirements, including a requirement to provide members with a new EU-wide standard-form annual pension benefit statement, which may require some changes to schemes' disclosure practices. It may be the case that the UK will seek to address this by expanding on pre-existing Regulator guidance/Codes of Practice, rather than introducing new legislation.)

The Occupational Pension Schemes (Governance) (Amendment) Regulations 2018

- These regulations are designed to implement Articles 20 – 35 of IORP II. They work by replacing the existing duty in the Pensions Act 2004 for trustees to establish and operate internal controls, with a new requirement to establish and operate an "*effective system of governance including internal controls*" that is proportionate to the size, nature, scale and complexity of the scheme's activities. As part of this, trustees will be required to carry out and document an "own risk assessment".
- The regulations themselves are very light on detail and the substance of the new requirements is to be covered in a Code of Practice. However, it is understood that, helpfully, the "own risk assessment" will **not** need to be a formal audit carried out by a qualified auditor, and the regulations are clear that schemes will not need to conduct an assessment for some time – schemes will have until the end of their next scheme year following the publication of the Regulator' Code of Practice (or, if later, by the deadline for agreeing the scheme's next actuarial valuation/the date by which they have to prepare an annual governance statement under existing legislation).
- It is expected the Code of Practice (which will likely be an updated version of existing Code No.9 on Internal Controls) will likely be produced sometime next year. The Regulator also intends to review and update some of its other existing Codes to ensure they accurately reflect the requirements of IORP II.

For the many schemes which currently operate effective governance as a matter of good practice, it is expected the new requirements will require no more than formal documentation of existing practices.

The Occupational Pension Schemes (Cross-border Activities) (Amendment) Regulations 2018

These regulations will implement the changes made by IORP II relating to cross-border schemes. In particular:

- Changes to the authorisation process for a cross-border scheme (including reducing the timeframe for the Regulator to communicate with regulators in other Member States); and
- The introduction of a new authorisation process for schemes wishing to undertake bulk transfers without consent to a scheme located in another EEA state – implementing the requirement in IORP II that such transfers will be subject to prior approval by a majority of members and beneficiaries or their representatives (as well as approval from the regulators of the home and host states).

6. DWP CONSULTS ON NEW REGULATORY REGIME FOR DB SUPERFUNDS

The DWP has launched a consultation on a new legal framework for DB "superfund" consolidation vehicles.

The consultation is seeking views on the appropriate legislative framework for the authorisation and regulation of DB superfunds. The DWP notes many of the proposals would require primary legislation (and is intending to legislate when Parliamentary time allows). In the meantime, the DWP recognises that the current legislative framework does not prevent superfunds from entering the market and expects any superfund considering this to engage with the Pensions Regulator and the PPF before doing so. At the same time, the Pensions Regulator has issued guidance, confirming that it will be regulating superfunds before an authorisation framework is legislated for, to ensure members' benefits are protected.

The DWP's consultation

- The intention is that superfunds will be classed as a type of DB occupational pension scheme (eligible for PPF protection), with the employer covenant replaced by a capital buffer provided by investors. However, given the differing risk profiles of superfunds from traditional schemes, additional safeguards will be introduced (to apply in addition to the existing DB occupational pension scheme regulatory framework).
- The DWP comments that superfunds will not be required to provide the same level of confidence that benefits will be paid in full as an insurer on buy-out, and as a result, a strong regulatory framework is needed. Otherwise, superfunds would enjoy a considerable competitive advantage over insurers. In addition, there may be a need to guard against incentives for insurance companies to establish a vehicle outside the insurance framework of Solvency II to acquire, or conduct, business that would otherwise have been acquired by the insurance company itself, as this could weaken the current insurance regulatory framework.
- The proposed authorisation regime will assess whether a superfund: (i) has a viable business model; (ii) is financially sustainable; (iii) is well governed; and (iv) has a high probability of being able to pay members' benefits as they fall due. Superfunds will be required to pay an application fee for authorisation and will be subject to a bespoke levy to cover on-going supervision costs.
- Authorised superfunds will then be subject to ongoing supervision, regular reporting and a 'significant events' framework whereby certain events must be notified to the Pensions Regulator.
- The regime would introduce a "regulatory gateway" to ensure that a decision by scheme trustees to transfer to a superfund is strictly regulated. The DWP says it wants superfunds to be able to offer an alternative for those schemes and sponsors who do not have a realistic prospect of being able to fund to buy-out. The proposed gateway would therefore prevent schemes from transferring to a superfund where the scheme is assessed by the trustees as having the ability to buy-out at the point of transfer or at any point in the "foreseeable future" – expressed to be the next five years. For any other scheme looking to transfer, a move to a superfund would need to be based on evidence that it enhances the likelihood of members receiving full benefits.

The Regulator's guidance

At the same time as the consultation was launched, the Regulator published a range of guidance for those considering setting up and running a superfund and for employers and trustees considering a transfer to a superfund. In its guidance the Regulator confirms that:

- Those looking to run a superfund will need to speak to the Regulator before launching and it will scrutinise each superfund against the areas outlined in the DWP's consultation. It would not expect any superfund to accept transfers-in of schemes that already have the ability to buy-out or are on course to do so within the next five years.
- It expects employers considering a transfer of their DB scheme to seek voluntary clearance from the Regulator before any transfer takes place.
- It expects trustees who have decided, in principle, to transfer to a superfund, to notify it at the earliest available opportunity – at least three months before the planned transfer.

The consultation runs until 1 February 2019.

7. DWP CONSULTS ON PROPOSALS FOR CDC SCHEMES

The DWP is consulting on a new regulatory framework for collective defined contribution (**CDC**) schemes, which will enable the type of CDC scheme proposed by the Royal Mail to operate (though the intention is for the regime to be capable of modification by means of secondary legislation so that it can be easily adapted if needed). Broadly, a CDC scheme would be DC in nature, but designed to provide a targeted level of income in retirement.

The consultation confirms that new legislation would be required and the intention is to repeal the provisions in the Pension Schemes Act 2015 (which were introduced as part of the wider 'defined ambition' framework, but not subsequently brought into force) and introduce fresh legislation instead.

The intention is for this new legislation to make clear that CDC schemes are truly DC in nature and that there would be no obligation on the employer to fund any shortfall between the scheme's funding level and that needed to meet the targeted benefit level, although the DWP acknowledges the biggest challenge here is likely to be communicating a clear message to members on this.

The consultation comments on several areas which would need to be considered carefully in order to ensure CDC schemes are appropriately governed. For example, requiring CDC schemes to appoint a scheme actuary, given the complexity of such schemes compared to ordinary DC schemes. In addition, consideration needs to be given to risk-sharing amongst members – with the DWP commenting that all increases or decreases in benefits resulting from scheme performance or changed assumptions should be applied across the entire (active, deferred and pensioner) membership. A specific CDC scheme authorisation process is also expected to be included as part of the new regime.

The consultation closes on 16 January 2019. The DWP is clear in the consultation paper that this is very much the beginning of its work on CDC and it seems that implementation of the new regime is not likely to be for some time yet. It also remains to be seen whether there will be much appetite from employers to offer such schemes, particularly given the associated member communication challenge mentioned above.

8. DWP ISSUES BREXIT PENSION REGULATIONS

The DWP has issued the draft *Occupational and Personal Pension Schemes (Amendment etc.) (EU Exit) Regulations* which would come into force on 29 March 2019 if the UK leaves the EU without a deal. The purpose of the regulations is to make minor and technical changes to UK pensions legislation to ensure retained EU law continues to operate effectively. The changes are part of the Government's wider contingency planning in the event the UK leaves the EU without a withdrawal agreement in place.

Most of the changes are minor changes to reflect the new distinction between the UK and overseas jurisdictions (which will include EEA states), rather than as currently between the UK, other EEA states and overseas jurisdictions. However, there are a few changes worth noting:

- The repeal of the *Occupational Pension Schemes (Cross-Border Activities) Regulations 2005* and the cross-border authorisation regime on the basis that UK occupational pension schemes would no longer need to obtain authorisation from the Regulator for cross-border activities. The Regulator will provide guidance to the small number of UK pension schemes which are currently authorised for cross-border activity within the EU.
- Amendment of the definition of "occupational pension scheme" in section 1 of the Pension Schemes Act 1993 such that it would no longer have to have its main administration in the UK or outside the EEA.

- For an annuity policy/contract to be an "appropriate" policy / contract, it would need to be issued by an insurer authorised in the UK under FSMA (i.e. it would no longer include insurers who are authorised under another EEA state's equivalent regime).

An earlier draft of the regulations would have changed the requirement in the *Occupational Pension Schemes (Investment) Regulations 2005* for scheme assets to consist predominantly of investments admitted to trading on "regulated markets" (defined relatively widely by reference to certain EU investment-related Directives) to a requirement to invest predominately on "UK regulated markets" (defined by reference to the Financial Services and Markets Act 2000). This could have had significant implications for many pension schemes; raising concerns that schemes may have had to disinvest assets invested on regulated markets outside of the UK. However, this point was raised with the DWP and revised draft regulations were issued on 5 December to address this. The draft regulations would now require predominant investment on "*a UK regulated market or an EU regulated market within the meaning of Article 2.1.13A and 2.1.13B respectively of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments*".

At this stage the draft regulations have been laid before Parliament, but still need to be approved.

9. DEVELOPMENTS IN RPI/CPI CASE LAW

Judgments in two key RPI/CPI cases have recently been handed down and are discussed below. However, as with previous cases, their findings are specific to their facts and very much dependent on the drafting of the particular scheme's rules. As a result, the findings are unlikely to be of general application to schemes unless their rules are similarly drafted.

Supreme Court judgment in *Barnardo's*

On 7 November, the Supreme Court handed down judgment in *Barnardo's v Buckinghamshire*[3].

The Supreme Court dismissed Barnardo's appeal and upheld the decision of the Court of Appeal (and High Court) that the scheme rules **do not** give the trustees a general discretion to switch from RPI to CPI or another index for future pension increases and revaluation for as long as RPI remains an officially published index.

The case focused on the following wording:

> *"**Retail Prices Index**" = "means the General Index of Retail Prices published by the Department of Employment **or any replacement adopted by the Trustees without prejudicing Approval**.*
>
> *Where an amount is to be increased "in line with the Retail Prices Index" over a period, the increase as a percentage of the original amount will be equal to the percentage increase between the figures in the Retail Prices Index published immediately prior to the dates when the period began and ended, with an appropriate restatement of the later figure **if the Retail Prices Index has been replaced or re-based during the period**."*

The principal question in the appeal was whether this meant: (i) the RPI or any index that replaces the RPI and is adopted by the trustees; or (ii) the RPI or any index that is adopted by the trustees as a replacement for the RPI.

The Supreme Court held that the first interpretation was the correct one. Lord Hodge (with whom all the other Supreme Court judges agreed) listed a number of reasons for arriving at this decision (which he said were essentially the same as those of Lewison, LJ in the Court of Appeal's judgment), including that:

- The word "replacement" does not naturally suggest the selection of an alternative to an option which remains available (although it is capable of bearing that meaning – it is necessary to look to the context for guidance).
- The word order and grammatical construction of the phrase "a replacement adopted by the trustees" suggest that the RPI must first be replaced and that the trustees adopt the replacement.

[3] *Barnardo's v Buckinghamshire and others [2018] UKSC 55.*

- In principle, one would expect words and phrases to be used consistently in a carefully drafted document, absent a reason for giving them different meanings. In the second sentence of the definition the draftsperson speaks about RPI having been "replaced or re-based". It is not suggested that anyone other than the official body responsible for the index could re-base it. Other things being equal, it is expected that the draftsperson of this phrase envisaged the same official body either replacing or re-basing the index.
- While the requirement of indexation by reference to the RPI imposes obligations on Barnardo's and contributes to the pension deficit at a time when many see the CPI as a more reliable index for the cost of living, the court must construe the scheme without any preconceptions as to whether a construction should favour the sponsoring employer or the members.

Court of Appeal judgment in *BT*

On 4 December, the Court of Appeal handed down judgment in *BT plc v BT Pension Scheme Trustees Limited*[4].

This case focused primarily on wording in the scheme rules which would allow BT (in consultation with the trustees) to adopt another measure in place of RPI for pension increases if RPI "*ceases to be published or **becomes inappropriate***."

The High Court decided in January that the wording of the rules did not permit a switch from RPI to another index because the test of whether or not RPI had "become inappropriate" was an objective one and, in the absence of agreement between BT and the trustees, was for the Court (not BT) to decide. The Court concluded that RPI had **not** become inappropriate. BT appealed, arguing that the question of whether RPI had become inappropriate was for BT to assess.

The Court of Appeal unanimously dismissed BT's appeal and upheld the High Court's original decision, largely for the same reasons given by the High Court judge:

- Following Lord Hodge's guidance in *Barnardo's*, it was appropriate for the Court to give weight to a textual analysis of the words used. In doing so and concentrating on the words which the draftsperson had chosen to use (and attaching less weight to the background factual matrix), the Court noted that in other areas of the rules, the draftsperson had made express reference to the person or body intended to make a decision where necessary, but had made no reference to the employer or the trustees in terms of assessing whether RPI had ceased to be published or become inappropriate. The question of whether RPI had ceased to be published is a matter of objective fact – the question of whether it had become inappropriate is an "objective state of affairs" which is fact sensitive and a matter of evaluative judgment. If there is any dispute on this (as was the case here), the matter has to be determined by the Court.
- The High Court judge had been entitled to conclude that RPI had **not** "become inappropriate". (It was not for the Court of Appeal to re-hear these issues, but to review and determine whether the High Court judge had reached the wrong conclusion about whether RPI had become inappropriate for the reasons set out in the grounds of appeal. In doing so, the Court of Appeal concluded that the High Court judge had been entitled to reach his conclusion based on the evidence before him.)

It is not yet known whether BT will seek to appeal further.

10. PPF PUBLISHES STATEMENT ON IMPLEMENTATION OF ECJ'S RULING IN COMPENSATION CASE

As reported in our September edition of the UK: Pensions Update, the ECJ recently handed down a ruling[5] confirming that where application of the PPF compensation rules results in an individual receiving less than 50% of their accrued entitlement, this is incompatible with the EU Insolvency Directive.

It is expected that only a small number of people will be affected by the ruling, although it is also likely to have implications for schemes that wind-up outside of the PPF with PPF-level benefits, who should also carefully consider the impact of the judgment.

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[4] *British Telecommunications Plc v BT Pension Scheme Trustees Limited and another [2018] EWCA Civ 2694.*
[5] *Grenville Hampshire v The Board of the Pension Protection Fund [2018] (Case C-17/17).*

The PPF has since issued a statement with an update on the steps it is taking to implement the ruling. The PPF says it is adopting a phased approach, focusing first on capped pensioners (the group most likely to be substantially affected) and is writing to such individuals to obtain further information that will be needed about their benefits under their original schemes. At the same time, the PPF is developing a process to uplift compensation payments which will involve a comparison of the value of the PPF compensation due to an individual at their scheme's PPF assessment date with the value of the benefits the member would have expected to receive from their scheme at the same date. Where the value of the PPF compensation is less than 50% of the value of the scheme benefits, the PPF intends to make a one-off increase to the headline level of compensation to bring it up to the 50% level.

11. FCA AND PENSIONS REGULATOR PUBLISH JOINT REGULATORY STRATEGY

The FCA and Pensions Regulator have published a joint regulatory strategy aimed at strengthening their relationship and taking joint action to deliver better outcomes for pension savers and those entering retirement. The strategy sets out the priorities for the next five to ten years and identifies four key areas of focus, together with planned workstreams for each.

Area of focus	Workstreams
Access and participation	• Continued focus on employer compliance with auto-enrolment • Greater support and communication with employers, scheme providers and intermediaries • Increased joint effort to support public policy development
Funding and investments	• More proactive use of a broader range of regulatory interventions on DB funding • Focus on DC default arrangement design and execution • Implementing investment-related recommendations from the Retirement Outcomes Review • Stronger regulation of and engagement with investment consultants and fund managers • Increased focus on Environmental, Social and Governance factors in investment decisions
Governance and administration	• Using a broader range of regulatory interventions to address poor governance and administration • Increased regulatory interventions and external collaboration to promote data quality and security • <u>Using a broader range of regulatory interventions to drive value for money</u>
Consumer understanding and decision-making	• <u>Joint review of the consumer pensions journey</u> • Cross-agency collaboration on improving consumers' understanding, engagement and trust in pensions • Continued promotion of high quality and accessible information and guidance • Continued regulatory focus to promote the provision of sound and accessible advice • <u>A specific focus on improving member/consumer outcomes from DB transfers</u> • <u>Strengthened multi-agency collaboration on combating pension scams</u>

Many of these workstreams are already ongoing, but there are a couple of new areas which have been identified for priority action, as underlined below.

12. PENSIONS REGULATOR UPDATES DC COMMUNICATING AND REPORTING GUIDE

The Pensions Regulator has updated its guide on communicating and reporting for trustees of schemes providing DC benefits. The guide is one of six supporting Code of Practice 13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

In particular, the section of the guide dealing with the provision of ongoing communications throughout membership has been updated. This refers to one of the most important ways of supplying this information being via the annual benefit statement and sets out what the Regulator considers best practice to include. The Regulator's guide says that best practice can be achieved by using the "Simplified Annual Benefit Statement" template which has been developed by the pensions industry. This was recently launched at the PLSA annual conference and is designed to give members an illustration of the amount they have saved into their pension plan, how much they can expect on retirement and information on what steps they could take to increase their pension pot – all on just two sides of A4 paper.

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