PENSION NEWS UPDATE (JUNE 2022)

TPR's Annual Funding Statement 2022

1. On 27 April 2022, the Pensions Regulator (TPR) published its latest Annual Funding Statement for trustees and sponsoring employers of occupational DB pension schemes. It is particularly relevant to schemes with valuation dates between 22 September 2021 and 21 September 2022.

2. The statement emphasises the need for trustees remain alert to their scheme's funding position and covenant changing very quickly in the current environment. Trustees should understand key risks and consider how underlying factors such as the Ukraine conflict, inflation, interest rate, higher energy prices and the impact of COVID-19 pandemic impact on the scheme and the employer's covenant in an integrated way.

3. TPR confirmed that the existing legislation and guidance will remain in force until the new legislation and the revised DB code come into force. The second consultation on the draft code is expected to be launched later in 2022, allowing enough time to learn from the Department for Work and Pensions (DWP) consultation on the draft regulations which is expected before the summer.

Stronger Nudge to pensions guidance

4. On 17 January 2022, the DWP published its response, together with final regulations, on proposals to implement a "Stronger Nudge" to pensions guidance. These regulations came into force from 1 June 2022. Subject to certain exceptions, schemes are required to deliver the stronger nudge to applications to transfer or access 'flexible benefits' (broadly DC benefits) received on or after 1 June 2022.

5. Where the stronger nudge requirements apply, the new regulations broadly require trustees and managers to:

    5.1. Refer the beneficiary to appropriate Pension Wise guidance and explain its nature and purpose;

    5.2. Facilitate a guidance appointment for the beneficiary, including offering to book the appointment and, where that offer is accepted, taking reasonable steps to do so;

    5.3. Where the beneficiary does not accept that offer, or where it is not possible to book a suitable appointment for them, the beneficiary must be provided with details of how to book a pensions guidance appointment;

    5.4. Explain to the beneficiary that their application cannot proceed unless they have received the guidance and notified the scheme of its receipt, or opted out of doing so; and

    5.5. Explain to the beneficiary that they can only opt out of receiving the guidance by giving an opt-out notification.

6. There are circumstances where the nudge to guidance is not required, including transfers for members under age 50 or if the individual has had certain financial advice/guidance in the last 12 months.

FCA and TPR publish feedback statement for value for money in DC schemes

7. On 24 May 2022, the Financial Conduct Authority (FCA) and TPR published a feedback statement following the consultation responses to their joint discussion paper on value for money (VfM) in DC pension schemes launched in September 2021.

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8. The feedback statement summarises the responses received but the regulators have not provided their policy response at this time. However, the FCA and TPR have confirmed that they will develop a more consistent and structured approach to VfM assessment, which will work across all types of DC pensions.

9. The regulators state that they will continue to engage with industry and consumer groups in the coming months, and work together with the DWP aiming to consult on policy proposals towards the end of 2022.

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