

# PATHways



## Pension Administration Technical Help

Highlighting pensions news and legislation that has particular relevance to what we do in pension administration



## New regulatory requirements

### The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 come into force with effect from 1 October 2021. Amongst other changes, these [regulations](#) require occupational defined contribution (DC) schemes with assets valued under £100 million which have been operating for three or more years ('specified schemes') to conduct a higher level of assessment to determine if their scheme provides value for members (VFM). [Statutory guidance](#) in respect of these requirements has also been published. The key points include:

- Specified schemes must conduct an annual VFM assessment including scheme costs, charges and investment returns.
- These schemes must benchmark themselves against three other similar schemes.
- There are seven key metrics specified schemes must test against to measure the effectiveness of their administration and governance.
- Details of the assessment must be reported in their annual chair's statement and be reported to The Pensions Regulator (TPR) in the scheme return.
- Where there is a failure to demonstrate that the scheme offers value, it will be expected to wind up and transfer the membership into an alternative scheme, if appropriate improvements are not made.
- TPR has updated several pages of its guidance to help schemes meet these new requirements, including the [Value for members guide](#).

## Value for money in DC pensions discussion paper

The Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) have [published](#) a joint discussion paper on developing a common framework for measuring value for money in DC pension schemes. The proposed framework focuses on the availability of key information on core elements which determine value for money for members, including investment performance, scheme oversight provided and costs and charges.

The two bodies believe this area needs more work as since the automatic enrolment requirements were introduced there has been a shift away from saving in defined benefit schemes to DC schemes. There is concern that savers in these schemes can only maximise their potential retirement income if there is value for money. Comments on the paper are invited until 10 December 2021.

## PASA updates

The Benefit Statements Working Group (BSWG) has published a [short paper](#) on initial administration considerations for a 'statement season' for defined contribution schemes used for automatic enrolment, as discussed in [Pathways 127](#). It looks at two options; producing statements with a common publication date (where all statements are published at the same time of the year), or a common valuation date (where all statements show benefits as at the same valuation date), and some of the considerations and potential impacts on pension administration. BSWG's initial findings are that the second option would be far more complex and offer little extra benefit to members, and that a realistic target date for implementing the first option might be 2024 to give sufficient lead in time for the introduction of a statement season.

PASA has also issued further guidance in relation to GMP equalisation. This includes a [supplemental guidance](#) update in relation to its September 2019 methodology guidance. The aim of this supplement is to provide more information on how anti-franking can impact GMP equalisation and it examines three possible techniques for the application of anti-franking.

In addition to the above, PASA has published its [Guide to GMP Communications - Implementation Stage](#). This focuses, amongst other areas, on how to communicate with members when a scheme is ready to start applying GMP equalisation to the benefits accrued. It looks at the key areas of the method of communication, the timing of any message and the member's perspective.

## Small pots cross-industry initial report

The Small Pots Cross-Industry Co-Ordination Group, brought together by the Pensions and Lifetime Savings Association and Association of British Insurers, has [published](#) its initial report on the growth of the number of small pension pots held in the UK. The report examines the issue of the number of individuals holding fragmented small pots, in part due to automatic enrolment, and the challenges they will face when it comes to gaining the full benefit from these savings. It looks at potential solutions and recommendations to reduce the number of small pots an individual may hold, including the possibility for low cost transfers without consent. The report also maps out the group's next stages, while acknowledging the likely requirement for regulatory intervention if an appropriate solution is to be found.

## HMRC update

### Pension schemes newsletter

Her Majesty's Revenue and Customs (HMRC) has published [Pension schemes newsletter 133](#), including:

- Notification that the availability to scheme administrators of a list of pension schemes they will need to migrate from the Pension schemes online service to the Managing pension schemes service will be delayed until November 2021;
- An update to say that the issue relating to the reporting of multiple small pots payments through Real Time Information has been fixed and that the [CWG2 further guide to PAYE and National Insurance contributions](#) guidance has been updated to reflect the additional information that must now be reported for such payments.

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