BARNETT WADDINGHAM
beyond the expected

PATHways

Pension Administration Technical Help

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

TPR updates

TPR updates guidance to include information in relation to the 'stronger nudge' regulations

The Pensions Regulator (TPR) has updated its 'Communicating and reporting: DC schemes' guidance to include information about the new 'stronger nudge' to Pension Wise requirements for trustees of pension schemes that include DC benefits, which will be in scope of the regulations coming into force from 1 June 2022 (see PATHways 132).

The At retirement communications section of the guidance has been updated to include guidance on directing members to Pension Wise, including in relation to the requirement to offer to book a Pension Wise appointment, as well as guidance about what to do where the member accepts or declines Pension Wise guidance. Appendix 2 has been updated with revised example declaration wording.

TPR information on the Ukraine conflict

TPR has set out information for pension trustees considering what action they may need to take due to the ongoing conflict in Ukraine. This includes information for trustees considering disinvestment from Russian assets and the need to monitor and comply with sanctions. The Pension Protection Fund (PPF) has put out a similar statement for its members and levy payers.

DWP consults on accessibility of illiquid assets for DC schemes

The Department for Work and Pensions (DWP) has published a consultation package on 'Facilitating investment in illiquid assets by defined contribution pension schemes'. This includes the government's response to two previous consultations, on defined contribution (DC) charge cap reform to exempt performance-based fees (see PATHways 131) and on understanding the barriers to further consolidation of the occupational trust-based DC pension scheme market (see PATHways 125). A consultation seeking views on new 'disclose and explain' proposals to enable illiquid investment for DC pension schemes and on draft 'Employer-related investment' amendment regulations was also published.

The consultation closes on 11 May 2022 and some points to note include that the government:

- Plans to further consult on principle-based draft guidance in relation to exempting performance-based fees from the regulatory charge cap for the default funds of occupational DC schemes used for auto-enrolment.
- Is encouraged by data published by TPR which suggests consolidation continues apace in the trust-based DC pension scheme market and so does not plan to introduce any regulatory requirements for the moment.
- Proposes to amend the Statement of Investment Principles requirements to ensure that relevant DC pension schemes 'disclose and explain' their policies on illiquid investment and to introduce regulations that would require relevant DC schemes with over £100 million in total assets to publicly disclose and explain their default asset class allocation in their annual Chair's Statement.

PASA publishes GMP equalisation FAQs guidance

The Pensions Administration Standards Association (PASA) has published GMP equalisation FAQs guidance covering some frequently asked questions, from an administration perspective, with answers drawn from PASA GMP equalisation working group members' collective experiences of undertaking GMP equalisation activity to date.

The guidance confirms the working group intends to update and add to the list of FAQs over time, as the implementation of GMP equalisation projects progress and different approaches and solutions emerge.

Legislation update

A raft of pensions related regulations were made during March 2022 including the following:

The Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022 (SI 2022/392) amend the 'Provision of Information' regulations (SI 2006/567) to support the Finance Act 2022. They make changes to the time periods within which an individual can give notice to elect scheme pays and within which schemes must provide information about and account for an annual allowance charge, where certain conditions apply. Broadly, this is where there has been a retrospective change of facts from the employer that affects the member's annual allowance position. The regulations come into force from 6 April 2022. See PATHways 133 for more information about Finance Act 2022 and the consultation on the draft regulations.

The Social Security Revaluation of Earnings Factors Order 2022 (SI 2022/216) sets the rates for revaluing earnings factors when calculating GMP entitlements in schemes that were formerly contracted out on a salary related basis. Those rates reflect an increase in average earnings in the UK of 4.5% in the year to September 2021, with the order coming into force on 6 April 2022.

The Guaranteed Minimum Pensions Increase Order 2022 (SI 2022/297) provides that post-5 April 1988 GMP in payment must be increased by a minimum of 3% from 6 April 2022.

The Social Security Benefits Up-rating Order 2022 (SI 2022/292) confirms that, amongst other things, the full rate of the 'new' state pension will be £185.15 a week from 11 April 2022 and the Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2022 (SI 2022/232) confirm the annual re-rating of various National Insurance contributions rates, limits and thresholds for the 2022/23 tax year. The Chancellor of the Exchequer's Spring Statement has since set out a policy to increase the National Insurance primary threshold to £12,570 from 6 July 2022 to align with the standard tax-free personal allowance for income tax. As existing legislation does not provide for in-year changes to National Insurance thresholds, the National Insurance Contributions (Increase of Thresholds) Act 2022 has been enacted to include these changes.