November 2020

In Sight

a quarterly pensions publication

This quarter's round-up

Regular features

Climate risk governance and reporting

The Department for Work and Pensions (DWP) has been consulting on proposals that will require trustees of larger schemes to put in place effective governance and risk management measures to address climate change risks and opportunities.

It is proposed that regulations will require trustees to meet climate governance requirements in line with the 11 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and to report on how they have done so. The TCFD's recommendations fall into four main areas: governance, strategy, risk management, and accompanying metrics and targets. Trustees would be required to publish their TCFD report on a publicly available website and to include a link to it from the trustees' report and accounts, as well as in members' annual benefit statements. Compliance would be reported to the Pensions Regulator through the annual scheme return.

Continued on next page

QAS Institute and Faculty of Actuaries® Quality Assurance Scheme

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Trustees will need to have regard to statutory guidance and the consultation proposes what this should cover; trustees can diverge from this guidance but will need to disclose their reasons. Further support will be available in non-statutory guidance from the Pensions Climate Risk Industry Group (PCRIG), on which the DWP consulted in March.

Under the proposals, the requirements will be phased in, broadly as follows:

- Schemes with £5 billion or more in assets will be required to implement the new climate governance requirements from October 2021; and to report on these in line with the TCFD's recommendations by no later than the end of 2022 (and potentially as early as May 2022 depending on the scheme's year-end).
- Authorised master trusts and collective money purchase schemes, irrespective of the value of the assets of the scheme, will also be required to implement the requirements from October 2021; and to report on these by no later than the end of 2022.
- Schemes with between £1 billion and £5 billion in assets will have another year to comply, with implementation from 1 October 2022; and reporting no later than the end of 2023 (and potentially as early as May 2023 depending on the scheme's year-end).
- In 2024 a review will consider whether to extend the requirements to smaller schemes.

The consultation closed on 7 October. The Pension Schemes Bill currently before Parliament (see page 5) includes the necessary regulation-making powers and a further consultation on draft regulations to implement these requirements will follow; final regulations are expected to be laid next year. The final PCRIG guidance is due to be published later this year.

Actions

Trustees of schemes with assets of £5 billion or more will be expected to comply from 1 October 2021, giving them less than a year to prepare. Producing TCFD-aligned disclosures requires careful planning and coordination so it is important to be ready should the proposals be adopted and become law.

Preparing for Brexit

Following the UK's exit from the EU on 31 January 2020, a transition period applies until 11 pm on 31 December 2020. At the time of going to press, it is not clear what the ongoing arrangements between the UK and the EU will be. We have summarised the key issues for pension schemes below.

- **Covenant** — for DB schemes, the key issue is likely to be the impact of the ongoing arrangements on the employer's covenant. The Pensions Regulator has repeatedly highlighted the importance of monitoring covenant, both in the context of Brexit and COVID-19.
- **Overseas payments from schemes** — one potential area of concern for pension schemes is the payment of benefits to those living in the European Economic Area (EEA). However, DWP guidance notes that UK law allows for workplace pensions to be paid overseas and confirms that the government does not expect this to change because the UK has left the EU. For EEA residents with UK bank accounts, the guidance says, "your bank should contact you if they need to change the way you receive your pension because the UK has left the EU".
- **Overseas payments from insurers** — there are some potential issues relating to payments from insurance companies to those living in the EEA, which have been highlighted by the FCA. The DWP guidance for members says, "your pension provider should have made plans to make sure you can still get payments from your annuity or personal pension following the UK leaving the EU. Your pension provider should contact you if they need to make changes to your annuity or pension or the way you are paid."
- **Data protection** — one issue that may depend on the agreement that is negotiated is the position on data protection, concerning the flow of personal data between the UK and the EEA, and whether the EU will confirm the UK data protection laws as adequate.
- **Cross-border** — finally, for the small number of cross-border schemes, the end of the transition period is likely to be particularly significant. Such schemes will need specialist advice based on their own particular circumstances.

There should be no significant changes to pensions law in general on 31 December. Many EU requirements are already written into UK law and there is no suggestion of immediate changes to these. Of course, there will be increased flexibility for UK legislation to diverge but this is likely to occur over time. In general, there is no anticipated cliff edge.

Action

Trustees and employers should consider the impact of the end of the transition period on their pension arrangements.

Pension schemes and COVID-19

Regulator ends COVID-19 easements

The Pensions Regulator updated its COVID-19 guidance on reporting duties and enforcement activities, in advance of the 30 September review date it had previously said would apply to certain easements.

Until the end of 2020, trustees will continue to have up to 150 days (rather than 90 days) to report late payments of DC contributions. Trustees are asked to recommence reporting based on the 90-day limit from 1 January. This will become mandatory from 1 April 2021, giving schemes time to make the necessary adjustments to systems and processes.

The Regulator also recommenced the following activities from 30 September:

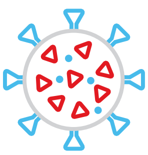
- Reviewing chairs' statements received after that date.
- Enforcement action relating to late preparation of audited accounts.
- Enforcement action relating to reviews of statements of investment principles.

There are no further specific review dates for the Regulator's suite of COVID-19 guidance.

The Regulator continues to publicly reiterate the balance it believes it is maintaining in its regulatory approach. In a blog on auto-enrolment, it states that it has been risk-based and pragmatic with regard to enforcement, making temporary changes to ease the burden on businesses while continuing to address wilful non-compliance. It intends to keep its approach and guidance under review but makes it clear that it 'will take the right action at the right time to support employers and ensure savers are protected'.

Action

Trustees and employers should be aware of these changes. Systems and processes should be amended to revert to the 90-day limit for reporting late DC contributions.



Visit Aon's UK R&I Covid-19 response site

Job Support Scheme

The Job Support Scheme has replaced the Coronavirus Job Retention Scheme and will run for six months, until the end of April 2021. It is designed to protect viable jobs in businesses that are facing lower demand over the winter months due to COVID-19. Under the new scheme, employees must work at least a third of their usual hours, for which they are paid by the employer. The government and the employer then each pay for one third of the unworked hours (with the government contribution capped at £697.92 per month).

An extension to the scheme covers businesses that are legally required to close their premises due to coronavirus restrictions. Two-thirds of normal pay up to a limit of £2,100 per month is paid for employees who (for a period of at least seven consecutive days) cannot work while premises are closed.

The scheme does not cover employer pension contributions or National Insurance contributions.

Mortality projections and COVID-19

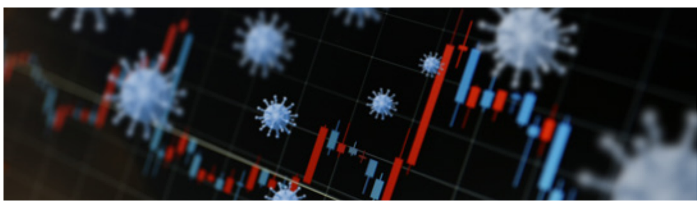
The Continuous Mortality Investigation (CMI) has consulted on the annual update to its mortality projections model, which will reflect mortality data up to the end of 2020.

Although the model has proved reasonably robust since its introduction in 2009, it was not designed to cope with the level of excess deaths experienced so far in 2020 in the UK, following the onset of COVID-19. In the CMI's view, if 2020 is incorporated without adjustment, the model is likely to produce unrealistic falls in predicted life expectancy. Therefore, the CMI proposed that the core model should place no weight on 2020 data.

The CMI plans to publish the results of its consultation by mid-December.

Action

Trustees and employers using the CMI model, for their DB scheme's mortality assumptions, should discuss the implications with their actuary.



Get ready for pensions dashboards

The Pensions Dashboards Programme (PDP) has confirmed that the first version of the data standards for the initial pensions dashboard is currently targeted for the end of this year. Although the implementation dates for the dashboards have not been confirmed, this should not prevent schemes from starting to prepare their data.

The Pensions Minister has warned that schemes should not be waiting for legislation to get their data ready and that there will be severe penalties for those who are not prepared. There are still a lot of issues that remain unknown, including what data must be provided and how schemes will be expected to match member records, but schemes can start to get ready.

What do we know?

Pensions dashboards will enable members to go online and view information about all of their pensions in one place, making it easier to plan for retirement. This is a simple proposition — however, the implications for schemes are extensive.

Dashboards will start with a simple *find and view* function that will allow individuals to see some consistent basic information. The Pensions Schemes Bill (see next page) includes provisions that will compel schemes to make such information available to people electronically when they request it via their chosen dashboard. There will not be a central database and dashboards will not be allowed to store data. Instead, dashboards will use a single Pension Finder service (PFS) that will link members with their pension schemes.

Therefore, schemes will need to ensure that they hold the correct data, that it is available digitally and that they have the IT capability to communicate digitally with the PFS.

What data must be available?

As reported in the August edition of In Sight, the PDP has been consulting on the scope and definitions of data to be displayed on initial dashboards:

Data scope — the PDP has been considering how to deliver an acceptable early breadth of coverage for individuals. User research indicates that people have a low tolerance for incomplete dashboards and would rather wait until most schemes and providers are online. To maximise the likelihood of a pension being found, there is expected to be a phased roll out, with the largest schemes having to comply first in order to achieve broad coverage quickly. The requirements and timetable for staging will be set out in regulations under the Pension Schemes Bill and will be consulted on in due course. The PDP anticipates that schemes will be compelled to connect to the system from 2023 onwards.

Data definitions — the PDP has been looking at the initial mandatory and optional data items that will enable pensions to be found, and that individuals will find useful to see. The government has said that, initially, schemes will only be expected to show the information already available on annual benefit statements, or on request. These requirements are expected to develop over time.

Some of the challenges for pension schemes

On the face of it, DC schemes are well placed as they are already required to provide annual benefit statements. However, not only must schemes have the correct data available, but they will need to match member records and present the information in an agreed way so that it is consistent across schemes. For instance, a search request will give an individual's personal data, and schemes will need to match that against the member records they hold, to ensure they disclose information to the correct person. However, the dashboard project has found that there is some variation between schemes as to which personal data items are stored, meaning that matching is not straightforward. Further testing is needed in this area and schemes would be well advised to ensure that their records for potential identifiers are complete — in particular, there are known issues with the accuracy of some National Insurance numbers received from employers or inherited from previous administrators. Most of the likely data items are included in the *common data* standards as defined in the Pensions Regulator's record-keeping guidance and schemes should already be well placed to provide this information.

There will be additional challenges for DB schemes because some data is not routinely prepared and hence may not be held digitally. For example, DB schemes are not required to provide annual benefit statements automatically (although many do for active members). In such cases, information is available on request and the scheme does not necessarily hold all of the data online. A further issue is the complexity of DB benefit structures, with schemes often having various components and historical rights that cannot be shoehorned into the anticipated basic information requirements.

Another difficulty is the need for dashboards to show an estimated retirement income (ERI) — this is an estimate of the annual income the individual might receive in retirement, calculated in today's terms. The government has said that initial dashboards will not do pension projections, therefore schemes and providers will have to supply this ERI. For DB schemes, this would require automated calculations that may not be consistent with modellers (if any) being used by schemes and is particularly difficult if data is not even digitalised. For DC ERIs, there is concern that showing numerous statutory money purchase illustration (SMPI) incomes from different DC pots alongside each other on dashboards is problematic.

Action

Getting systems and data ready for the dashboard project could be a huge task for some schemes. If they have not already started, trustees should arrange for appropriate data analysis and cleansing, so that they will be prepared to share data with dashboards. Assessing the scheme's position against the data standards is likely to be a priority for 2021.

Pension Schemes Bill

We first outlined the provisions of the Pension Schemes Bill in the November 2019 edition of In Sight and followed its progress through Parliament in subsequent editions. The Bill covers:

- Provisions to support pensions dashboards (see page 4);
- Changes to the Pensions Regulator's powers and sanctions;
- A requirement for trustees of defined benefit schemes to produce a statement on their long-term funding and investment strategy;
- Powers to impose requirements for trustees relating to climate change governance, including a requirement for information to be published relating to the effect of climate change on the scheme (see page 1);
- Provisions allowing for restrictions on statutory transfer rights, to help prevent pension scams; and
- A framework for collective money purchase schemes.

The Bill is expected to receive Royal Assent before the end of the year. Regulations will then be required to bring most of the provisions into force and expand upon the high-level requirements set out in the Bill.

On the horizon

Here are some key future developments likely to affect pensions:

Late 2020

- Proposals for review of the DC charge cap

December 2020

- End of Brexit transitional period

Early 2021

- Regulator consultation on TKU code of practice

Late 2021

- Earliest new funding code expected to come into effect

2028

State pension age expected to reach 67

Normal minimum pension age to rise to 57

DC consolidation and investment

The DWP has been consulting on plans to improve outcomes for members of DC schemes. The measures are designed to encourage the consolidation of smaller schemes into larger schemes and make it easier for schemes to invest in a more diverse range of long-term assets, including illiquid products such as venture capital and green infrastructure.

Alongside this new consultation, the government responded to its February 2019 consultation *Investment innovation and future consolidation*. The new consultation, which builds on the previous proposals, includes draft regulations and statutory guidance designed to improve governance, transparency and the diversification of investment portfolios.

Most of the proposals will affect 'relevant schemes' i.e. broadly schemes that provide money purchase benefits other than just AVCs. As proposed, the main requirements for relevant schemes will be:

- To report in the chair's statement on the net investment returns of default arrangements and of member self-selected funds in which assets were invested during the year.
- To report the total amount of scheme assets to the Pensions Regulator via the annual scheme return.
- For smaller schemes (with assets of less than £100 million) that have been operating for at least 3 years, to annually assess and report on the extent to which they deliver good value for members. With some exceptions, if a scheme cannot demonstrate that it is delivering value, trustees would be expected to wind it up and consolidate. The outcome of the assessment will need to be disclosed in the chair's statement and reported to the Regulator in the scheme return. New statutory guidance will cover a more extensive assessment of value for this purpose, across three areas: net returns on investment; charges and transaction costs; and administration and governance. (The existing requirement for a more limited assessment of value — looking only at costs and charges — would continue to apply to larger schemes.) The costs, charges and net return aspects would be assessed relative to those of at least three other schemes, one of which must be capable of receiving a transfer of the scheme's assets.

Other key measures include:

- Changes to the way in which the charge cap works, to introduce more flexibility around performance fees and facilitate investment in illiquid assets.
- Amendments to the rules for statements of investment principles (SIPs), requiring with-profits default arrangements to produce a default SIP; and exempting wholly insured schemes from some of the requirements.
- Changes relating to the chair's statement that include extending the requirement to disclose costs and charges to funds that are no longer available for members to choose; amending statutory guidance to clarify how costs and charges information should be set out; and clarifying that scheme documents that have to be disclosed on a website can be published in multiple linked documents.

The consultation closed on 30 October 2020. The changes would come into force on 5 October 2021 (and mostly take effect for scheme years ending after that date).

Actions

It is less than a year until these changes are planned to come into force. Therefore, trustees should start thinking about whether they will be impacted, and about what actions may be needed to prepare for the more extensive value for members assessment that has been proposed.

Other DC news

Simpler annual benefit statements

The DWP has published its response to its consultation on simpler money purchase benefit statements, carried out last year (on which we reported in the February edition of In Sight). It will consult later this year on a mandatory approach to producing simpler statements in DC schemes used for auto-enrolment.

The government's long-term ambition is to improve consistency and it will work with industry to develop this approach, taking a version released in 2018 as the starting point. The benefit statement template is expected to be two pages long and structured to answer three key questions (how much does the member have now, how much could they have at retirement, and what can be done to increase retirement income) in a simplified way. It would not include detailed information on costs and charges, just a single line with a signpost to more detailed information that schemes are already required to provide.

The government is keen on introducing a statement season during which all benefit statements must be issued – it will consult later on this becoming mandatory.

PLSA recommendations on DC decumulation

The Pensions and Lifetime Savings Association has published its final recommendations for a new regulatory regime that would require DC schemes to support members in making more informed retirement planning decisions. This would consist of three key elements: member engagement and communications; offering or signposting to decumulation products; and governance processes on how these products are designed, selected and delivered.

DB superfund guidance for trustees and employers

The Pensions Regulator has issued guidance on the process it expects from trustees and employers when considering whether to transfer some or all of their scheme's defined benefit liabilities to a commercial consolidator (so-called superfunds), potentially severing the need for ongoing employer support. This guidance reflects the interim regime currently in place, and supports guidance for superfunds themselves, which was issued in June 2020 (as reported in the August edition of In Sight).

Employer role

In many cases, the employer will be providing additional capital to meet the superfund's entry price. It is also is responsible for the expected clearance application to the Regulator, although in practice, there is an expectation that the trustees and superfund will also be party to the application and the Regulator will be informed at an early stage in the process. Clearance must be provided no more than three months before any transaction proceeds.

The employer must support the trustees with their own analysis including by providing sufficient information on its covenant and business plans. There is also an expectation that it will meet all trustee adviser fees relating to the project.

Trustee role

Trustees will need to consider a gateway test before entering a superfund transaction:

a. A transfer to a superfund should only be considered if a scheme cannot afford to buy out now.

b. A transfer to a superfund should only be considered if a scheme has no realistic prospect of buy-out in the foreseeable future, given potential employer cash contributions and the insolvency risk of the employer.

c. A transfer to the chosen superfund must improve the likelihood of members receiving full benefits.

Trustees can take into account the Regulator's own assessment of the superfund in order to take a proportionate approach. However, they must carry out their own due diligence to include:

- other options available, including buy-out and support from a wider-employer group;
- an analysis of member outcomes and experience;
- a covenant analysis, which must also include a backward-looking test to consider any material detriment from prior management actions;
- understanding the superfund's objective and fees (to include investment management fees);
- an analysis of key risks; and
- the gateway test described above.

The Regulator recognises the important role that an independent trustee might play, and actively encourages schemes to consider appointing one where a superfund transaction is considered. Where a superfund transaction only includes part of a scheme's liabilities, the trustees must also consider the impact on residual liabilities.

The guidance requires open and transparent communication with members throughout the process.

Action

Employers and trustees may wish to consider whether superfunds represent an option relevant to their particular circumstances.

Other news from the Regulator

Discussion on 15-year corporate strategy

The Pensions Regulator has published a discussion paper on its corporate strategy for the next 15 years. This outlines a shift in focus from DB to DC saving, and the Regulator notes that the financial wellbeing of savers (rather than schemes) will be central to its vision. The strategy analyses different groups of savers by generation — Baby Boomers, Generation X and Millennials — recognising that each group faces different life circumstances and risks in relation to their pensions. From this, five central strategic priorities emerge: security, value for money, scrutiny of decision-making, embracing innovation, and bold and innovative regulation. Feedback is requested by 16 December 2020, and the final strategy will be published in the new year.

Single code of practice delay

The Pensions Regulator was due to consult on a new single code of practice during the first half of 2020 but has said that this is now planned for late 2020 or early 2021. The Regulator intends to consolidate its 15 existing codes of practice into a single shorter code that will be quicker to use and update. To meet the new governance regulations brought in due to comply with the IORP II pensions directive, early focus will be on the codes most affected by those regulations, which includes those on internal controls, DC schemes and master trusts.

PPF levies for 2021/22

The Pension Protection Fund (PPF) is consulting on its levy rules for 2021/22. For most schemes the levy calculation is substantively unchanged from 2020/21.

The PPF expects to raise £520 million in levy income in 2021/22, which is £100 million less than it was originally expecting to collect for 2020/21. This reduction is mostly due to the changes outlined below and to the PPF taking account of improvements in buyout pricing. Around 90% of schemes that pay a risk-based levy can expect to pay a lower levy than in 2020/21. However, the actual impact will vary significantly by scheme.

The PPF has proposed two measures that will reduce levies for smaller schemes and those that pose a higher underfunding and/or insolvency risk to the PPF:

- the risk-based levy cap (the upper limit on the levy payable) will be halved from 0.5% to 0.25% of a scheme's smoothed liabilities; and
- schemes with smoothed liabilities of less than £20 million will see a 50% reduction to their (uncapped) risk-based levy, with a tapered reduction for schemes with smoothed liabilities between £20 million and £50 million.

The other notable change is the move to Dun & Bradstreet (D&B) for calculating insolvency risk scores (known as Pension Protection Scores), the details of which were confirmed earlier this year.

The PPF expects to publish the final levy rules in January 2021, with invoicing due to begin in autumn 2021.

Responding to COVID-19 and future changes

The PPF had been due to carry out a full review of its levy methodology and set rules that would be in place for the next three levy years. However, given the uncertainty arising from COVID-19, it wants to retain flexibility to make changes over the next few years, as the position becomes clearer.

The PPF expects COVID-19 to have little impact on 2021/22 levies, hence the limited changes being proposed above. This is mainly because insolvency risk scores will be based largely on information prior to the pandemic, and funding positions are based on average market conditions over the last 5 years. However, the PPF expects that more significant changes may be needed from 2022/23 as experience emerges, and this may result in increased levies.

Actions and next steps

Schemes can start to estimate their 2021/22 levies. Although most schemes will see a levy reduction, it remains important for all schemes to understand what their 2021/22 levy could be, and to consider all possible mitigation actions as soon as possible.

In particular, schemes should review the information held by D&B if they have not already done so, as this will not necessarily be the same as that used in previous years by Experian.

Other actions that can be taken include:

- Consider paying/certifying deficit-reduction contributions.
- Consider putting in place a new contingent asset or asset-backed contribution arrangement.
- Re-certify an existing contingent asset (including a guarantor strength report if required) or asset-backed contribution arrangement.
- Carry out a bespoke stress test and/or consider how the scheme's asset split should be shown on the scheme return.
- Consider whether submitting a new PPF section 179 valuation would be beneficial.

The main deadline for submitting information is midnight at the end of 31 March 2021.

Equalising for GMPs – latest update

Lloyds supplementary hearings

Back in 2018, the High Court ruled in the Lloyds Banking Group case that trustees have a duty to equalise benefits for the effect of unequal guaranteed minimum pensions (GMPs). In August's In Sight we reported that the outcome of a third hearing, on the question of transferred benefits, was expected this summer. The Judge has since asked some further questions and another short hearing is scheduled for 28–29 October 2020.

Guidance on member communications

The cross-industry GMP Equalisation Working Group (GMPEWG) has published further guidance — on communication with members for schemes in the early planning stages of GMP equalisation.

This guidance is intended to be 'simple, no jargon, inclusive and practical'. It includes:

- Broad principles to follow when planning communications.
- Questions and answers, to help managers and administrators answer many of the common questions that members may ask.
- A checklist of the communications to members that may need to be reviewed.
- A jargon buster to help avoid using words and phrases that members may find confusing.

The GMPEWG plans to issue a further note *Guide to GMP Communications — Implementation Stage*, as well as first versions of good practice guidance on impacted transactions and on tax.

Action

If they have not already done so, we suggest that trustees and employers discuss GMP equalisation with their advisers and agree how best to proceed.

Pension scams

Pension scam concerns

The Financial Conduct Authority (FCA) and the Pensions Regulator have reported that over £30 million has been lost to pension scammers since 2017. They note that putting time pressure on pension transfers is a key tactic for scammers. As part of their ScamSmart campaign they have teamed up with football commentator Clive Tyldesley as their research showed that just 43% of football fans knew how much pension savings they had.

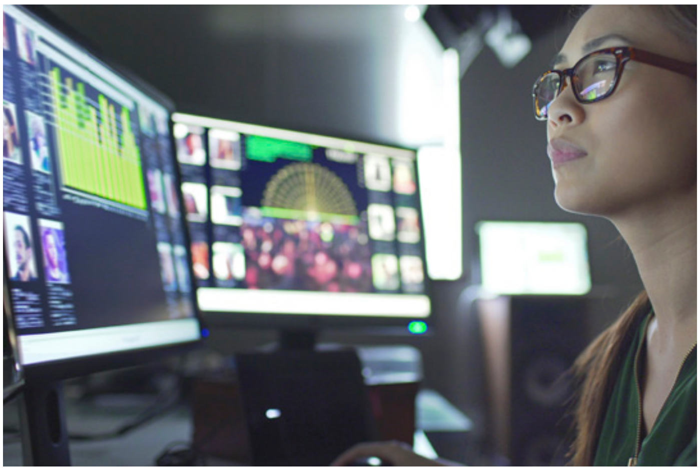
The FCA has also highlighted that social media is being used to circumvent the cold-calling ban that was introduced in 2019. It notes that scammers are offering free pension reviews via social media to try to evade the ban, which prevents cold-calling or other unsolicited direct marketing in relation to pensions. It can be difficult to establish what is being covered in these reviews but the FCA notes that there are indications that they can be instrumental in members deciding to transfer out of their existing pensions, potentially losing major benefits in the process and/or being exposed to high-risk investments.

Action

Trustees and employers may wish to consider appointing a reputable IFA to provide advice for scheme members to reduce the risk of them becoming victims of scams.

New powers to help investigate scams

The Pensions Regulator has been given new data-gathering powers to help with criminal investigations, particularly into scam activity. Broadly, the Regulator will be able to obtain communications data (information about the who, where, when and how of a communication but not the content — covering phone calls, emails and other forms of electronic communication) for the purpose of preventing or detecting crime.



News round-up

A reminder: compliance with CMA Order

In December 2019, the Competition and Markets Authority (CMA) Order introduced new duties for trustees, requiring them to set objectives for their investment consultants and carry out a tender process for fiduciary management services in certain circumstances.

As explained in the August edition of In Sight, trustees are required to submit a compliance statement to the CMA by **7 January 2021**, confirming the extent to which relevant parts of the Order have been complied with. In future, (once DWP regulations are put in place that integrate these requirements into pensions law) reporting of compliance will be to the Pensions Regulator via the scheme return.

Action

Trustees will need to submit a compliance statement by 7 January 2021 in relation to any compulsory competitive tenders and objective setting for investment consultants.

NMPA will rise to 57 in 2028

The government has confirmed that it still intends to increase normal minimum pension age (NMPA) from 55 to 57 in 2028. NMPA is the earliest age at which pensions and lump sums may normally be drawn from a registered pension scheme, except for ill-health and certain transitional cases. It was increased from 50 to 55 with effect from 6 April 2010. State pension age (SPA) will increase to 67 in 2028 and, from then on, the government intends that NMPA will remain at 10 years below SPA.

The increase to 57 was originally announced in 2014, at which time the government said that there would be exceptions for certain public service pension schemes and possibly also for some individuals affected by this change. No changes had been made to legislation, casting some doubt over if and when the increase would proceed; however, in September the government stated that it will be legislated for in due course.

Action

Trustees should discuss the implications with their advisers - although the legislation is not in place, there are some actions that can be taken to prepare for this change (such as checking scheme rules and member communications). Employers may want to start considering how this change may impact redundancy or early retirement policies.

Tackling small pension pots

The DWP has launched an industry working group to identify the priority option (or combination of options) to help tackle the growing number of small deferred pension pots. This will complement the development of pensions dashboards (see page 4). The group will involve experts from within the pensions industry, financial technology and those representing member interests and employers. It is expected to report later this autumn with an initial assessment, recommendations and an indicative roadmap of actions.

Following the launch, the Pensions Policy Institute (PPI) released a report that is intended to support the working group, setting out the potential problems associated with small pots, how policy solutions to these could be approached and the trade-offs that need to be considered.

Finance Act 2020

The Finance Act 2020 received Royal Assent on 22 July. For pensions, this formalises previously announced measures including:

- The changes to the tapered annual allowance, applying from the 2020/21 tax year, as set out in Budget 2020.
- Provisions temporarily allowing members who have retired early (between age 50 and 55) to return to their employment (within six months of retirement) between 1 March and 1 November 2020 to undertake work relating to COVID-19, without adverse tax consequences.

Call for evidence on auto-enrolment test for DB and hybrid schemes

The DWP launched a brief call for evidence (until 21 October) on the alternative quality requirements for DB and hybrid schemes being used for auto-enrolment. The government must review these requirements at least every three years and the last review was in 2017. The DWP has asked for evidence to ascertain whether the government's policy intentions are still being met and whether any new issues have arisen.

State pension increases

The government has introduced legislation that is intended to amend provisions that could otherwise prevent increases to state pensions in April 2021, if the UK experiences negative earnings growth this year. This will support the government's commitment to increasing the basic state pension and new state pension by the triple lock (the higher of earnings, CPI and 2.5% each year).

Training and events

To mitigate the risk and further spread of COVID-19, for the remainder of 2020 all courses will be delivered as interactive webinars. You can find a copy of our training brochure and book online at www.aon.com/pensionstraining.

Dates scheduled for our pensions training seminars are set out below.

Please contact us to discuss your training needs: pensionstraining.enquiries@aon.com

Pensions training courses	Dates
Defined Benefit – part 1	17/18 November (am) (Webinar)
Defined Benefit – part 2	8/9 December (am) (Webinar)
Defined Benefit Trustee Essentials	2021 – 7/8 July (Surrey)

Other events

Aon participates in a variety of sector-specific conferences and exhibitions as well as holding regular seminars, webinars, conferences and events focusing on key issues of client interest.

Due to COVID-19, some of the scheduled events are taking place by webinar.
To find out more about our events, go to: http://www.aon.com/unitedkingdom/events

Contacts

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