August 2023

# In Sight

## This Quarter's Round-Up



## Regular Features



# Mansion House Reforms

The Chancellor's Mansion House speech in July included several pensions-related announcements. Following the speech, a number of consultations and calls for evidence commenced, and the outcomes of some long-standing consultations were published — further developments are expected in the run-up to the autumn statement.

The reforms are guided by three golden rules: to secure the best possible outcomes for pension savers; to prioritise a strong and diversified gilt market; and to strengthen the UK's competitive position as a leading financial centre.

The Pensions Regulator has welcomed the announcements, saying that an industry mindset shift is needed to deliver value for pension savers.

*Continued on next page*

# Defined Contribution (DC) Developments

The Chancellor promised to facilitate a programme of DC consolidation, to ensure that funds can maintain a diverse portfolio of bonds, equity and unlisted assets and deliver the best possible returns for savers.

## Mansion House Compact

Several of the UK's largest DC funds have signed up to the 'Mansion House Compact' — a voluntary initiative committing to the objective of allocating at least 5% of their default funds to unlisted equities by 2030.

## Value for Money (VFM) Framework

The Department for Work and Pensions (DWP), the Financial Conduct Authority (FCA) and the Pensions Regulator (TPR) published the outcome to their joint consultation on a common VFM framework to apply across all workplace DC schemes, both trust-based and contract-based (as reported in the May edition of In Sight).

Schemes will be required to disclose, assess, and compare the VFM their scheme provides, using a set of comparable metrics and standards. The paper includes joint responses to the consultation questions relating to the three components of the framework — investment performance, costs and charges, and quality of services — as well as on the disclosure requirements.

The framework will be implemented in phases, with the primary focus being on workplace default arrangements. Where schemes are underperforming and cannot show they will deliver VFM, they could be required to wind up and consolidate into a better performing scheme. Where there is continued underperformance, the regulators will be given the necessary powers to intervene.

Many of the proposals, including the definition of default arrangements, will require primary legislation and the government proposes to legislate when parliamentary time allows. The detail of what would be calculated and disclosed, along with further details on the phased introduction, will be addressed in further consultations (on regulations for trust-based schemes and on FCA rules for contract-based schemes).

## Small Pots

The DWP has published a consultation on ending the proliferation of deferred small pension pots. The document includes a summary of responses received to January's call for evidence (see the May edition of In Sight), along with the government's own response and new consultation questions exploring next steps.

The initial call for evidence considered the development of two large-scale automated consolidation solutions — a default consolidator model and a "pot follows member" model. Responses indicated that both solutions have their merits, but there was no collective agreement on the most favourable approach. The government has concluded that the default consolidator model is the optimum approach — among other things there is potential for economies of scale.

Under the proposals, a small number of authorised schemes would act as consolidators, with a clearing house acting as a central body. Scheme members would need to choose a consolidator for their pension pots or be allocated one. The maximum small pot size will initially be set at £1,000, with no minimum.

## Understanding Pension Choices

The DWP is consulting on plans for a decumulation framework that will require trust-based occupational DC schemes to offer support to members when they take their pensions, to help them make informed choices. The consultation paper includes feedback from last year's call for evidence on helping savers understand their pension choices (see the August 2022 edition of In Sight). The framework would require trustees to offer decumulation services that are suitable for their members. These could be offered in-house or through a partner supplier. The DWP specifically encourages including a CDC option within the framework and wants to create a CDC decumulation market that supports this approach (see next page).

The government intends to legislate for these duties when parliamentary time allows. In the meantime, the DWP will work with TPR to issue guidance for trustees wishing to meet the objectives sooner.

## CDC Schemes

The Chancellor promised to set out a roadmap to encourage CDC schemes, which he believes hold "great promise for the future". The DWP subsequently published its response to the consultation on a policy framework for multi-employer CDC whole-life schemes, including master trusts, and on the potential for CDC decumulation-only products.

The DWP intends to consult this autumn on draft regulations for whole-life multi-employer schemes. It also confirmed that it is committed to creating provision for decumulation-only CDC products, but further work is needed. It recognises that CDC decumulation could help provide members of traditional individual DC schemes with the option to turn their DC savings into a pension income in a more cost-effective way and will explore how these products could operate in the best interests of members.

## Investment Options

The Chancellor will explore the case for government to play a greater role in establishing investment vehicles. Ahead of the autumn statement it will test the options for opening investment opportunities in high-growth companies to pension funds.

## Defined Benefit (DB) Developments

The government plans to introduce a permanent DB consolidation or 'superfund' regime. Currently, commercial DB consolidators are subject to an interim regulatory regime, based on guidance issued by TPR; the first (and currently only) superfund to meet TPR's standards of governance and administration is Clara Pensions.

In 2018, the government consulted on a legislative framework for authorising and regulating superfunds. It has now issued a response to that consultation which sets out the key features of its proposed regime. To avoid the introduction of too much risk, the regime will be targeted at schemes that cannot yet afford or access full buy-out but are also suitably funded (e.g. those funded at between 70% and 90% of full buy-out cost, or up to 95% if there is 'an uncertain or no employer covenant'). It intends to bring forward primary legislation for the new regime as soon as parliamentary time allows, with further detail to be set out in regulations.

The government has also issued a call for evidence on how DB schemes could use their assets more flexibly, while maintaining benefit security and not undermining the fiduciary duties of trustees. It seeks to support increased investment in 'productive' asset classes — start-ups, infrastructure, and private equity, as well as longer-term investments such as illiquid assets. Areas of interest include asset allocation and incentives around including productive assets in investment strategies; current rules and barriers around investing to build up a surplus; and the potential for consolidation options, including the PPF acting as a consolidator.

## Trustee Decisions for DB and DC

The DWP and HM Treasury have issued a call for evidence to help improve the skills and capability of pension trustees and remove barriers to making effective investment decisions. It is focused on three areas: trustee skills and capability, the role of advice, and other barriers to trustee effectiveness. In particular, it seeks to understand whether trustees have the right knowledge and skills to invest in the full range of investment opportunities.

## LGPS Developments

The government is consulting until 2 October on accelerating the consolidation of Local Government Pension Scheme (LGPS) assets, and encouraging these schemes to invest more in private equity.

## Next Steps

The consultations and calls for evidence all have a deadline of 5 September for responses (unless otherwise indicated above). The Chancellor stated that all final decisions will be made ahead of the autumn statement later this year.

# Taxation

## Finance (No. 2) Act 2023

The Finance (No.2) Act 2023 has received Royal Assent. This confirms the tax measures outlined in the Budget, including the pensions tax measures summarised in the May edition of In Sight that were introduced with effect from 6 April 2023. It includes provisions to:

- Remove the **lifetime allowance (LTA) charge** on benefits that exceed the LTA (£1,073,100) — lump sums that would have triggered the 55% LTA charge will instead be taxed at the recipient's marginal rate of income tax.
- Increase the **annual allowance** to £60,000 and to increase both the minimum tapered annual allowance and money purchase annual allowance to £10,000.

The Act also sets out details of transitional provisions relating to the LTA change and lump sums, for members with existing protections:

- **Enhanced Protection** (EP) that was applied for before 15 March 2023 will no longer be lost in the circumstances set out in legislation. These members will also retain protected Pension Commencement Lump Sum (PCLS) rights of more than £375,000, but they will be limited to the value of the lump sum that could have been paid as of 5 April 2023. *Any members with EP that have yet to take their PCLS may therefore wish to request a calculation of their lump sum rights at 5 April 2023.*
- Similarly, any of the various forms of **Fixed Protection (FP)** applied for before 15 March 2023 will no longer be lost in the circumstances set out in legislation, and the relevant PCLS protections will remain.
- There is an ongoing protection for **stand-alone lump sums** (i.e., where schemes provide a lump sum with no attaching pension) that were available prior to 6 April 2006. The Act (as amended during its parliamentary progress) caps the tax-free part of this protected lump sum at the lump sum that could have been paid as of 5 April 2023 — any excess over that level will be taxed at the marginal rate of income tax.

For those without protections, PCLS calculations remain restricted to one quarter of the member's remaining, unused lifetime allowance.

The Act also includes the anticipated changes for low earners who would otherwise not benefit from income tax relief on their contributions (see the May 2022 edition of In Sight). As originally announced in the Autumn 2021 Budget, the Act provides for these low earners to be paid top-up payments by HMRC in respect of pension contributions they have made using net pay arrangements (i.e. most occupational pension schemes). The first top-ups, for contributions in the 2024/25 tax year, will be paid in the 2026/27 tax year.

## Finance Bill 2023-24

The government has published draft clauses for the next Finance Bill for technical consultation before the legislation is laid before Parliament:

**Lifetime Allowance (LTA) abolition:** as announced in the Budget, this includes the draft legislation necessary to abolish the LTA from 6 April 2024, following the removal of the LTA charge from 6 April 2023. Removing the LTA necessitates a large amount of complex legislation aimed broadly at maintaining the status quo for the tax treatment of lump sums and lump sum death benefits paid from that date.

The proposals may introduce some changes however. For example:

- There would be additional flexibility to pay higher Pension Commencement Lump Sums — the amount that can be paid tax free would be broadly aligned with the current limit, with any excess taxed as income.
- The supporting policy paper suggests that there could be a worsening in the tax position for DC funds on death — in particular, following death before age 75, funds assigned to drawdown or used to purchase an annuity may be subject to income tax from 6 April 2024 (currently only the amount above the LTA is subject to tax).

**Pensions schemes relief at source (RAS):** draft legislation is intended to introduce a legislative framework from 6 April 2025 needed to support the modernisation of RAS arrangements, including digitisation of the system. This measure makes no changes to principles of pensions tax relief, including who is eligible for relief.

The consultation closes on 12 September 2023.

# News On Pensions Dashboards

## New Connection Deadlines To Be Set in Guidance

Following the government's announcement that more time would be needed to deliver pensions dashboards, the pensions minister has provided an update on the delays. The revised connection dates for individual schemes will now be set out in guidance, rather than regulations — the DWP will collaborate with industry to develop the guidance this year.

Draft amending regulations have been laid before Parliament that set a single final connection deadline of 31 October 2026, which sets a backstop for the earlier dates that will be set out in guidance. In due course, the Financial Conduct Authority will make a corresponding change to the deadlines in its dashboard rules.

The date that dashboards will go live to the public (Dashboards Available Point) has not been announced yet but could be earlier than 31 October 2026.

The Pensions Dashboard Programme, responsible for delivering dashboards, has published some frequently asked questions on the announcement and the Pensions Regulator has updated its initial dashboards guidance to reflect the new approach. The Regulator has also published a blog urging schemes to focus on getting their data dashboards-ready, ensuring that it is accessible, accurate, and available in digital format. It warns of possible industry capacity issues should schemes leave this too late.

## Value Data

The Regulator's blog also encourages trustees to work with administrators to assess how much value data (accrued and projected pension values that schemes will need to provide to members once they have connected) can be frontloaded.

The Pensions Administration Standards Association (PASA) has issued further guidance on providing value data to dashboards. It sets out good practice approaches to deal with several common issues not addressed in detail by legislation or standards — such as late retirements, underpins, partial retirements and split normal retirement ages.

**Action**

Trustees — and employers working with them — should continue with preparations for pensions dashboards.

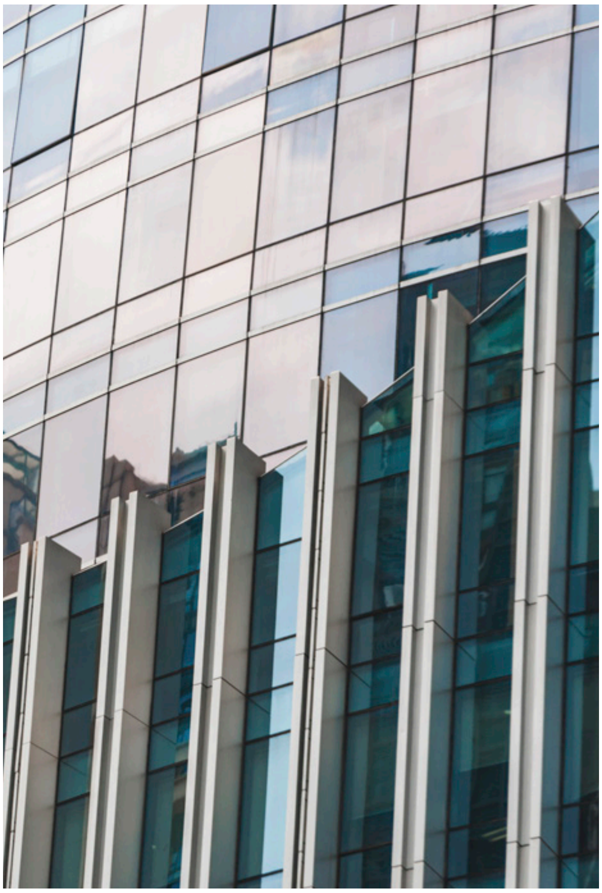
# DC News

## Protecting DC Members From Economic Volatility

The Pensions Regulator has published a blog urging trustees to stay focused on protecting savers from ongoing economic volatility, especially those approaching retirement who have the least time to make up investment losses. Trustees are reminded to follow the Regulator's guidance for DC savers published in January (as reported in the February edition of In Sight), as its messages continue to be relevant.

Key messages for trustees from this new blog include:

- The need to focus primarily on outcomes, not just driving down costs.
- They should ensure their scheme's default pre-retirement strategy is targeting the right outcome and is fit for purpose in the current market environment.
- Annual benefit statements are by their nature backwards looking, with a gap between the investment performance period and when savers receive their statement. Therefore, trustees are encouraged to provide more up-to-date context in annual statements and supporting materials, to guard against the risks of savers making knee-jerk decisions, particularly those who are approaching retirement. The Regulator also notes that annual benefit statements are an important opportunity to signpost members towards sources of appropriate advice and guidance, notably Pension Wise and MaPS.



## DC Scheme Survey 2022

The Pensions Regulator has published the findings of its annual survey of trust-based occupational DC schemes, based on research carried out between October and December 2022. The press release highlights a lack of awareness from small schemes (with assets of less than £100m) around new value for members assessments, and notes that smaller schemes are less likely than larger ones to act on financial risks caused by climate change. Only 24% of DC schemes met the Regulator's key governance requirement to assess the extent to which member-borne charges and transaction costs provide good value although, as larger schemes were more likely to meet this requirement, only 11% of members were in schemes that failed to meet the Regulator's expectations. These results are similar to those in the 2021 survey.

# Annual Funding Statement

The Pensions Regulator's Annual Funding Statement 2023 is significantly revised from previous years, reflecting current funding levels in defined benefit (DB) schemes. It focuses on re-thinking strategies for funding, investment, and covenant. Where funding levels have improved significantly, trustees should consider whether the level of risk in their existing funding and investment strategy remains appropriate. The level of risk should be supported by the employer covenant.

The statement is aimed at DB schemes with valuation dates between 22 September 2022 and 21 September 2023, as well as those undergoing significant changes that require a review of their funding and risk strategies. It also applies to schemes receiving requests for reduced contributions, amendments to contingent asset arrangements, or proposals for other uses of surplus.

Key points for trustees include:

- Many schemes are expected to show a better funding position now compared to three years ago. This is likely to increase the focus on long-term funding targets and journey plans and mean that more schemes start considering buy-out and other endgame options.
- Some trustees may consider that running on the pension scheme is a better option for members than buy-out, giving members and sponsors the potential to benefit from future surpluses.
- Covenant risks due to higher interest rates, inflation and geopolitical instability are highlighted. It is expected that any refinancing of the sponsor's borrowing will be allowed for in trustees' covenant reviews and that such reviews should not be finalised until refinancing terms are clear.

From a corporate perspective, the statement provides insight into how the Regulator expects trustees to act and so is helpful for employers who are planning their approach to actuarial valuations. Key considerations include:

- Employers should continue engaging with trustees on long-term planning and endgame strategy, considering the full range of options to identify a strategy that best meets their corporate objectives.
- There may be scope for reductions or suspensions of contributions to reflect improved funding positions, including making such changes between triennial valuations. The Regulator expects a range of factors to be considered here, including covenant, prudence, recovery plan length and shareholder distributions/covenant leakage. It also suggests that mechanisms are put in place for contributions to recommence should the funding position subsequently worsen.
- There might be potential to renegotiate contingent asset/alternative financing arrangements to reflect improved funding positions and/or reduced liabilities.

The annual funding statement also stated that the new funding regime is expected to come into force in April 2024. This is expected to include a revised code of practice on funding defined benefits, and new funding and investment regulations under the Pension Schemes Act 2021 — both of which have previously been the subject of consultations. The government is intending to provide an update in the autumn. (The House of Commons Work and Pensions Committee subsequently recommended that plans for the new regime should be halted pending further impact assessments — see page 10.)

**Action**

Trustees and sponsors of DB schemes should take the latest statement into account when making decisions on scheme funding.

# Pensions Regulator Update

## Protecting DB Schemes From Sponsoring Employer Distress

The Regulator has published updated guidance on protecting schemes from sponsoring employer distress, along with an accompanying blog. The guidance is aimed at the trustees of DB schemes and was originally published during the COVID-19 pandemic. It has been refreshed to reflect “the ongoing but different challenges the economy is currently facing”. The Regulator notes that the level of debt taken on by UK businesses has increased, and that a high level of debt among businesses can risk employers’ ability to support DB schemes.

In addition to noting the warning signs of employer distress and suggesting specific actions where an employer is showing signs of financial distress or facing the prospect of insolvency, the guidance outlines the steps all DB scheme trustees should be taking to ensure that they are ready to act if necessary. Much of the content is unchanged, but the Regulator highlights the importance of trustees closely monitoring the employer’s financial situation and engaging regularly with the employer and with any other creditors of the scheme, in order to identify and manage risks early. A best practice integrated risk management (IRM) plan will include covenant monitoring, reviewing the scheme’s governance and risk management processes, and understanding the legal obligations to the scheme. It is also noted that taking professional advice can highlight options or problems that may not be clear and will support good decision-making.

Trustees are expected to “adopt risk-based principles on an ongoing basis to identify risks earlier, act sooner, protect savers and minimise potential scheme losses”.

**Action**

Trustees for DB schemes should revisit the guidance and consider any actions appropriate in their specific circumstances.

Employers for DB schemes should be aware of the Regulator’s expectations and be prepared to respond to requests from trustees.

## Statement on Capita Data Security Incident

In May, the Regulator published a statement on the recent cyber security incident involving Capita. It said that schemes who use Capita should contact members proactively to warn them about pension scams and noted that this incident “shows the importance of having a robust cyber security and business continuity plan in place”.

The statement followed initial contact by the Regulator asking trustees of schemes who use Capita to determine whether the attack affected their data. The Regulator has said it may engage with those trustees further to understand the steps they have taken and what progress has been made.

**Action**

Trustees should check that their own plans are up to date and reflect the Regulator’s cyber security guidance.

## Climate Change and ESG Compliance

The Regulator has posted a blog explaining why ignoring environmental, social and governance (ESG) factors is no longer an option for trustees. The blog says that whilst there are challenges around ESG issues, including data quality concerns, these should not prevent trustees from meeting their ESG duties.

This is part of its campaign launched in February to make sure trustees are meeting their climate change reporting duties (on which we reported in the May edition of In Sight). The Regulator's initiative in relation to statements of investment principles (SIPs) and implementation statements (ISs) will have two phases:

- It will check whether all trustees have published the relevant SIPs and ISs on a publicly available website.
- In the autumn, it will review a cross-section of SIPs and ISs, looking at the climate, ESG and wider sustainability-related provisions included in these documents. The focus will be on the extent to which the DWP's June 2022 guidance on stewardship and ESG has been followed by trustees. This guidance was intended to address weakness in existing SIPs and ISs in relation to stewardship and consideration of financially material ESG factors and non-financial factors.

The outcome of the review will be shared with industry to highlight good practice and help other schemes to improve their future disclosures.

The Regulator also intends to update its covenant guidance for DB schemes this year to include information on assessing climate impact on employer covenant.

**Action**

Trustees should ensure that, if appropriate, they have published their SIP and IS online and that they reflect guidance.

## Survey on Trustee Diversity and Inclusion

The Regulator has been carrying out its first trustee diversity and inclusion survey. During June and July, it issued invitations to trustees of DB and DC schemes and public service pension scheme board members, asking them to take part in an anonymous online survey. The survey will allow the Regulator to build a clearer picture of trustee diversity across the industry and will help to effectively measure its progress in promoting diversity and inclusion.

The survey closes on 4 August, and results are expected before the end of 2023.

# Investment Round-Up

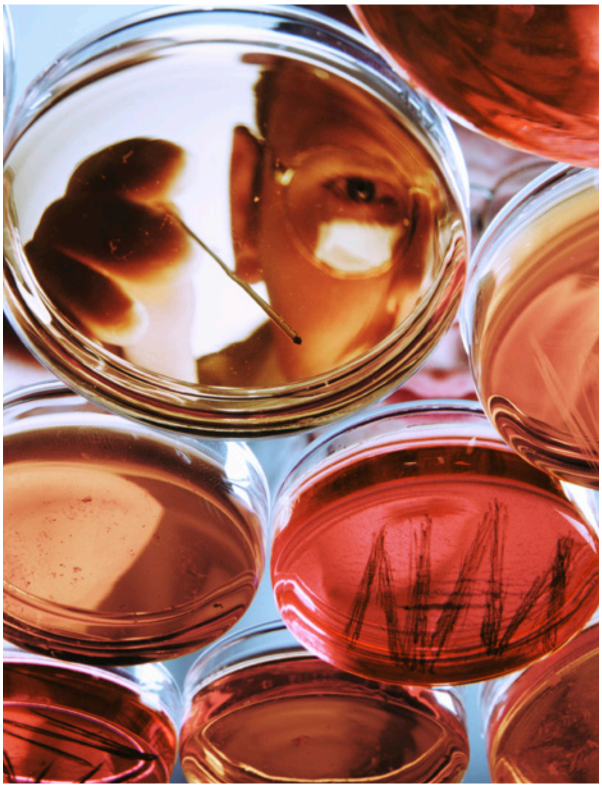
## LDI Developments

The House of Commons' Work and Pensions Committee has published its report Defined benefit pensions with Liability Driven Investments, following its recent inquiry on the lessons to be learned from the gilt market volatility of last autumn. There are several recommendations, mainly for the DWP and the Pensions Regulator, and it will be up to them to decide which of these should be taken forward. Some of the recommendations would impact schemes by increasing reporting requirements. The recommendations include:

- The DWP and the Regulator are to report by October 2023 on plans to monitor LDI resilience and collect better data on LDI to improve management of systemic risks. (The government is considering an extension to the notifiable events framework so that the Regulator can gather the relevant information.)
- The DWP is to report by January 2024 on plans for the Regulator to take account of financial stability.
- Plans for the new funding regime (see page 7) should be halted until the Regulator has produced a full impact assessment of the proposals, including the impact on financial stability and on open DB schemes.

**Action**

Schemes with LDI investments should discuss resilience with their investment consultants if they have not already done so.



## LIFTS Initiative

The government's Long-Term Investment for Technology and Science (LIFTS) initiative was first announced in September 2022, with the aim of encouraging institutional investors, particularly DC pension schemes, to invest in innovative UK science and technology companies.

As part of a package of government policies to grow the economy, the British Business Bank released a call for applications to LIFTS, which will offer £250m to encourage the creation of new investment vehicles for pension schemes to invest in. Applicants had to demonstrate that their proposal achieves the government's three objectives to: unlock UK institutional investment, catalyse investment into UK science and technology and stimulate the UK venture capital ecosystem. The application deadline was 28 July.

The government also published a response to its initial consultation, which set out the overall approach for LIFTS.

# DWP Review of Transfer Regulations

The DWP has published a report on its scheduled review of the *Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021*. These regulations give trustees powers to help prevent members falling victim to scams when they transfer to other pension schemes. They introduced a system of red and amber flags for statutory transfers: a red flag means the transfer cannot proceed, while an amber flag requires the member to take scam-specific guidance from MoneyHelper before the transfer can go ahead. The Pensions Regulator has published supporting guidance for trustees.

The purpose of the review was to ensure that the regulations are working effectively and giving the maximum protection for pension savers. Since they were introduced, concerns have been raised about issues relating to incentives and overseas investments. Feedback from industry during the review suggested that the regulations are achieving the policy intention, but some areas of concern were highlighted, including that:

- The overseas investment amber flag needs to be more clearly defined or removed.
- The incentives red flag is blocking transfers due to the different interpretation of the flag by some providers.
- Transfers are taking longer due to the additional due diligence checks required and long waiting times for MoneyHelper appointments.

The DWP acknowledges these concerns but does not yet propose any specific changes to the regulations. It will conduct further work with the pensions industry and the Regulator to consider if changes could be made to improve the pension transfer experience, without undermining the policy intent. No timescale has been given for this.

# News Round-Up

## Mortality Improvements

The Continuous Mortality Investigation (CMI), owned by the Institute and Faculty of Actuaries, has published its latest standard mortality projections model, CMI_2022.

The updated model reflects mortality data for 2022 in England & Wales, a year which continued to see excess mortality compared to the last pre-pandemic year (2019). Because mortality in 2020 and 2021 was extreme and not expected to be repeated in future years, the CMI has continued to place no weight on these two years of mortality data (in line with CMI_2020 and CMI_2021), but has placed a partial weighting (25%) on the 2022 data. As before, users can change the weights away from these default values.

The new model shows a significant reduction in life expectancy compared to the previous model (CMI_2021), all else being equal. If no allowance has already been made for the impact of the pandemic on longevity, the new model will decrease liabilities for a typical scheme by around 2½ — 3%. This impact had been expected for some time, so some schemes may have already adjusted their mortality assumption to allow for this.

**Action**

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

## More Professional Trustees?

In a speech, Nausicaa Delfas, the newly appointed CEO of the Pensions Regulator, has made it clear that the Regulator will be pushing towards greater professional trusteeship. She said, "We should all do more to ensure that every trustee body has an appropriate level of skill and professionalism" and "fundamentally we believe that every trustee body should include someone who meets professional standards".

The Association of Member Nominated Trustees (AMNT) has also published the findings of a consultation with its members on the future of pensions trusteeship. The report makes seven recommendations that the AMNT will be proposing to government and the Regulator, one of which is that every scheme should have at least one accredited trustee, either lay or professional, and that all trustees should be encouraged to attain accreditation. Another recommendation is that a trustee board should be permitted to demonstrate that it has sufficient knowledge and understanding without any accredited trustees, but clear guidance is needed on the standards required.

The AMNT's other recommendations include proposals to provide support and guidance around the hurdles faced by lay trustees and steps that could be taken to remove these obstacles, and a requirement for schemes to verify that all their trustees have completed the Regulator's Trustee Toolkit.

## Analysis of Gender Pensions Gap

The DWP has published figures estimating the extent of the gender pensions gap in private pensions across Great Britain. The report uses data collected by the Office for National Statistics between 2018 and 2020, estimating a gender pensions gap of 35% (32% for those eligible for automatic enrolment). It is significantly higher for those who rely on DC savings only, at 60%.

The gender pensions gap broadly describes inequality between male and female retirement income, but there is currently no official measure. For the purposes of this report, the DWP defines it as the difference between female and male non-zero median uncrystallised private pension wealth around normal minimum pension age (NMPA, currently 55). The analysis excludes individuals with no uncrystallised private pensions — so does not allow for pensioners who have crystallised all their benefits and individuals who have no private pensions.

The analysis also sets out the gender pensions gaps for different age bands, which have a similar pattern to the gender pay gap. It is smallest for those aged 35–39 (10%), increasing to 47% for those aged 45–49 and decreasing again for those in the later years of working life.

The DWP is committed to regular reporting of these statistics and will seek views on the appropriate frequency with which to publish revisions as new data becomes available.

## Ruling on Amendments to Contracted-Out DB Schemes

A recent High Court case has confirmed that where a scheme was contracted out on a salary-related (DB) basis between 1997 and 2016, if the rules were amended without written actuarial confirmation, the amendments may be void (even if they did not adversely affect benefits).

The case of *Virgin Media Ltd v NTL Pension Trustees II Ltd & Others* concerned an amendment made in 1999 to reduce the rate of revaluation of deferred pensions under the scheme, in relation to future service only. The scheme provided section 9(2B) rights (post-1997 contracted-out rights) that were subject to specific protections in legislation; in particular, a modification could only be made if the actuary gave written confirmation (commonly known as a section 37 certificate) confirming that the scheme would still satisfy the reference scheme test (a minimum statutory standard). In this case, no such actuarial certification could be found, and the court was asked to proceed on the basis that it had not been provided.

The impact is currently uncertain, and the case has raised wider questions in terms of potential implications. We understand that permission has been grated for an appeal and there may be a further hearing to address related questions. It is also possible that the government may intervene, using powers in the existing legislation.

# On the Horizon

Here are some key future developments affecting pensions:

**September 2023**

- Regulator's single code — to be called the General Code — due to be laid before Parliament

**October 2023**

- Changes to assumptions used for money purchase illustrations (SMPIs) take effect
- DC default arrangement disclosure requirements for illiquid assets come into force: chair's statements must disclose default fund asset allocation, and DC default SIPs must explain the trustees' policy on illiquid assets

**Autumn 2023**

- DWP consultation expected on proposals to extend automatic enrolment eligibility and benefits

**2023**

- Guidance on dashboards connection timetable expected
- Extension of notifiable events framework still awaited

**April 2024**

- Regulations and revised DB code of practice on scheme funding expected to come into force
- Lifetime allowance expected to be abolished (lifetime allowance charge has already been removed)
- Low earners in net pay schemes earn top-up payments (payable from 2026/27)

**Late 2024**

- Subject to consultation in 2023, climate change governance and disclosure requirements may extend to smaller schemes (assets under £1 billion)

**31 October 2026**

- Backstop connection deadline for pensions dashboards (but individual scheme target dates are expected to be earlier)

# Training and Events

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

All London seminars will take place at The Aon Centre.

For further details, you can find a copy of our training brochure and book our 2023 courses online at: www.aon.com/pensionstraining. If you would like to register on one of the 2024 dates, please contact pensionstraining.enquiries@aon.com (these will be available to book online shortly).

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

| Pensions Training Courses | Dates |
|---|---|
| **Defined Benefit — Part 1** | 15 August & 16 August 2023 (Webinar, a.m.)<br>31 October 2023 (London)<br>23 January & 24 January 2024 (Webinar, a.m.)<br>20 March 2024 (London)<br>5 June 2024 (London)<br>3 September & 4 September 2024 (Webinar, a.m.)<br>6 November 2024 (London) |
| **Defined Benefit — Part 2** | 12 September & 13 September 2023 (Webinar, a.m.)<br>5 December 2023 (London)<br>27 February & 28 February 2024 (Webinar, a.m.)<br>23 April 2024 (London)<br>17 July 2024 (London)<br>8 October & 9 October 2024 (Webinar, a.m.)<br>11 December 2024 (London) |
| **Defined Contribution** | 26 September 2023 (London)<br>6 March 2024 (London)<br>16 October 2024 (London) |
| **Pension Governance Committee** | 28 November 2023 (London, a.m.)<br>21 May 2024 (Webinar, a.m.)<br>26 November 2024 (London, a.m.) |

## 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.

To find out more about our events, go here.

## Contact Us

**If you have any questions on In Sight, please speak to your usual Aon consultant or contact:**

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