Sackers

April 2022 and beyond – key dates for your diary

Alert | 30 March 2022

Introduction

Whilst all was quiet for pensions in the Chancellor's spring statement last week, April and the rest of 2022 heralds a number of changes for pension schemes. Where necessary, trustees and employers should seek advice on what these changes mean for their schemes and on the preparatory steps they should be taking.

Key dates

6 April 2022	Ban on flat fees on small DC pension pots in default arrangements
	Finance Act 2022 comes into force
1 June 2022	Stronger nudge requirements come into force
1 October 2022	Simpler annual benefit statements introduced
	Schemes with £1bn or more in relevant assets in scope of climate change governance and reporting requirements

Ban on flat fees on small DC pension pots

From 6 April 2022, an occupational pension scheme used for auto-enrolment may not charge a member a flat fee if the total value of their rights within a default arrangement is £100 or less.

Where a member's rights are valued at more than £100, and if deducting the full value of the flat fee would reduce the value of those rights to £100 or below, the trustees may deduct a proportion of their flat fee from the members' rights, providing that deduction does not result in the members' rights falling below £100 in value.

This measure was introduced to limit the erosion, or potentially charging out to zero, of smaller DC pension pots by member-borne charges, particularly where a pot is deferred and no longer subject to ongoing member contributions.

Finance Act 2022

The Finance Act 2022, includes:

- legislation in respect of the change to NMPA from 55 to 57
- a power to make regulations to address tax impacts that arise from the rectification of age discrimination in public service pension schemes
- changes to time periods for notice and information requirements in relation to scheme pays.

NMPA

One of the changes is the increase in NMPA from age 55 to 57 on 6 April 2028. NMPA is the earliest age at which members can take their pension benefits, other than on ill-health grounds or if they have a protected pension age ("PPA"). The Act sets out detail on when a member would have a PPA of under 57 and when a PPA would be retained on a transfer out of a scheme. A member will have a PPA below 57 where:

- immediately before **4 November 2021** the member had an actual or prospective right under the scheme to any benefit from an age of less than 57,
- the rules of the scheme on **11 February 2021** included provision conferring such a right on some or all of the persons who were then members of the pension scheme, and
- the member either had such a right under the scheme on **11 February 2021** or would have had such a right had the member been a member of the scheme on 11 February 2021.

The Act also sets out when a PPA will be preserved on a block or individual transfer out of a scheme.

Guidance is promised from HMRC, including as to transitional provisions, but with no date as yet.

Scheme pays

The Act extends scheme pays reporting and payment deadlines to give individuals more time to ask their pension scheme to use scheme pays where their pension input amount is changed retrospectively. Under scheme pays, the scheme would settle the individual's AA charge of £2,000 or more from a previous tax year by reducing their future pension benefits. These changes are being introduced primarily to address issues arising out of the changes being made to public service pension schemes.

Regulations making technical changes in connection with the above extension will also take effect on 6 April 2022.

Stronger Nudge

Trustees or managers of occupational pension schemes will be required to deliver the Stronger Nudge in relation to applications (and communications in relation to applications) made on or after 1 June 2022 to transfer or start receiving "flexible benefits". These include not only DC scheme benefits, but also DC AVCs held within a DB scheme.

In summary, and subject to certain exceptions, trustees and managers will have to:

- refer the applicant to appropriate pensions guidance ("Guidance") and explain its nature and purpose

- facilitate a Guidance appointment (currently, with Pension Wise), including offering to book the appointment and, where that offer is accepted, taking reasonable steps to do so
- explain that an application cannot proceed unless the applicant has received the Guidance and notified the trustees or managers of its receipt, or opted out of doing so
- explain that an applicant can only opt out of receiving the Guidance by giving the trustees or managers an opt-out notification.

See our Alert for further details.

Providers of personal and stakeholder schemes will also be required to implement similar processes from the same date (see 7 Days).

Simpler annual benefit statements

From 1 October 2022, trustees of DC auto-enrolment schemes will be required to issue "simpler annual benefit statements" to all their members (excluding pensioners) within 12 months of the end of each scheme year.

Specifically, trustees will be required to issue statements which must not exceed one double-sided sheet of A4 paper when printed and enable members to establish, among other things, how much money they have in their pension plan and what has been saved in the statement year.

See our Alert for more detail.

Climate change governance and reporting

The new climate risk governance and reporting requirements are being phased in and will apply to schemes with £1 billion or more of relevant assets from 1 October 2022.

Among other things, schemes will have to produce and publish (on a publicly available website, accessible free of charge) a report on how they have met the relevant climate change governance requirements and inform members of its publication (see our Alert for more detail).

TPR has published an Appendix to its climate change guidance, which is intended to illustrate the types of steps that trustees could consider taking in respect of their climate-related governance and reporting duties.

What is still to come?

As well as the above items, there are various other pensions developments on the horizon, including:

- changes to the notifiable events regime. We are awaiting the government's response to its consultation seeking views on changes and additions to the notifiable events regime
- regulations outlining the detail of the new requirement for DB trustees to determine, with the agreement of sponsoring employers, a strategy for ensuring that scheme benefits can be provided over the long term. These are expected to be published for consultation in spring 2022, with TPR aiming to publish its consultation on the new DB funding code of practice in late summer 2022. The new code is not expected to come into force until early 2023

- final regulations relating to pensions dashboards. These are expected "later this year", following a recent consultation (see our Alert and our response to the consultation)

- a response to the consultation on introducing a fourth climate metric (alignment to the Paris Agreement) from 1 October 2022 for schemes in the scope of the climate risk governance and reporting requirements (see our Alert).

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