

DC briefing

October 2022

Highlighting the latest developments in DC for trustees, employers and providers



Introduction

As we head into autumn 2022, schemes are currently busy dealing with the impact of high inflation and volatile investment markets, which could be a real challenge for everyone over the coming months. We consider below the main issues that are cropping up in practice for DC schemes and provide some tips on how you might communicate with members on the subject.

Pensions dashboards also continue to dominate the headlines in the pensions press. In this briefing, we update you on recent developments and set out the key actions you should be including in your future business plans. Our “On the horizon” section sets out the matters you should keep an eye on over the coming months.

On the horizon

Changes to the charge cap

In the “[Mini Budget](#)”, the Government announced that it intends to bring forward draft regulations to remove “well-designed performance fees” from the charge cap. While many have welcomed the removal of a potential complication from charge restrictions, we will need to wait and see whether this will make a difference to trustees’ investment strategies in practice.

Tackling small pots

In June 2022, the Small Pots Co-ordination Group [put forward](#) three possible options to tackle the issue of small deferred pension pots in the workplace pension market. This important subject has long term implications for all pension savers, and so it is good to see work continues to search for solutions.

Value for money (VfM) – a common framework

The FCA and TPR are working to develop a common framework for measuring VfM in DC pension schemes. Following their [joint discussion paper](#), and [feedback statement](#), the regulators will consider the metrics schemes should be disclosing to enable more effective VfM assessments by professionals, and also how that information could be adapted for members. They aim to consult “towards the end of 2022”, and many parts of the industry are keen to see what policies are proposed.

Decumulation

Seeking to address a “disparity” between contract-based and trust-based schemes in terms of the communications, support and options for members, the DWP is considering feedback from a [call for evidence](#). Various FCA and TPR initiatives in this area are ongoing following a [joint call for input](#). These include consideration of further regulatory intervention to support consumer decision-making, a review of TPR’s guidance on communicating to DC members, and the potential for decumulation only CDC models.

These discussions are all part of a developing strand of pensions policy which will have wide ranging implications for pension saving. It could perhaps impact on the legal duties of trustees and providers in the future.

Pensions dashboards – update



Developments in the dashboard space have been coming thick and fast. We've had the [DWP's response](#) to the consultation on the draft regulations, as well as [TPR's initial guidance](#) and [PDP's consultation on the draft set of standards](#) and accompanying guidance.

Trustees' dashboard duties

Under the draft regulations, trustees of schemes in scope, all registrable UK-based occupational pension schemes with 100 or more members excluding pensioners, will need to:

- ✓ register their scheme with MaPS and connect to the “digital architecture” by their staging date
- ✓ ensure their scheme can receive both “find” requests (a request sent by the pension finder service to all schemes searching for a pension match) and “view” requests (a request to see the relevant pensions information)
- ✓ co-operate with MaPS when preparing to connect, maintain appropriate records, and report certain information to both TPR and MaPS.

Changes following consultation

The staging deadlines for the first two dashboard cohorts, large master trusts and large DC schemes used for automatic enrolment, have been deferred by two months to 31 August and 30 September 2023 respectively. The connection window for the first cohort has also been extended, so those schemes can still start connecting from April 2023. (Click [here](#) for a summary of the staging deadlines.)

The method for determining the staging date for hybrid schemes will also be simplified. Total relevant members across both DC and non-DC sections should be calculated and then the entirety treated as non-DC. The upshot is that hybrid schemes will have a staging deadline no earlier than 30 November 2023.

Key actions for trustees



Timing

Pinpoint your staging date.



Project

Discuss and agree how the project will be resourced. New service providers, such as a third party integrated service provider (“ISP”) may need to be engaged.



Discuss and agree

Discuss and agree how the scheme will connect to the dashboards ecosystem. TPR cautions that building an interface, even where the scheme is administered in house, would be a “significant undertaking”.



Ensure your data is dashboard ready

Work with your administrators to make improvements and to help fill any gaps.

What's next

The final regulations are expected at the end of this year, with compliance being rolled out from spring 2023. However, the date that dashboards go “live” to the public has not been set yet, although the current expectation is that it will not be until at least 2024.

High inflation – key issues and actions



Cost of living increases have reached levels unprecedented in recent history. The 12-month CPI rate has been 9% or above since April 2022. It reached 10.1% in July, estimated to be the highest figure since around 1982¹.

For DC members, protection against cost of living rises will depend to a large extent on investment returns and decumulation options. Trustees should consider, with their legal and investment advisers and administrators, whether there are implications for scheme governance.

For example:

- what is the impact on the performance of the default fund and any investment pathways offered? Are changes recommended to the range of self-select funds?
- how are members entering decumulation affected by high inflation?
- is there a change in the way members access benefits – are members delaying retirement, or requesting to access benefits more frequently? Do trustees need to adapt member communications accordingly?
- do members understand and make use of the options available to them, and/or can the scheme offer additional support?

Tips for communicating with members about high inflation

- ✓ Trustees should check whether existing communications remain appropriate, eg in relation to member options and risk warnings.
- ✓ It may be helpful to explain to members the impact of inflation on the scheme and member benefits and any actions the trustees are taking. Trustees might consider highlighting other resources members can use to help them make informed decisions in the current volatile environment, such as Pension Wise and independent financial advice.
- ✓ Consider whether a joint approach with employers would be appropriate so that messaging is consistent.
- ✓ Generally, trustees have a duty to explain the scheme's benefit structure to members but are not required to warn members about actions which may be to their financial gain or detriment. In fact, recommending particular actions as to the exercise of options **could constitute financial advice**, so any communications should focus on generic explanations with signposts to resources for further support if needed.
- ✓ Consider whether members will expect similar communications in the future. Will the trustees continue to communicate to members about the impact on the scheme in comparable situations, or can this instance be justified as a “one-off”?

¹ Office for National Statistics [figures for consumer price inflation](#). At the time of writing, the September 2022 figures have not been published.

Contact

Sackers is the leading specialist law firm for pension scheme trustees, employers and providers. Over 60 lawyers focus on pensions and retirement savings, including our DC experts who provide practical and specialist help on all aspects of DC arrangements. For more information on any of the articles in this briefing, please get in touch with Helen Ball, Claire van Rees or your usual Sackers contact.



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Trustee training: pensions for new trustees	03/11/2022	In person seminar This interactive seminar is a full day session aimed at new trustees, where we focus on the key legal issues for new trustees of DB, DC and hybrid schemes (as well as those who would like to refresh their knowledge). You will have the opportunity to ask questions and share your experiences with other trustees.
Quarterly legal update	17/11/2022	Webinar This session will provide an essential overview of significant developments affecting occupational pension provision in the UK for employers and trustees.

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