

DC briefing

October 2024

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



Introduction

The Government may have changed over the summer but the shift at the top has not prevented legal and regulatory developments from rolling onwards. As ever, the coming months promise to be busy. In the shorter term, the Government has been quick off the mark to begin a pensions review, whilst also juggling updates on long running projects such as pension dashboards and value for money (“VFM”). In this briefing we explain the latest happenings, and we also look to the longer term and consider what’s next in the DC pipeline.

News



Pension Schemes Bill

It is just over a year since the Mansion House proposals became a hot topic, and the new Government plans to use the Pension Schemes Bill to bring forward a range of related measures for DC schemes, including trustee duties relating to retirement options, solution(s) for small deferred pots, and the new VFM framework.

The Bill, which Pensions Minister Emma Reynolds expects to “drive higher investment” and create “a better deal for our future pensioners”, is expected during this Parliamentary session, but there is no indication yet on when these measures will be brought into force.

This is an area to watch, as early planning will be essential to adapt to the new requirements when they take effect.



Pensions dashboards

Work continues on the framework for pensions dashboards. The ultimate statutory connection deadline is 31 October 2026 but the phased scheme connection dates in the DWP’s guidance start from 30 April 2025.

TPR has given more detail of its expectations of trustees in its new dashboards [compliance and enforcement policy](#), and plans to “focus strongly on connection compliance”.



Tax changes

HMRC has consulted with the industry on new regulations which are expected to address some wrinkles in pensions tax legislation following the removal of the LTA from 6 April 2024. They are expected to appear before Parliament in the autumn.

Progress towards a new VFM framework

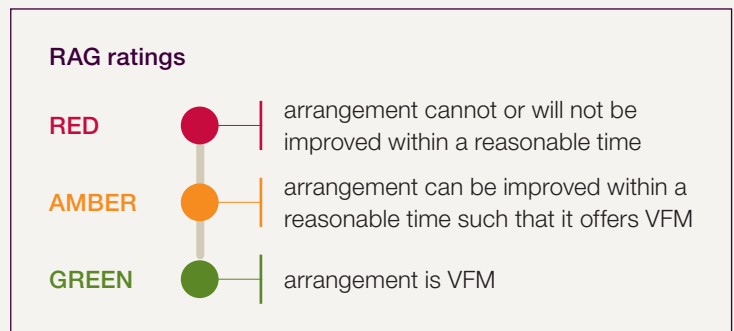
Building on its previous work with the DWP and TPR, the FCA has **consulted** on detailed rules and guidance for a new market-wide VFM framework for DC schemes.

Once implemented, all schemes in scope will be required to report on wider value metrics and to use this data to assess the value of their offering against real market comparators (see our **May 2023 DC Briefing** for more details).

The FCA's consultation sets out the proposed rules that will apply to default arrangements of FCA-regulated workplace DC schemes, but the metrics and concepts are intended to be suitable for application across the whole DC pensions space. This is in keeping with an approach that focuses on improving pension outcomes, regardless of the particular "wrapper" or vehicle used for pension savings.

VFM changes have been on the cards for quite a long time and are part of a longer-term objective to reduce the number of poorer value pension schemes. In headline terms:

- disclosure requirements could become a lot more complicated than they are at present, which could be time consuming to deal with
- a new traffic light "RAG" ratings system could mean that arrangements not offering VFM would need to submit an action plan and close to new business until they have improved. Where improvement is not possible, the FCA expects the firm to consider consolidating or exiting the market. Changes to legislation may be needed to permit bulk transfers without member consent in that situation.






The FCA plans to publish a final policy statement, rules and guidance "in due course", and requirements for trust-based schemes will be included in the new Pension Schemes Bill. The Government's ultimate aim is that the new VFM requirements will result in further consolidation in the pensions market, leaving a smaller number of well-performing, well-governed schemes which will "improve outcomes for savers" and "lead to more productive investment of funds".

Government's pensions review

Following its Manifesto commitment to review the pensions landscape, the Government has launched a **review** to "boost investment, increase pension pots and tackle waste in the pensions system".

The first phase, led by the new Pensions Minister, Emma Reynolds, will focus on actions to support greater productive investment and better retirement outcomes.

This will include developing policy to:

 <p>Drive "scale and consolidation" of DC workplace schemes</p>	 <p>Achieve "a greater focus on value" rather than cost</p>	 <p>Encourage "further pension investment into UK assets to boost growth across the country"</p>
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The review will have regard to factors such as wider financial stability and the progress already made on in-train policy initiatives such as the VFM framework. Following a **call for evidence** on pensions investment during September, initial findings are expected to be reported later this year, ahead of the introduction of the Pension Schemes Bill.

The next phase, also expected to start later this year, will look at additional "steps to improve pension outcomes and increase investment in UK markets, including assessing retirement adequacy".

The DC pipeline



Imminent

- ✓ TPR is “**evolving**” its supervision of master trusts to focus on investments, data quality and standards, and innovation at retirement
- ✓ The Autumn Budget on **30 October 2024** may include pensions tax changes
- ✓ Further tax regulations to address issues in the LTA removal legislation are expected in the **autumn**
- ✓ The Government will report on the first stage of its pensions review **later in 2024**
- ✓ TPR may publish interim guidance on decumulation to encourage schemes to “develop their offer early” and encourage innovation ahead of the introduction of a new duty relating to retirement options



On the horizon

- ✓ The first dashboards staging date is **30 April 2025**. All schemes in scope must have connected by **31 October 2026**
- ✓ The Pension Schemes Bill may appear in **2025**. It will:
 - establish the VFM framework
 - consolidate small deferred pots
 - require pension schemes to offer decumulation products or a range of products, including a default option, to members
- ✓ The FCA and HMT are due to respond to their **advice guidance boundary review**, though no timing has been given for this



Ones to watch

- ✓ Further development of CDC, including potentially multi-employer and decumulation-only arrangements, following the expected launch of the first CDC scheme by Royal Mail in October 2024
- ✓ Changes to the **transfer conditions regulations** to address issues identified by the DWP
- ✓ The development of new types of investment solutions in DC arrangements, following the Mansion House compact, where the largest DC schemes promised to allocate 5% of assets in their default arrangements to illiquid assets by 2030

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, Jacqui Reid or your usual Sackers contact.



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Upcoming events



 We offer an extensive programme of workshops, seminars and trustee training. If you would like to attend any of our events, please contact events@sackers.com or visit www.sackers.com/events.

The new DB funding regime – evolution not revolution	08/10/2024	Online webinar The new DB funding requirements apply to valuations with effective dates on or after 22 September 2024. This webinar will look at the key practical implications for trustees, employers and their advisers.
Quarterly Legal Update – Autumn	14/11/2024	Online webinar Our next Quarterly Legal Update for trustees and employers will be delivered as a webinar and chaired by Fuat Sami. Claire Carey will provide an essential overview of significant developments affecting occupational pension provision in the UK.