

What is in the Chancellor's Mansion House reforms?



What you **need to know**

- On 10 July, the Chancellor, in his Mansion House speech, set out a series of initiatives to enable the financial sector to unlock capital for industries and increase returns for savers, while supporting UK economic growth.
- This includes a series of pension reforms intended to boost outcomes for pension savers and increase the availability of funding for high-growth companies.
- Measures that will impact occupational pension schemes include new consultations and calls for evidence. These are on trustee skills, capabilities and culture – aimed at understanding decision-making on more complex investments; options for defined benefit (DB) schemes – covering surplus, consolidation and a wider role for the Pension Protection Fund (PPF); options to reduce the number of small pension pots; and helping savers to understand their pension choices. All these run until 5 September 2023.
- Responses to previous consultations on the new Value for Money Framework, DB consolidation and extending opportunities for collective defined contribution (CDC) schemes have also been published.
- There is also confirmation of a commitment from 9 of the biggest providers in the DC retail and master trust market to earmark 5% of their default fund assets to private equity investments by 2030.



Actions you can take

There is a lot of information to digest and the Government is seeking responses by 5 September, which we understand can feed into the Autumn Statement. Actions you can take now include:

- **Understand the areas of consultation** that may impact your pension scheme.
- **Consider whether to respond to the consultations, particularly on trustee skills and capability.**
- **Digest and understand the impact** of the new Value for Money framework.

Consultations published in support of the Mansion House reforms

Consultation/call for evidence	DB	DC	CDC	Headline intent
Trustee skills, capability and culture	✓	✓	✓	Evidence to understand barriers to investing in full breadth of investments.
Options for DB schemes	✓			Look at incentives for employers to build surplus. Consider options for DB consolidation. Explore the role of the PPF in consolidation.
Helping savers understand pension choices		✓		Identify support and products to be made available to members of occupational pension schemes for DC decumulation.
Ending proliferation of small pots		✓		Obtain views on proposed approach of setting up a default consolidator of small pots.



The finer detail: Consultations and consultation responses

Consultations and calls for evidence – closing date for responding is 5 September 2023

Trustee skills, capability and culture

The Government wants to understand the current level of trustee capability and whether there are any barriers to them doing their job effectively and achieving the best outcomes for members. The call for evidence sets out questions focusing on trustee skills and capability, the role of advice and trying to identify other barriers that may impact effectiveness.

Options for DB schemes

This call for evidence focuses on ways that the £1.7 trillion of DB assets could be invested more productively to benefit members and the wider economy. It seeks to understand: 1) current DB asset allocations and what may incentivise more investment in 'growth' assets; 2) current rules and barriers around extracting surplus other than at wind-up; 3) the potential benefits of establishing a public sector consolidator for DB schemes; and 4) whether the Pension Protection Fund should play a role in DB consolidation.

Helping savers understand their pension choices

This is both a response to a previous call for evidence on current products and services available to DC savers and a consultation on how to support members. It includes proposals to place a duty on trustees to consider the needs of their members when they want to access their pension pot and to offer decumulation services, which are suitable for their members and consistent with pension freedoms. This is intended to apply to the National Employment Savings Trust (NEST), too.

Ending the proliferation of small pots

The consultation includes a response to the call for evidence on the proliferation of small pots and options for managing these. It then sets out the Government's preferred, multiple consolidator approach for addressing the small pots issue.

Consultation responses published on 11 July in support of the Mansion House reforms

Value for Money (VFM) Framework

The document is a substantive response from the Government, The Pensions Regulator, and the Financial Conduct Authority to the January 2023 consultation on introducing a framework on metrics, standards and disclosures around VFM assessments for DC benefits. It sets out a number of proposals which aim to support and accelerate the consolidation of underperforming and poorly-run schemes.

DB consolidation

This is the long-awaited response to the Government's 2018 consultation on creating a DB superfund regime. It sets out significant detail on plans to introduce a permanent regulatory regime for superfunds, how to define them and the types of scheme to which the regime will apply. The Government is now due to consider draft primary and secondary legislation to facilitate private consolidators.

Extending CDC opportunities

This sets out the Government's response to its January 2023 consultation on broadening CDC beyond single or connected employer schemes; and the potential role that CDC can play in decumulation. In Autumn 2023, the Government intends to consult on draft regulations to extend CDC provision to whole-life multi-employer schemes including master trusts.

For further information, please get in touch with **Tom Froggett** or **Caroline Ekins** or speak to your usual XPS Pensions contact.



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