

Q2 2022 outlook for pension scheme trustees and employers



What you **need to know**

- During Q1 2022, the Department for Work and Pensions (DWP) responded to several consultations, including those relating to the Fraud Compensation Levy, defined contribution (DC) charges, GMP fixed rate revaluation and the 'stronger nudge' to pensions guidance.
- Progress was made on Collective Money Purchase (CMP) schemes, with key regulations being made and The Pensions Regulator (TPR) consulting on a new draft code of practice.
- However, as at the date of writing, regulations to extend the scope of the notifiable events regime – which had been expected to take effect from 6 April 2022 – have not been laid.
- Similarly, the DWP's long-awaited consultation on the new defined benefit (DB) scheme funding regulations has not yet been published, and is now not expected until the summer.
- In this Insight, we consider what developments in pensions are expected in Q2, and take a brief look ahead at what we can expect in Q3 2022.



Actions you can take

- **Watch out** for the changes to the notifiable events regime and **ensure processes are in place** for them.
- **Watch out** for the DWP's consultation on the DB scheme funding regulations and **consider the impact on your scheme**.
- **Ensure processes are in place** to arrange appointments with Pension Wise under the new 'stronger nudge' requirements.
- In advance of TPR's new single code of practice coming into force, **consider carrying out gap analysis** to identify what changes to governance policies and processes may be required.

Key expected developments in Q2 2022 at a glance

Key item	When?	DB Impact?	DC impact?
Fraud compensation levy	1 April 2022	✓	✓
DC charges: 'de minimis' for flat-fee charging	6 April 2022	✗	✓
GMP fixed rate revaluation	6 April 2022	✓	✗
PPF levy deadline for certifying deficit reduction contributions and exempt transfer applications	5pm on 29 April 2022	✓	✗
'Stronger nudge' to Pension Wise guidance	1 June 2022	✗	✓
DB scheme funding regulations	Summer 2022?	✓	✗
PPF levy deadline for certifying full block transfers	5pm on 30 June 2022	✓	✗



The finer detail: Key developments in more detail

Fraud compensation levy

Payable by occupational pension schemes, this levy is used to fund the Fraud Compensation Fund (FCF), which pays compensation to eligible DB and DC schemes that have lost money due to dishonesty. From 1 April 2022, the maximum FCF levy that can be raised increased from 75p to £1.80 per member, and from 30p to 65p per member for master trusts. The FCF levy for 2022/23 has been set at these amended maximum rates.

DC charges: 'de minimis' for flat-fee charging and removal of performance-based fees from charge cap

From 6 April 2022, regulations introduced a 'de minimis' pot size of £100 below which flat fees cannot be charged. This applies to active and deferred members in the default funds of DC schemes used for auto-enrolment. The DWP has updated its charge cap guidance for trustees to reflect and explain the change.

The DWP has responded to its consultation on removing performance-based fees from the scope of the charge cap to facilitate schemes investing in long-term, illiquid assets. Following mixed responses to its proposals, the DWP will now take more time to explore how to address the concerns raised. In the meantime, it has launched a further consultation on proposals to facilitate investment in illiquid assets by DC schemes.

GMP fixed rate revaluation

GMP fixed rate revaluation for members of formerly contracted-out schemes leaving pensionable service after 5 April 2022 has reduced from 3.5% to 3.25% p.a.

Extended notifiable events regime

Regulations to be made under the Act will amend one existing notifiable event and introduce two new ones, as well as a new duty to provide a notice and statement to TPR about certain corporate activity. The DWP has consulted on the necessary regulations, which had been expected to take effect on 6 April 2022. However, as at the date of writing, neither the consultation response nor the finalised regulations have been published.

DB scheme funding regulations

Consultation on the new DB funding regulations is now expected in summer 2022, with TPR's second consultation on its revised DB funding code of practice due to follow in late summer/autumn. Trustees will be required to put in place a long-term funding and investment strategy, to be agreed with the sponsoring employer.

'Stronger nudge' to Pension Wise guidance

From 1 June 2022, occupational pension scheme trustees must refer members and beneficiaries aged 50 or over to Pension Wise guidance before they can access or transfer flexible benefits. Trustees must offer to book a Pension Wise appointment and, before paying benefits or making the transfer, ensure that the individual has either received or opted out of receiving guidance. TPR has updated its DC guidance for trustees to include these new requirements. FCA rules ensure that similar requirements will apply to personal pensions.

Top 3 developments expected in Q3 2022

- **TPR's single code of practice:** Expected to be laid before Parliament in the summer, this brings together 10 of the 15 existing codes. Trustees will be required to have in place an 'effective system of governance' and produce an annual 'own risk assessment'.
- **CMP schemes:** The DWP has responded to its 2021 consultation, and regulations will come into force on 1 August 2022. TPR has consulted on a new code of practice for the authorisation and supervision of CMP schemes.
- **Climate change governance:** The DWP has consulted on new requirements for trustees to calculate and disclose a metric showing the extent to which their scheme's assets align with the Paris Agreement goals. Specific guidance on this is expected in the next few months.

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