XPS Pensions Group

XPS Insights
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Autumn Statement brings more questions than answers

What you **need to know**

- On 22 November 2023, the Chancellor set out his Autumn Statement, which could have a major impact on the future of both the defined benefit (DB) and defined contribution (DC) pensions landscapes.
- Although the Chancellor's Statement to Parliament may have lacked major pensions headlines, there was a lot of important detail beneath the surface which was published alongside it by the Department for Work and Pensions (DWP). This includes a series of responses to the Mansion House consultations, and new consultations including running schemes on for surplus, designed to continue the Government's objective of getting DB and DC schemes to invest more in productive finance.
- There were also a number of measures designed to further encourage consolidation in the DB and DC space, notably consultations on expanding the role of the Pension Protection Fund (PPF) as a public sector DB consolidator, and introducing a 'pot for life' DC system.
- The Statement also confirmed that the 'triple lock' will be maintained, with the State Pension increasing by 8.5% from 6 April 2024, making the new full State Pension £221.20 per week.

Actions you can take

Along with being aware of the changes, actions include to:

- **Seek training** on the detail of the proposals and implications for your current pensions strategy.
- **Review** whether the proposals introduce legitimate new strategy options for your pension schemes.
- **Reflect** on whether any changes will benefit or risk outcomes for members and security of their benefits.
- **Consider responding** to the further consultations as they are launched.

From Mansion House to Autumn Statement – what happened?

Mansion House consultation	Autumn Statement action announced
Options for DB schemes:	
• surplus	To reduce tax on surplus repayments and seek to make surplus extraction easier with safeguards and possible 100% PPF cover. **Will consult in winter.**
• productive finance	No announcement, but investment encouraged by making surplus extraction easier.
• State consolidator	By 2026, work with industry to establish a public sector consolidator for schemes unattractive to commercial providers. **Will consult in winter.**
Trustee skills, capability and culture	No new legislation, but DWP will support TPR setting up a trustee register. TPR due to publish new guidance on alternative assets by end of 2023. Mandating trustee accreditation to be kept under review.
Helping savers understand pension choices	Intention to legislate when feasible to ensure trustees offer a suitable range of decumulation products and services.
Ending proliferation of small pots	The DWP will proceed with the multiple default consolidator model. It has also issued a call for evidence introducing a 'pot for life' model and expanding the role for collective defined contribution (CDC) schemes. This closes on 24 January 2024.

The finer detail: Key pension items in the Autumn Statement

Predominantly affects DB	
Surplus	The rate of taxation applied to refunds of surplus from DB schemes will reduce from 35% to 25% from 6 April 2024. The DWP will also launch a consultation this winter to explore ways in which DB schemes can be incentivised to invest more productively for long-term run-on, including making surplus extraction easier and extending PPF coverage to 100% of benefits for DB schemes that opt to pay a higher levy.
State consolidator	The Government intends to expand the role of the PPF to act as a public sector consolidator, by 2026. The intention behind this is to give schemes which are unattractive to commercial providers another route to discharge their liabilities.
Predominantly affects DC	
£250m supporting capital for LIFTS	The British Business Bank (BBB) will invest £250m alongside two private partners as part of the Long-term Investment for Technology and Science (LIFTS) supporting investment by DC funds in productive finance.
New growth fund	A new growth fund will be established backed by the BBB's balance sheet to facilitate investment by pension schemes in 'UK's most promising businesses'.
Pot for life	The DWP has launched a call for evidence on moving to a 'pot for life' DC system, under which individuals would be able to direct pension contributions to a single DC pot when they change jobs.
Introduce default consolidator	The DWP intends to introduce the multiple default consolidator model for DC schemes, to enable a small number of authorised schemes to act as a consolidator for eligible pension pots under £1,000.
Savers' understanding of pension choices	The original consultation covered many aspects of decumulation. Very briefly, the DWP will seek to legislate to ensure trustees offer a suitable range of decumulation products and services, when Parliamentary time allows. In the meantime, the DWP will work with TPR on guidance. The DWP also remains committed to the CDC decumulation model.
Master trust review	The DWP has published a review of the DC master trust market, 5 years on from the authorised DC master trust regime being launched. The DWP's review concludes that consolidation of the DC market towards large, well-run master trusts is a driver of good pension outcomes, with an objective of most DC savers being in DC master trusts holding assets of more than £30bn by 2030.
Affects both DB and DC	
Trustee skills	No legislation is proposed but the Government will support TPR to set up a trustee register to help monitor trustee training. TPR will update and expand investment guidance for trustees by the end of 2023. It will engage with employers to ensure all relevant information is considered in selecting a pension scheme. Government will also keep under review whether legislation to mandate trustee accreditation is needed.

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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