

Regulatory Update



James Carter
Head of Pension Product and Policy

Welcome to this regulatory update covering news and announcements from the third quarter of 2022.

Typically, Q3 has a lower volume of regulatory activity, due to the parliamentary recess and the summer holidays and this year is no different. However, there is a lot of attention on the impact of **September's mini budget, economic stability and the cost-of-living crisis**.

One announcement in the mini budget that impacts pensions is the reduction to the basic rate of income tax given the relationship with pensions tax relief. As you'll know that is not now going ahead but as the Government looks at options to reduce its spending we will be tracking any other potential policy changes.

In September, the **Work and Pensions Select Committee** published the report of their inquiry into Saving for Later Life. This was the third and final part of their assessment five years on from pension freedoms and covered a wide range of issues. Of note it calls for better coordination of pensions policymaking and

an industry wide consensus on measuring retirement adequacy. It also asks for the Government to clarify the timing for expanding the automatic enrolment regime. The report notes the affordability issue of increasing minimum contributions in the near term but calls for the Government to be clear on its strategy and we support these themes strongly.

At a recent event, just into October and the new quarter, a senior Financial Conduct Authority (FCA) official commented that the FCA would be **increasingly turning its focus to the decumulation part of the customer journey**. In recent times the organisation has focused a lot of effort on Defined Benefit (DB) transfer advice but we understand that the FCA is gathering evidence ahead of some form of review on decumulation. The official did add that they are not seeing particular harms but noted that widespread use of drawdown is still relatively new and consumers are faced






with difficult decisions when entering retirement.

We were expecting a review, but what is potentially more interesting is the emphasised focus on decumulation, after the FCA's work on DB transfer advice. I'm supportive of the review and in our engagements we will again bring particular focus to the issues around the accessibility of financial advice and creating permission for providers to give more personalised guidance.

Whilst not strictly in Q3, **a new Pensions Minister has now been confirmed**. Mr Alex Burghart takes the baton from Guy Opperman but with a slightly changed and wider overall remit. With the impact of the cost-of-living crisis opposing the longer-term need to increase pension saving levels, the launch of pensions dashboards nearing, there is lots on the agenda for the new minister.



In this issue...

-  Pensions Dashboards update
-  DWP & TPR joint statement on transfer regulations
-  FCA Consumer Duty
-  TPR Pension Scams Strategy
-  In other news...



Find out more from James Carter as he talks through the key themes in more detail.

**Fidelity thinks...**

We welcome the additional information around pensions dashboards standards and timings, which support our ongoing preparation for connection to the dashboard ecosystem, however, this information is not yet final.

It is imperative that final regulations and standards are provided soonest so that schemes have sufficient time to prepare and can connect to the dashboard ecosystem by the regulatory deadline. We hope that DWP will provide more than 90 days notice to the industry before the Dashboard Available Point, so that consumers can have the best possible experience when accessing the service.



July 2022

Pensions Dashboards update

Department of Work and Pension (DWP) published their response to their consultation on connecting to the pensions dashboards ecosystem, confirming that staging deadlines for the first two dashboard cohorts (master trusts with over 20,000 members and large Defined Contributions (DC) schemes used for automatic enrolment) will be deferred by two months to 31 August and 30 September 2023 respectively and more flexibility will be given to schemes when preparing some data items. The FCA's response to their consultation for connecting FCA regulated schemes is expected to be released in Q4 2022.

Also, in July, the DWP released a short consultation looking at when the 'dashboard available point' DAP should be and what notice should be given. The DAP is the date at which consumers will be able to access their data via dashboards, it is linked to the readiness of the dashboard ecosystem for high volume usage, as well as when there is sufficient coverage of schemes so that the dashboard is useful to consumers. In the consultation DWP proposed to give 90 days notice for this. They also consulted on whether data exchanges between the Money and Pensions Service (MaPS) and the Pensions Regulator (TPR) should be allowed.

In July the Pension Dashboard Programme (PDP) released their 'dashboard standards' for consultation which covered:

- Data standards: what data must be submitted to the dashboard
- Technical standards: what data and dashboard providers will use to interface with the central technical architecture and/or each other
- The code of connection: how the data providers must connect to the dashboard and how to ensure schemes remain connected
- Reporting standards: data that schemes and providers must supply to regulatory bodies.

And finally, the PDP also released a call for evidence on their 'design standards' which sets out how information is presented to consumers on all pensions dashboards, these will work in conjunction with the FCA's permissions on Qualifying Pensions Dashboards Services, which should be released in Q4 2022.

DWP and TPR joint statement on transfer regulations

July 2022

The transfer regulations came into force on 30 November 2021 and are intended to empower trustees and scheme managers to reject a transfer request where they believe the member may be at risk of a scam. The regulations were welcome and much needed.

DWP and TPR's joint statement was released to coincide with the work currently underway for DWP's 18-month review of the regulations.

The statement acknowledged industry concerns about how the regulations have been working in practice and noted that the intention is for trustees to take a risk-based approach to decision making where possible.



Fidelity thinks...

An update of the regulations to better align with DWP's policy intent, to empower trustees and scheme managers, would be welcome. We have been actively working with industry associations and writing to the Government directly to offer our support for the best route through the issues.

We are currently awaiting the updated Pensions Scams Industry Group Code which we hope will provide much needed additional guidance on the applications of the regulations.



FCA Consumer Duty

July 2022

The FCA published final rules and guidance confirming plans to bring in a new duty setting "higher and clearer" standards of consumer protection across financial services and requiring firms to put customer needs first. Importantly the new duty rules require firms to consider the end customers, regardless of whether they are direct clients or not, which brings occupational pension scheme members into scope, where there is an FCA authorised firm creating or operating the pension scheme on behalf of a trustee.

The new rules will be phased in from 31 July 2023, starting with new and existing products or services that are open to sale or renewal followed by closed products or services coming into force on 31 July 2024.

TPR Pension Scams Strategy

August 2022

TPR published its new strategy to combat pension scams, following a joint assessment of the threat from pensions scams carried out by TPR and the National Fraud Intelligence Bureau. It is intended to complement the work of the Pension Scams Action Group (Project Bloom), the multi-agency taskforce created in 2012 to tackle pension scams.

The strategy includes a three-pronged plan which aims to:

- educate industry and savers on the threat of scams;
- prevent practices which can harm savers' retirement outcomes; and
- fight fraud through the prevention, disruption and punishment of criminals.

It includes continued promotion of TPR's industry-facing Pledge to Combat Pension Scams campaign. Fidelity took the TPR scams pledge in May 2021 and have now self-certified to confirm that we meet the pledge's core commitments.

In other news...

Draft pensions tax legislation in relation to low earners contributing to net pay arrangements July 2022 (Legislation Day)

In the 2021 Autumn budget, the Government committed to paying a top-up to low earners who make contributions to pension schemes using a net pay arrangement. On Legislation Day in July, the government published a policy paper that places a duty on HMRC to make these top-up payments directly to eligible individuals from the 2024-25 tax year. This is intended to ensure the same outcomes for low earners with taxable incomes below the personal allowance regardless of the type of scheme they pay into. It is intended that this should have minimal impact on pension schemes, as HMRC will contact individuals directly.

DWP consultation response on consideration of social risks and opportunities July 2022

DWP responded to their call for evidence, looking at the 'S' of ESG. DWP had been seeking to understand more about how pension scheme trustees consider social factors as part of their investment strategy. The response does not propose changes to the existing requirements for occupational pension schemes and is clear that it is up to trustees to decide how to factor in financially material social risks and opportunities as appropriate for their scheme. This could be either through an integrated or separate policy approach. As we noted previously, there is already a legal duty for trustees to consider social factors and we would expect any concerns about trustees not adhering to the law to be addressed by The Pensions Regulator.

DWP regulations and TPR guidance trustee oversight of investment consultants and fiduciary managers July & August 2022

TPR published revised guidance on the tender process for fiduciary management services and trustees setting objectives for their investment consultants. Since December 2019, trustees have been legally required to run a competitive tender process when appointing fiduciary managers in relation to 20% or more of scheme assets. They have also been prohibited from receiving investment consultancy services without having set strategic objectives for their investment consultancy provider. On 1 October 2022 the DWP regulations come into force and TPR is to take over regulating trustee duties on this from the Competition and Markets Authority (CMA). TPR's guidance provides clarity around the minor differences between the CMA Order and the DWP regulations.

FCA consultation on enabling a broader range of consumers to invest in LTAFs August 2022

The FCA are consulting on proposals to broaden the distribution of Long Term Asset Funds (LTAFs) to a wider group of retail investors and pension schemes. Currently access to LTAFs is restricted to professional investors, certified and self-certified sophisticated investors and certified high net worth individuals. The intention is for investment in long-term illiquid assets, including productive finance, to be a viable option for investors seeking potentially higher long-term returns in exchange for reduced liquidity.



Workplace Investing



Important information

This material is for the attention of UK schemes sponsors, trustees and their advisors and is not to be relied upon by private investors or pension scheme members. The views expressed by Fidelity and the third parties in this newsletter may no longer be current and should not be taken as a recommendation to take any course of action. Issued by FIL Life Insurance Limited (Reg No. 3406905). Authorised in the UK by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Registered Office at: Beech Gate, Millfield Lane, Lower Kingswood, Tadworth Surrey, KT20 6RP. Fidelity, Fidelity International, the Fidelity International logo and the F symbol are trademarks of FIL Limited. WI1022/WF1055250/SSO/1023