

# Regulatory Outlook



## Foreword

**James Carter**  
Head of Pension Product and Policy

Welcome to this quarter four regulatory update. There were some key announcements in Q4 and we start 2022 with a busy policy agenda.

In early November, the Department of Work and Pensions ('DWP') published the overdue new transfer regulations which allow scheme trustees and managers to block a transfer where there is a concern about a scam. The Government only allowed three weeks for those final regulations to be implemented. Fortunately, through our industry engagements we had advanced warning of changes so were able to start work early.

Also, in November Treasury made a further announcement in relation to the proposed change to the Normal Minimum Pension Age. That announcement closed the planned window for consumers to join or transfer to a scheme and secure a protected pension age. I talked about the complexity of the protection regime in my last update. The situation hasn't really improved and we, and much of the industry, continue to lobby Government for further changes before the Finance Act is laid in the spring.

Both the Financial Conduct Authority ('FCA') and DWP have separately consulted on proposals to require providers to make a stronger nudge to Pension Wise guidance. The FCA has now published its final rules and contract-based schemes must offer this nudge by the 1st of June. We expect DWP's parallel regulations to be finalised imminently, potentially with an April implementation for trust-based schemes. We hope DWP has listened to feedback about the unnecessary technical differences when compared to the FCA's rules.

The Budget in October finally saw a solution to the net pay anomaly proposed by Treasury. It's great to see this impact on non-tax payers in schemes using the net pay arrangement closed off, albeit not until the 2024/25 tax year. It's not a perfect solution and will require individuals to claim a top-up, but it's progress.

Looking to the year ahead, there are a number of brewing policy developments. We are working with DWP and industry bodies to position an alternative to the statement season which you may have seen the Pensions Minister talk about.

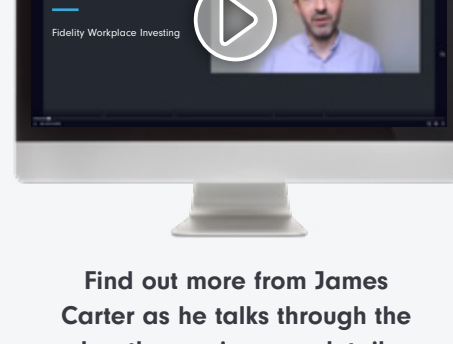
We expect the Government to start proper work on evolving the automatic enrolment regime in line with the commitments made in its 2017 review, and also expect discussion on supporting decumulation journeys for members of trust-based schemes.

How quickly more significant changes can be made may depend on whether there can be another Pensions Bill in this parliament. That is perhaps looking unlikely.

With the more direct style of policymaking being driven by the Pensions Minister this will definitely be another busy year.

### In this issue...

- FCA policy statement on value for money in Workplace Pensions
- Increasing to the Normal Minimum Pension Age
- Pension Transfer Regulations
- Stronger Nudge to Pensions Guidance
- Other regulatory items from this Quarter

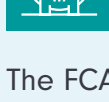


Find out more from James Carter as he talks through the key themes in more detail.

## Workplace Investing



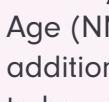
## What are the Government and Regulators thinking about?



### FCA policy statement on value for money (VfM) in Workplace Pensions – October 2021

The FCA have introduced new rules for Independent Governance Committees (IGC's), which aim to set up a more consistent and transparent VfM assessment framework across the workplace pensions market. Standardisation of rules and guidance should improve the clarity of IGC reports. The intention is that it will enable IGCs to make better evidenced conclusions about the VfM of pension products, particularly through comparison of other options on the market. The FCA now require IGCs to assess costs and charges, investment performance and the quality of services provided. Therefore, just complying with the charge cap does not indicate VfM.

**The rules came into force on 4 October 2021, and IGCs have until the end of September 2022 to publish their next VfM report. Fidelity fully supports a more holistic view of VfM which goes beyond just cost and charges by also considering the quality of service alongside investment performance. These regulations will provide for greater clarity and consistency of VfM assessments across the workplace pension market.**



### Increasing the Normal Minimum Pension Age – November 2021

Treasury published the Finance Bill 2022 which confirms that the Normal Minimum Pension Age (NMPA) will increase to 57 from 6 April 2028. However, through this bill and an additional written statement, Treasury have confirmed that they have made further changes to how this increase will be implemented.

Treasury had previously stated that members would be given the chance to join, or transfer to, a scheme with a Protected Pension Age (PPA) of 55 up to 5 April 2023, however on 4 November 2021 Treasury confirmed the window which allowed this had closed at 23:59 on 3 November 2021.

This means that individuals will no longer be able to acquire the right to draw benefits before 57 by joining, or transferring into, a scheme with a PPA of 55 (unless they were already in the process of transferring their pension, prior to 4 November 2021).

**Whilst the increase was known and expected and we have discussed the complications around the implementation of this change in previous issues of the quarterly outlook, the closure of the transfer window was announced without warning. The implementation of the increase to the NMPA as currently drafted in the Finance Bill is complicated. Trustees will need to ascertain whether their scheme offers a PPA of 55 for members. There is no further action required for plan sponsors of contract based schemes.**



### Pension transfer regulations – November 2021

The Government published new regulations to help protect pension scheme members from being the target of a scam. These new regulations came into force on 30 November 2021 and give pension schemes new powers to block a pension transfer request where there are clear indications it could be part of a scam.

**We are supportive of increased powers to guard against scams and note that scammers use ever evolving techniques. The implementation timeline for the regulations was very short, with the regulations being laid on 8 November 2021 and coming into force on 30 November 2021. Plan sponsors of contract based schemes do not need to take any further action. We will write to trustee clients again shortly with further information.**



### Stronger nudge to pensions guidance – December 2021

From 1 June 2022, members of pension schemes will be 'nudged' to receive a guidance session from Pension Wise, when they access their pension savings or transfer their pension to another provider for the purposes of accessing their pension savings.

Providers will be required to:

- Refer the member to Pension Wise guidance.
- Explain the nature and purpose of Pension Wise guidance.
- Offer to book a Pension Wise guidance appointment, and where the member accepts that offer, book the appointment or provide the member with sufficient information to book their own appointment.

**When used, Pension Wise receives extremely positive feedback from pension scheme members and is a valuable service for consumers. Fidelity strongly supports the policy aim to increase consumer engagement with pensions.**

**No further action is required from plan sponsors, however, DWP is due to respond to their consultation on similar rules for trust-based schemes so there is likely to be further actions for trustees in the future.**

**We hope that when the final regulations are laid by DWP that there is alignment with the FCA rules, to ensure a consistent member experience.**



### Other regulatory items from this quarter

- **Net pay anomaly**  
There has also been a response to the call for evidence on the net pay anomaly and wider pensions administration issues. The response confirmed that Government will introduce legislation in a future Finance Bill to allow top-up payments directly to low-earning individuals impacted by the net pay anomaly. These top-ups can be applied for by members from April 2025 in respect of contributions made in tax year 2024-2025 onwards. This will better align outcomes for non-tax payers contributing through net pay and relief at source arrangements. The response also confirmed the Government will invest an additional £71 million in modernising the administration of pensions tax relief, including RAS claims, and to address the McCloud remedy.
- **DWP consultation on Enabling investment in Productive Finance**  
This consultation proposed to remove performance based fees from the charge cap. It was announced by the Chancellor in the Budget and supports the Government's ambition to increase investment in illiquid assets. The consultation is looking at amendments to the scope of the charge cap, in order to better accommodate well-designed performance fees and enable investments into the UK's most productive assets, while continuing to protect savers.
- **DWP consultation on Climate and Investment Reporting**  
The consultation proposes a requirement on trustees to calculate and disclose a portfolio alignment metric describing the extent to which their investments are aligned with the goal of limiting the increase in the global average temperature to 1.5 degrees Celsius above pre-industrial levels (in accordance with the Paris Agreement). The requirements are to be followed under the "as far as they are able" principle, which, according to DWP, means that trustees should request data from their asset managers and make reasonable and proportionate efforts to obtain the data.
- **Simpler Annual Benefit Statements**  
DWP has confirmed the final regulations for Simpler Annual Benefit Statements. At this stage, only DC schemes used for Automatic Enrolment are in scope of these regulations. The main change is that these regulations will now come into force from 1 October 2022.
- **Long Term Asset Fund**  
The FCA has published a policy statement confirming the creation of a Long-Term Asset Fund (LTAf) regime in order to help support investment in assets like infrastructure and private equity. The FCA said that investment in these areas has the potential to generate better returns for investors, as well as supporting economic recovery from the COVID-19 pandemic. The LTAf is aimed in particular at DC pension schemes that may be interested in investing in line with their investment horizons and risk appetite.

## Workplace Investing



### Important information

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