

THE MONTH IN PENSIONS

Keeping you on the cutting edge of developments in pensions

APRIL 2020



ADAPTING TO A NEW NORMAL

COVID-19 continues to dominate both the national political agenda and work in the pensions industry. This month, The Pensions Regulator (TPR) continued to issue guidance to trustees and employers on how they should deal with business uncertainty and its impact on workplace pension schemes. Across the world, people are adapting to their new normals. Gowling WLG's pensions team is no exception. Necessity being the mother of invention, this has seen new home offices spring up in attics, in person team training replaced by video conference gatherings and client events delivered via webinars. To help you navigate new challenges, we've brought together resources for trustees and employers at www.gowlingwlg.com/pensions-uk.

We are fortunate in being able to deliver professional services remotely. Almost all of our research tools are online and laptops replaced desktops years ago. Not every sector is so lucky. This month saw the release of sobering statistics confirming the impact of the pandemic on the economy. Our team has been busy helping trustees and employers to deal with the reality underlying the statistics and advising on requests to suspend or reduce employer deficit repair contributions and the impact of furloughing staff on pension arrangements. Many are looking forward to the relaxation of lockdown conditions, but with trepidation as to what the next stage of dealing with COVID-19 will bring. One thing is certain - we will, in various ways, adapt to the new normal.

TRUSTEESHIP AND GOVERNANCE

TPR issues guidance to trustees on dealing with COVID-19

TPR has issued a series of guidance updates for trustees and scheme administrators. These cover a range of issues including scheme administration, scheme funding and investment, corporate distress and avoiding pension scams.

In the midst of this challenging and turbulent time, pension scheme trustees are expected to do their best to ensure critical functions are carried out and to work with scheme sponsors as they deal with incredible pressures on their businesses. With so much news, new guidance and scheme-specific developments to contend with, the

situation can seem overwhelming. To help trustees tackle these issues, we have put together an essential guide and checklist.

With full coverage and a key action checklist, this guide will be an essential resource to: (a) keep trustees up to date; and (b) provide a governance framework that can be filled in and filed as part of keeping records of trustee actions when dealing with COVID-19.

- Click here or visit tinyurl.com/GWLG0420A for a PDF copy of our essential guide (Dealing with uncertainty: A guide for DB trustees dealing with COVID-19);
- Click here or visit tinyurl.com/GWLG0420B for a home printer friendly Word version of our essential guide;
- Click here or visit tinyurl.com/GWLG0420C for a PDF copy of our checklist for recording trustee COVID-19 actions; and
- Click here or visit tinyurl.com/GWLG0420D for a Word version of our checklist for recording trustee COVID-19 actions.

PENSION PAYMENTS AND TAXATION

Industry regulators and bodies warn pension savers against making 'rash' withdrawals

Last week, the Association of British Insurers was the latest industry body to warn pension savers against making "rash financial decisions" during the COVID-19 pandemic and using pension flexibility to make early withdrawals which could affect their future retirement. This follows guidance issued by TPR on defined contribution schemes and investment and on transfers from defined benefit schemes ([click here](#) or visit tinyurl.com/GWLG202004J for TPR's COVID-19 webpage which contains links to all of the Regulator's relevant guidance).

PENSIONS POLICY

Delays to consultation deadlines confirmed

As the government and non-departmental public bodies focus on COVID-19 related issues, it is perhaps unsurprising that consultation deadlines have been pushed back.

Below is a round up of the new dates on the most relevant consultations for the pensions industry.

- HM Treasury's Reform to RPI methodology – the original consultation deadline of 22 April 2020 has been pushed back until 21 August 2020 ([click here](#) or visit tinyurl.com/GWLG0420E for the consultation webpage);
- HM Treasury consultation on extending the dormant asset scheme now has a deadline of 16 July 2020 ([click here](#) or visit tinyurl.com/GWLG0420F for the consultation webpage);
- TPR's consultation on a revised defined benefit funding code of practice was originally due to close on 2 June 2020 but this has been pushed back until 2 September 2020 ([click here](#) or visit tinyurl.com/GWLG0420G for the consultation webpage); and
- DWP's consultation on non-statutory guidance for occupational pension schemes on assessing, management and reporting climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures was due to close on 7 May 2020 and will now finish on 2 July 2020 ([click here](#) or visit tinyurl.com/GWLG0420H for the consultation webpage).

SCHEME INVESTMENT, FUNDING AND THE PPF

Lockdown adds £10 billion to deficit of UK's final-salary pension funds

On top of more pressing concerns, firms may need to find large sums to top up pension schemes as the COVID-19 shutdown hits global economy.

April's edition of the PPF 7,800 Index showed that more than £10bn was added to the total deficit of the UK's 5,422 defined-benefit schemes in the period from the end of February to the end of March. Alongside that, the funding ratio decreased from 93.2 per cent at the end of February 2020 to 92.5 per cent.

PwC's research suggested a much more sobering impact, with deficits increasing over the same period by £60 billion to reach £290 billion. At the beginning of the year (and thus before the impact of COVID-19 began to influence markets), PwC's Skyval Index reported deficits of £170 billion.

MAY 2020 IN PENSIONS

- **4 May 2020** - Trial to commence for *Lloyds Bank plc v Lloyds Banking Group Pension Trustees Limited and others* dealing with further issues arising from the circumstances considered in the original High Court decision
- **14 May 2020** - the PPF's 7,800 index is expected to reveal the impact of COVID-19 on pension scheme deficits from April 2020.
- **19 May 2020** - Deadline for comments on FCA consultation on regulated fees and levies for 2020/21
- **Expected in Spring 2020** - the Pensions Minister announced plans to consult in spring 2020 on regulations designed to: (a) facilitate the consolidation of small DC arrangements; and (b) allow schemes to pay performance fees without diluting the charge cap. This may, however be delayed due to the escalating government focus on COVID-19.