

# The Pensions Brief

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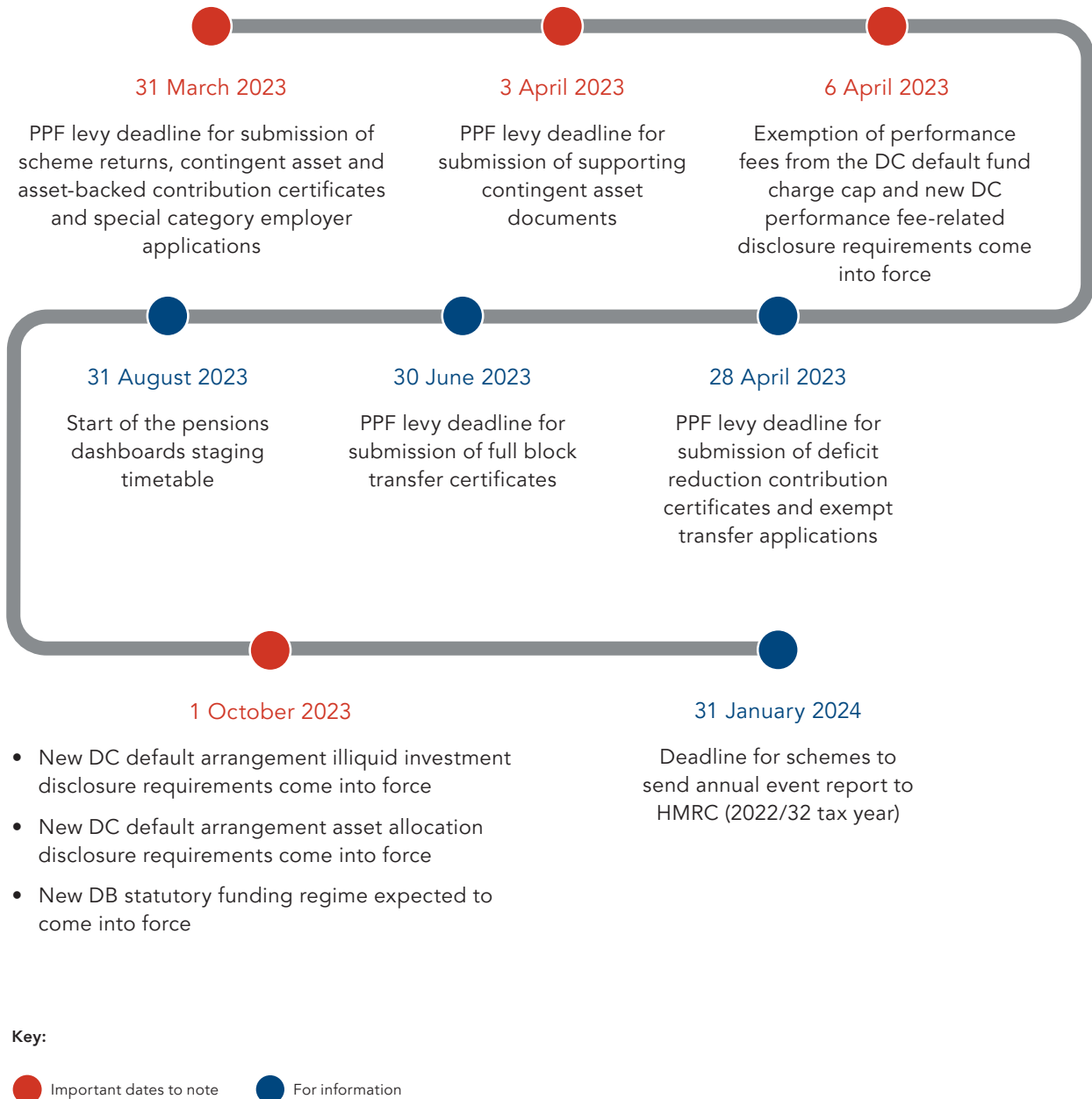
Industry guidance for master trusts

▲ Action required

▲ Follow development and keep under review



## Dates to note over the next 12 months



## Issues affecting all schemes

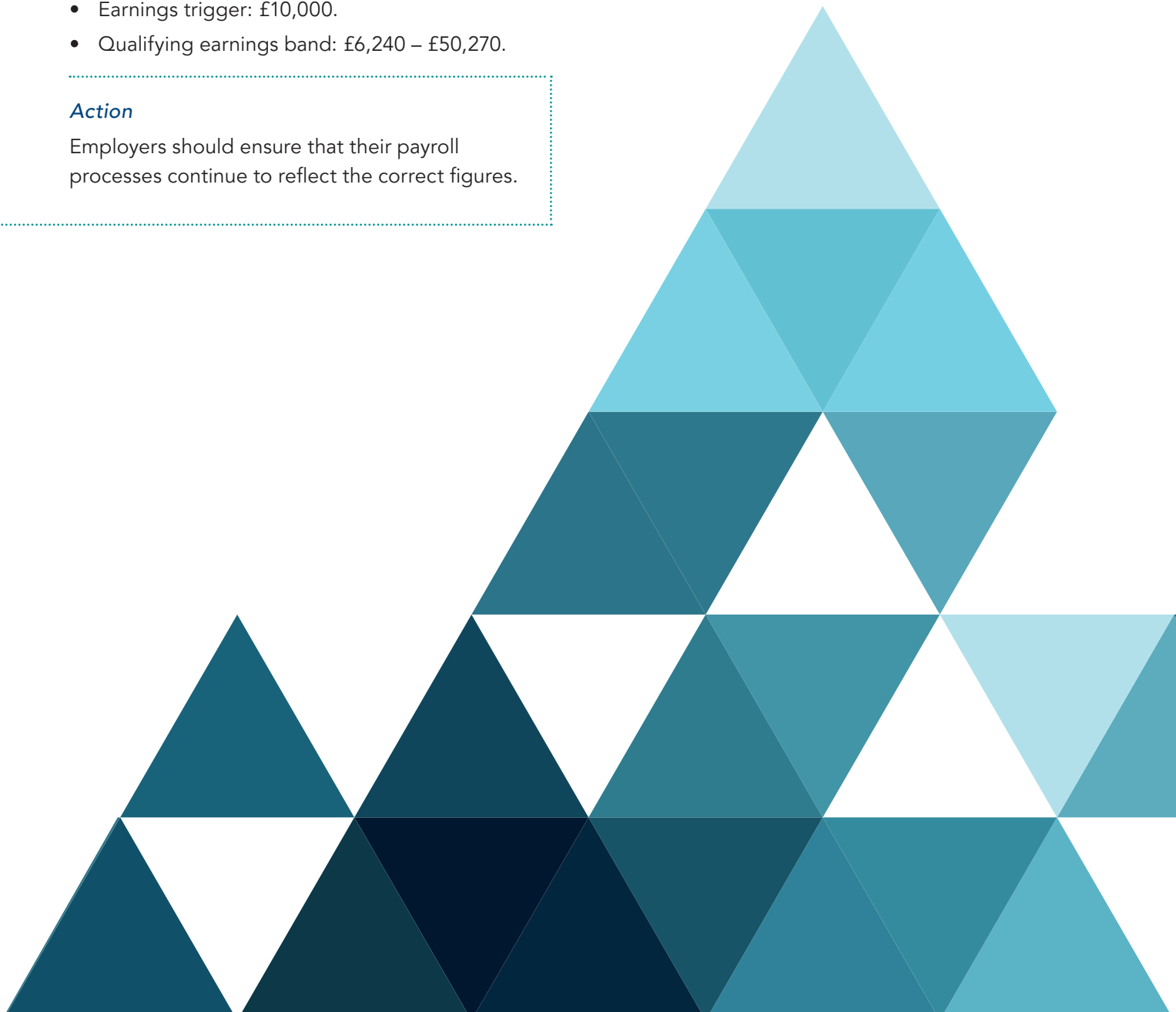
### Automatic enrolment – 2023/24 earnings thresholds

The government has announced that the automatic enrolment earnings trigger and qualifying earnings band for the 2023/24 financial year will remain at their 2022/23 levels as follows:

- Earnings trigger: £10,000.
- Qualifying earnings band: £6,240 – £50,270.

#### *Action*

Employers should ensure that their payroll processes continue to reflect the correct figures.



## Issues affecting DB schemes

### Guaranteed minimum pensions – increases

An [order](#) has been laid before Parliament which sets the increase to be applied to guaranteed minimum pensions (GMPs) in the 2023/24 financial year at 3%.

#### **Action**

Trustees and administrators of schemes providing GMPs should ensure that the increase is applied.

### 2023 scheme return – guidance

The Pensions Regulator has published [guidance](#) on the 2023 scheme return for DB/hybrid schemes including example returns. It has updated the asset breakdown section to reflect the outcome of its 2021 joint consultation with the Pension Protection Fund on asset classes. The changes made include:

- Introduction of a new tier-based system for providing information about the scheme's assets. Each scheme will be assigned one of three tiers based on their total liabilities. Tier 2 and 3 schemes need to provide more detailed information about the bonds and equities they hold. Tier 3 schemes also need to provide information on risk factor stresses.
- Changes to the list of asset categories.

The 2023 DB/hybrid scheme return does not include information on compliance with the requirements that were introduced in 2019 by the Competition and Markets Authority (CMA) on:

- Setting objectives for investment consultants.
- Tendering for fiduciary managers.

These requirements were incorporated into pensions legislation with effect from October 2022, along with a requirement for schemes to report on compliance in the scheme return. The previous requirement to report on compliance to the CMA was revoked from October 2022.

#### **Action**

Trustees of DB and hybrid schemes should ensure that they complete and return their 2023 scheme return by the deadline of 31 March 2023.

## Issues affecting DC schemes

### Broadening investment opportunities – new trustee obligations

Regulations have been laid before Parliament that:

- Exempt certain performance fees from the scope of the DC default fund charge cap and introduce new performance fee-related disclosure requirements from 6 April 2023.
- Introduce new disclosure requirements for DC schemes in relation to investment in illiquid assets in the default arrangement(s) and default arrangement asset allocation from 1 October 2023.

The regulations also introduce similar changes for collective DC (CDC) schemes, but in relation to all scheme assets since CDC schemes do not have default arrangements.

The government has published statutory guidance on the requirements in relation to performance fees and asset allocation. Schemes must have regard to this guidance when complying with the requirements. The government has also responded to its consultation on a draft version of the regulations. For more information, please see our legal update.

#### **Action**

Trustees of DC schemes should make arrangements to comply with the requirements from April and October 2023.

### Supporting members – Pensions Regulator statement

The Pensions Regulator has published a statement for trustees of DC schemes and their advisers setting out the main points on how:

- Schemes should communicate with and support members through the current period of economic volatility.
- Trustees can strengthen the governance and oversight of DC schemes and ensure their investment strategies support stronger member outcomes.

It builds on the Regulator's October 2022 statement on the issues that the Regulator expects trustees to consider when managing investment and liquidity risks in the face of current market conditions. For more information on that statement, please see our legal update.

#### **Action**

Trustees of DC schemes should review the statement and consider whether they need to make any changes to their member communication and/or scheme governance processes.



### Improving member outcomes – proposed reforms

The government has published:

- A joint [consultation](#) with the Pensions Regulator and the Financial Conduct Authority on a new DC value for money (VFM) framework – DC schemes will be required to disclose, assess and compare the VFM that they provide in three key areas: investment performance, costs and charges, and quality of services.
- A [call for evidence](#) on options for automated consolidation solutions to deal with small deferred DC pots – two options are proposed: a default consolidator model and a “pot follows member” model.
- A [consultation](#) on extending the collective DC regime to allow for non-associated multi-employer schemes and decumulation-only schemes.

The proposed reforms are intended to improve member outcomes. The consultations/call for evidence all close on 27 March 2023. For more information, please see our [legal update](#).

#### **Action**

Trustees of DC schemes should keep the progress of the consultations and the call for evidence under review.

### Pensions dashboards – master trusts

The Pensions Administration and Standards Association has published [guidance](#) on pensions dashboards specifically designed for master trusts. The guidance covers data, technical considerations and the dashboards ecosystem, and legal requirements and compliance.

#### **Action**

No action required, but trustees of master trusts may find the guidance helpful.

## Mayer Brown news

### Upcoming events

For more information or to book a place, please contact [Katherine Carter](#).

- **Trustee Foundation Course**
  - 8 March 2023
  - 7 June 2023
  - 6 September 2023
  - 6 December 2023
- **Trustee Building Blocks Classes**
  - 17 May 2023 – DC governance
  - 8 November 2023 – Pensions dashboards
- **Quarterly webinars**
  - 29 March 2023 – topic TBC
  - 28 June 2023 – topic TBC
  - 27 September 2023 – topic TBC
  - 13 December 2023 – topic TBC

### Pro bono and CSR

- [Andrew Block](#), [Henry Corrigan](#) and Esther Farley wrote an [article](#) for Lexis®PSL on new Financial Conduct Authority rules and guidance designed to improve outcomes for unadvised consumers with non-workplace pensions.
- [Katherine Carter](#) wrote an [article](#) for Lexis®PSL on the Pensions Regulator’s consultation on its draft pensions dashboards compliance and enforcement policy.

Please speak to your usual contact in the Pensions Group if you have any questions on any of the issues in this Brief.

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