Industry overseers – agenda update

The bodies that oversee the pensions industry are pivotal in the development and evolution of the industry. Natalie Tuck takes a look at the current areas of focus for some of the sector's biggest overseers

The Pensions Regulator
Having just published its corporate plan, outlining its priorities for the next three years, The Pensions Regulator has a broad range of work to undertake. One area in particular is the master trust authorisation regime, which comes into affect in October 2018. "A top priority will be implementing this regime to make this market, which has significantly grown as a result of automatic enrolment, safe and secure," a spokesperson says.

There is also pressure on the regulator to ensure the continued success of auto-enrolment, especially as the minimum contributions increased to 5 per cent last month. The regulator ensures that employers meet their duties, including re-enrolling staff every three years and complying with recent contribution increase. In the past six months, TPR has clamped down on companies that avoid auto-enrolment duties, with bus company Stotts Tours the first to be prosecuted.

Despite it being busy with the regulation of defined contribution pensions, the regulator can't forget about defined benefit pensions. A spokesperson says it is working with the government to implement the proposals set out in the recent defined benefit white paper. These will see the regulator given more powers; it will be able to allocate punitive fines for those who have deliberately put their scheme at risk and will see the introduction of legislation to introduce greater information-gathering powers including the power to compel any person to submit to an interview, the power to issue civil sanctions for non-compliance and an inspection power.

Other areas that it will be prioritising include: maintaining the fight against pension scams; improving governance and administration in pension schemes, including through its 21st Century Trusteeship work; and responding appropriately to risks and challenges arising from Brexit. "We need to ensure that we remain effective, efficient and able to respond to the challenges we face. Our upcoming corporate plan will expand on our drive to be clearer, quicker and tougher via our TPR Future programme," a spokesperson states.

Financial Conduct Authority
The Financial Conduct Authority published its business plan for the next year at the beginning of April, revealing a number of areas concerning pensions and retirement. This year it wants to produce a 'clear strategy' to make it easier for stakeholders to understand its role within the pensions sector. It is working with The Pensions Regulator to produce a joint strategy, which will set out how they will work together to tackle the key regulatory risks facing pensions over the next five to ten years.

Following the saga relating to the British Steel Pension Scheme, where some members were given inappropriate advice to transfer out of the scheme, the FCA faced criticism from the Work and Pensions Committee. As a result, it scrapped plans to remove the 'unsuitable' starting point for advisers with clients seeking a defined benefit transfer. It has also said it will be collecting details of practices across the entire pensions transfer market, in order to build a national picture to assess potential and actual harm, and identify the most effective way to reduce it.

The FCA launched the *Retirement Outcomes Review* in 2016, publishing its interim report in 2017, and is expected to release the final report, along with a consultation paper, later this year. Since the interim report, the FCA has undertaken further analysis on the types and level of consumer harm that drawdown charges and investment choice may cause. Keeping busy, it is also undertaking a piece of research looking at the levels of undersaving for retirement. As part of this project, it is investigating which consumer groups are most at risk of experiencing a shortfall in their expected retirement provision.

In addition, the FCA is conducting wider policy work on independent governance committees (IGCs) for workplace pension schemes to look at the possibility of extending their remit. This wider work includes possible changes to the rules for IGCs to improve governance and value for money for consumers, following recommendations on social investing from the Law Commission.

Work and Pensions Committee

There's no slowing down for The Work and Pensions Committee as 2018 has already seen it complete an inquiry into the pension freedoms, which resulted in it making a number of proposals. For example, the committee supports the Financial Conduct Authority's recommendation that every pension provider offering drawdown should be required to offer a default decumulation pathway, suitable for its core customer group. The committee is still awaiting the government's response on the proposals, so we haven't heard the last of it yet.

Currently it is looking into the defined benefit White Paper, which came out earlier this year. It hopes that its inquiry can "inform and influence" the planned consultation on the White Paper's proposals, which include The Pensions Regulator's powers, corporate transactions that could affect schemes, defined benefit consolidation, and criminalising wilful pension neglect, among others.

Following renewed enthusiasm for the creation of collective defined contribution (CDC) schemes, namely from Royal Mail, the committee launched its own inquiry into this type of scheme in November 2017, which is still ongoing. Committee chair Frank Field said the aim is to "retain some of the best features of company schemes in a different age when employers are no longer willing or able to sustain the burden of final salary promises to employees, who could club together and pool the risk themselves".

The committee has also teamed up with the Business, Energy and Industrial Strategy Committee to investigate the collapse of Carillion. In particular, the Work and Pensions Committee's focus has been on the company's pension scheme and its deficit. Oral evidence is still ongoing but currently the committee has heard that Carillion's finance director Richard Adam thought funding the pension scheme was a "waste of money". Field has also raised questions over the leadership of TPR as a result of its evidence hearings. He told TPR's chief executive Lesley Titcomb that her "defensive and under-prepared performance…gave me no assurance that the TPR leadership is equipped to bring about the necessary cultural change".

Pensions and Lifetime Savings Association

With over 1,300 pension schemes that look after 20 million members, the Pensions and Lifetime Savings Association (PLSA) plays an important role in shaping the pensions industry. A spokesperson for the association says that its ongoing goal is to achieve a better income in retirement for all savers. "Currently one of our key focuses is our Hitting the Target project, which aims to help savers through the creation of retirement targets, improving automatic enrolment contributions, and reviewing decumulation in the new pensions landscape," a spokesperson notes.

One of the proposals to come out of the project is the idea of National Retirement Income Targets, which are currently used in Australia. The PLSA's initial research also found that when asked about what levels should be used for income targets, savers between 55 and 64 suggested that for a single person targets may be: a minimum £10,000 to £15,000, modest – £15,000 to £25,000 and comfortable – more than £25,000.

The PLSA is also focused on the defined benefit White Paper and how best to ensure more people get their full defined benefit benefits in retirement. As part of this, the former chair of its DB Taskforce recently appeared at the Work and Pensions Select Committee hearing to discuss the taskforce's recommendations. In the DB Taskforce's final report, it proposed three key recommendations to help DB schemes protect themselves. One included the appointment of a DB chair, which has since been proposed in the White Paper.

The PLSA has also taken a keen interest in the development of the pensions dashboard to ensure that members' views are represented. It was a member of the initial project group responsible for the creation of the prototype, and two PLSA members are represented on the HMT led steering group. "Other areas of focus for the PLSA include cost transparency in all parts of the investment chain; the ongoing Competition and Markets Authority investment consultancy market investigation; master trust authorisation following the Pension Schemes Act 2017, and continuing the successes achieved so far in regards to LGPS pooling," a spokesperson adds.

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