TPR to ease enforcement activity with temporary DRC and CETV suspensions

Employers are now able to consider temporarily halting DRCs for up to three months but are still expected to meet contribution obligations to employees' pensions

With the ongoing coronavirus pandemic threatening the financial stability of sponsoring employers in the UK, there have been calls for considerations to allow employers to temporarily halt pension and deficit recovery contributions.

As a result, The Pensions Regulator (TPR) has confirmed easements for employers to suspend deficit repair contributions (DRCs) as part of its updated guidance on Covid-19.

The guidance, directed to both defined benefit (DB) and defined contribution (DC) employers and trustees, also includes a number of provisions around scheme valuations and transfer requests.

It clarifies that TPR has no power to waive statutory duties, but that the regulator would make allowances in terms of its enforcement activity to provide easements for schemes amid the Covid-19 pandemic.

TPR has told trustees to be open to requests to reduce or suspend DRCs "in line with the principles set out in our guidance published 20 March".

The regulator states: "Where sufficient information is not available to make a fully informed decision, trustees should, where appropriate, agree to requests to suspend or reduce DRCs for as limited a period as possible while appropriate information is being provided.

"Trustees will need to carefully consider any requests to suspend/reduce DRCs if they are expecting annual or substantial contributions (eg where a one-off, large, single payment is due or where DRCs are paid annually and the next one happens to fall in the suspension period)."

TPR emphasises, however, that this period should be no longer than three months, with a condition of the agreement being a "full and ongoing provision of information" to allow trustees to closely monitor the employer covenant.

The regulator has also given trustees discretion to suspend cash equivalent transfer value (CETV) quotations and payments.

Whilst usually this may mean a breach of disclosure requirements, TPR states that it will not take regulatory action in the next three months against trustees who suspend CETV activity.

In a Covid-19 guidance update earlier in March, TPR said that employers "need to continue contributing" to member pensions throughout the outbreak.

The regulator explains that it will take a "proportionate and risk-based approach towards enforcement decisions, in light of these challenging times", also acknowledging the strain put upon employers by the outbreak.

The government confirms that the coronavirus job retention scheme will include provisions for pension contributions.

Under the scheme, employers are able to claim 80 per cent of an employee's monthly wage costs, up to £2,500.

The updated guidance clarifies that this will also be inclusive of any associated employer minimum automatic enrolment pension contributions.

Further guidance on how employers should calculate their claims for minimum automatic enrolment employer contributions will be issued before the scheme goes live.

Aegon head of pensions, Kate Smith, says that, although TPR may be more lenient in cases of regulatory oversights, it is imperative that employers continue to pay their employees' contributions.

"As the impact of the Covid-19 crisis is felt wider and deeper, TPR has stressed the importance of employers continuing to pay pension contributions," Smith adds.

"Acknowledging that this might not be the top priority for some employers right now, TPR has conceded that administrative breaches, such as failing to pass on pension contributions to pension providers on time, may occur.

"However the expectation is that most employers will continue to meet the regulatory timelines."

Written by Jack Gray