A year in review

For a year that has seen Brexit take over the agenda, it has still been a busy one for pensions. From the appointment of a new Pensions Minister, to government reviews and consultations, pension scheme closures and court rulings, Natalie Tuck looks back at some of the themes of 2017

Welcome, Mr Opperman
Following the General Election in June, Prime Minister Theresa May took the opportunity to appoint a new Pensions Minister. So as the industry waved goodbye to Richard Harrington, who served in the role for 11 months, it welcomed Guy Opperman. However, the role was renamed Parliamentary Under Secretary for Pensions and Financial Inclusion, a new role within the Department for Work and Pensions. This prompted some in the industry to question whether pensions has been downgraded by the government, although he seems to have plenty of work to do. He made his debut speech to the industry five months later, when he addressed delegates at the Pensions and Lifetime Savings Association's annual conference, where he revealed that the Department for Work and Pensions had taken over the development of the pensions dashboard.

A Budget 'double whammy'
There were two Budgets this year, but as the industry requested, pensions were left largely untouched, at least from any major changes. In the Spring Budget,

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to the disappointment of many, the government confirmed it was going ahead with a cut to the Money Purchase Annual Allowance. It was cut down to £4,000 from £10,000, despite receiving negative feedback in a consultation from the industry. The Autumn Budget followed was also quiet on the pensions front, leaving the industry breathing a sigh of relief. The big headline in the Autumn Budget was that The Pensions Regulator will be clarifying guidance on investments with long-term horizons, as part of the government's action plan to unlock £20 billion of new investment. The industry was also pleased to see there were no further cuts to the lifetime and annual allowances, nor a big shake-up of pensions tax relief altogether.

A crack down on scams
Towards the end of 2016, the government launched a consultation on pension scams, proposing to ban pensions cold calling, along with texts and emails too. Since the introduction of the pension freedoms, scams have become a bigger issue for the industry. Even before the freedoms, cold calling has always played an important role for scammers; figures from the Department for Work and Pensions noted that in 2013, 97 per cent of pension fraud cases brought to Citizens Advice stemmed from cold calling. It was originally intended that such a ban would be legislated for in the Financial Guidance and Claims Bill, however, this plan was abandoned, in part, as a result of the General Election. Since then, the government has made more progress with bringing in the ban and has committed to publish draft legislation on the ban in 2018. Unfortunately, it has said the final legislation may not be in place until 2020.

A winning year for equal pension rights
It was a busy year for pensions in court, but two cases stand out for their landmark rulings that have paved the way for more equality with regards to pension rights. In February the Supreme Court ruled that an unmarried woman, who lived with her partner, is eligible

to receive a survivor's pension from her deceased partner. Later on in the year, in a different case, the Supreme Court ruled that same-sex couples should have the same pension rights as straight couples. John Walker, who successfully won the latter case, securing pension rights for his husband, said it was a "victory for basic fairness and decency". As the ruling was made under European Union law, however, there are concerns these rights could be overturned after Brexit.

Pensions freedoms under the microscope

The pension freedoms celebrated their second birthday in April 2017, but many in the industry still have their concerns. For example, on the anniversary Just group communications director Stephen Lowe noted that, "pension freedom is certainly happening, but we are a long way from knowing if it is working". These concerns are shared by the Work and Pensions Committee, which recently launched an inquiry into the freedoms to gauge whether change is required to protect savers from "unscrupulous scam artists". The inquiry will look at what savers are doing with their retirement income, how they decide upon their chosen option, the information and guidance available and the operation of the pension product market. The review will also consider those who want to transfer out of a defined benefit scheme in order to use the freedoms, which has been described as a the next 'mis-selling scandal' by some in the industry.

A review of auto-enrolment

With the roll out of auto-enrolment to be completed during 2018, along with an increase to the minimum contribution, the government decided to take steps to explore how the policy can be developed. The review of auto-enrolment began early in 2017, looking at three themes; coverage, engagement and contribution levels. It is widely believed that the policy should be rolled out to the self-employed, something that the government has expressed an interest in. The outcome should be published in December.

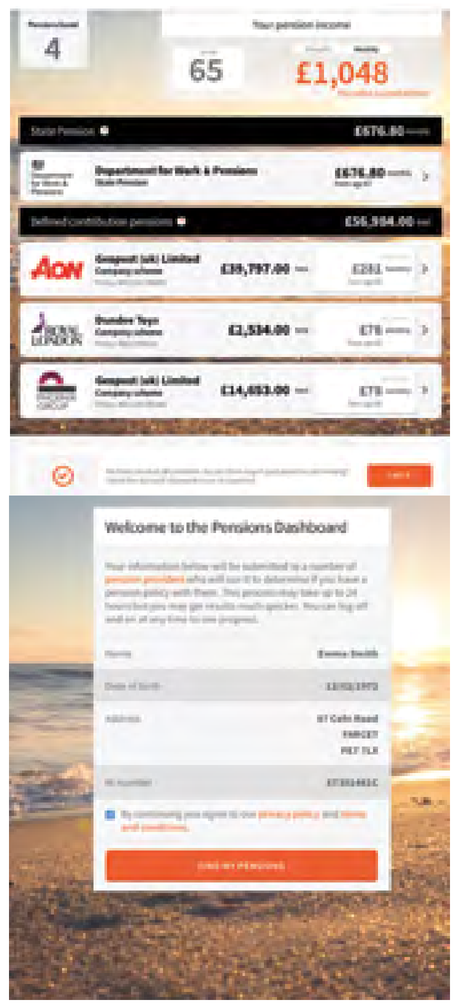
The Pensions Regulator

TPR becomes 'quicker, clearer and tougher'

On the back of the BHS pension scheme saga, The Pensions Regulator faced criticism from the Work and Pensions Committee, who said that had it been a "nimbler, more assertive, and more proactive regulator", it might never have been necessary to get to the stage of having to reach a deal with Philip Green. As a result, the regulator has revealed a strategy to become 'quicker, clearer and tougher', and has been more vocal in how and when it is using its powers. In November, it revealed it has prosecuted bus company Stotts Tours, and its managing director, for deliberately avoiding its auto-enrolment duties. It has also started publishing fines it has issued, such as the £1,000 fine to the London Borough of Barnet Pension Fund for failing to submit its 2016 scheme return.

Pension dashboards get off the ground – slightly

There was some furore when it became clear that the pension dashboard, was in fact, pension dashboards, and there wasn't just going to be one dashboard. However, the Association of British Insurers, along with others in the industry, successfully delivered a prototype of the dashboard in March. After the delivery of the prototype there seemed to be a stall in the development, with the ABI and others calling for the government to take action to put in place the necessary regulation and legislation to get the dashboard up and



running by its 2019 target. There has been calls by some in the industry to make it compulsory to provide data for the dashboard. Despite this, Pensions Minister Guy Opperman has declined to comment on whether this will happen, now that the government has said it has taken over the development.

DB schemes in the spotlight
Defined benefit schemes have certainly been in the spotlight this year, with the publication of a green paper by the government on the security and sustainability of the schemes. One of the government's proposals is to introduce conditional indexation for stressed defined benefit schemes so an employer could suspend increases to pension payments if it was in a stressed financial position. The proposal would mean that no increases would be paid if the scheme was in deficit and the sponsor was unable to make up the deficit, and the trustees were satisfied that the best interests of members would be served by suspending indexation to allow the employer to strengthen its corporate finances. The government noted that increases could be recommenced in the future, once the employer had recovered. There will be a follow up white paper, which the DWP has said it will publish this winter, although that could be as late as February 2018.

Pensions on strike
The Automatic Weapons Establishment, Capita, BMW and Fujitsu are just some of the companies that have seen their staff on the picket lines over planned closures to their defined benefit pension schemes this year. However, it has been the proposed closure of the Royal Mail defined benefit scheme that has dominated headlines; staff were ready to strike, until it was called off by the High Court due it not being legal. More recently attention has turned to university academics, who are currently being balloted on strike action, which could take place in February 2018.

The triple lock is here to stay
Prior to the General Election, it looked as though the triple lock was ready for the axe, especially as Sir John Cridland suggested it be scrapped from 2020, in his independent review of the state pension age. But, the twists and turns of politics, leading to a minority government backed by the DUP, have saved the policy – for now. The new Conservative minority government was however able to follow Cridland's advice on the state pension age. Despite the General Election causing a delay, in July the government announced it is increasing the state pension age to 68, seven years earlier than planned, bringing it forward to 2039. Secretary of State for Work and Pensions David Gauke said the plans are about "taking responsible action in response to growing demographic and fiscal pressures".

Written by Natalie Tuck