2022: A year in review

If there was one overriding theme of 2022, it might have been showing resilience in the face of adversity. Whilst it might have been the first full year post-pandemic, it was nevertheless a busy, and sometimes difficult, one for the pensions industry. Constant changes in government and new regulations occurred alongside industry cooperation and discussions on dashboards. Tom Dunstan looks back on an eventful year

January

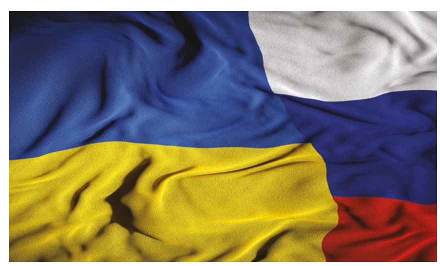
The start of the year saw the Department for Work and Pensions (DWP) publish its consultation on the draft regulations for pensions dashboards. This included what was required of pension schemes and dashboard providers for the introduction of dashboards, with the aim of having 99 per cent of pension memberships included by the end of September 2024.

Following the publication of the consultation, the Pensions Dashboards Programme (PDP) published updated standards for pensions dashboards including its data usage guide, design standards scope, reporting standards scope, technical standards and a guide to the code of connection.

January also saw the launch of The Pensions Regulator's (TPR) collective defined contribution (CDC) code of practice consultation. This code detailed the standards that the regulator required from schemes that apply for authorisation and its subsequent monitoring. TPR intended to incorporate the CDC code into its single code of practice, with the CDC code therefore adopting the same modular format as the single code of practice.

February

February was a significant month not just for the pensions industry but for the world as it saw the invasion of Ukraine by Russia. Following this invasion, pension schemes (as well as other financial organisations), such as Nest and the BT Pension Scheme, took



steps to offload and halt any further investments in Russian-linked assets.

In other news, Royal Mail announced that it was pushing ahead with its plans for a new CDC scheme following a member consultation. The scheme is still set to be introduced in early 2023 and will, most likely, be the first operating CDC scheme in the UK.

The month also saw a Private Member's Bill from Independent MP, Margaret Ferrier, on guaranteed minimum pension (GMP) conversion completing its third reading and moving on to the House of Lords. The bill aimed to streamline the GMP conversion process by clarifying that conversion applies to both earners and survivors, and outlining which employers need to give consent.

March

March saw the confirmation by the Department for Work and Pensions that it would, despite widespread opposition, be proceeding with plans to increase the Fraud Compensation Levy ceiling for master trusts and other eligible occupational schemes. These plans included raising the ceiling to 65 pence per member for master trusts and £1.80 per member for other eligible occupational schemes.

At the end of the month, it was revealed that the defined benefit (DB) pension scheme funding ratio hit its highest levels for nearly 15 years, increasing by 3 percentage points over the month to 111.4 per cent. This was the highest level since June 2007, up from 108.4 per cent at the end of February, an increase that was attributed to an increase in bond yields.

It was also a busy month for members of the British Steel Pension Scheme (BSPS) as it was reported that some members who transferred out of the scheme suffered significant financial losses due to unsuitable advice and were failed to be protected by the regulated financial advice market, according to the National Audit Office.

In service of BSPS members, the Financial Conduct Authority (FCA) set out plans for a compensation scheme worth £71.2 million for former members of the BSPS who had received unsuitable advice to transfer out of the scheme.

April

Announced in April was a cross-industry pension engagement campaign to be run later in the year. The campaign promised to being together experts from all across the industry to target over 30 million pension savers to boost their engagement with their pension.

Also in April, the GMP conversion bill received Royal Assent to become the Pensions Schemes (Conversion of GMPs) Act 2022, which aimed to clarify and streamline the GMP process by clarifying

that conversion applies to both earners and survivors, and outlining which employers need to give consent.

The PDP announced that it was on schedule with the development of pensions dashboards against the timetable it set out in October 2020, this was according to PDP programme director, Richard James, who, in a blog, stated that the programme remained "on track" and it expected to have the first users within dashboards later in the year.

May

The Queen's Speech received a warm welcome in May as it outlined several industry changes such as the Online Safety Bill, Data Reform Bill, and Financial Services Bill. Although it omitted any enacting any measures outlined in 2017 Auto-Enrolment (AE) Review, which recommended expanding coverage of AE in the mid-2020s.

May also saw TPR and the FCA confirm the development of common measurements to help both industry professionals and scheme members compare the value for money of DC pension schemes. The proposed common approach across the industry aimed to allow access to consistent data on investment performance, costs and charges, and service standards.

Amid the continued trend of improved scheme funding, it was revealed during the month that the aggregate funding ratio of DB schemes in the UK reached a record high of 118.9

per cent at the end of the month, while the aggregate surplus of schemes in the PPF 7800 Index rose to £261.6 billion.

June

The start of summer marked a significant event as the first commercial pensions dashboard was successfully connected to the PDP central architecture. Moneyhub's dashboard was the first commercial dashboard to be successfully connected to the architecture, in addition to the MoneyHelper non-commercial dashboard and the Money and Pensions Service (Maps).

The month also saw the announcement that the long-awaited DB Funding Code was due to be operational from September 2023, with the regulator additionally announcing that it had planned second consultation for the autumn of 2022.

June also marked a particular milestone for the pensions industry as the then Pensions Minister, Guy Opperman, become the longest-serving minister in the position, pulling ahead of the previously longest-serving minister Steve Webb.

TPR launched a campaign urging trustees to start preparing for the pensions dashboards deadline and published new guidance based on the draft regulations published by the government. The campaign launched following research from TPR that found trustees are yet to get their preparations "sufficiently underway" and are at risk of failing to meet their legal pensions dashboards duties.

July

July was characterised by governmental turbulence, something that the pensions industry could not escape as Guy Opperman resigned as Pensions Minister, only to be reinstated soon afterwards

Another source of turbulence was the revelation that inflation hit 10.1 per cent, the highest level in 40 years. In response to this rising inflation, the Bank of England (BofE) raised interest rates, by 0.5 percentage points to 1.75 per cent, the largest increase in 27 years.

The month also saw the publication of the government's dashboards consultation response, with the government confirming that the deadlines for the first two pensions dashboards staging cohorts had been deferred by two months, with master trusts with over 20,000 members and DC schemes used for auto-enrolment with over 20,000 members affected. The former's deadline was changed from 30 June 2023 to 31 August 2023 and the latter's deadline was changed from 31 July 2023 to 30 September 2023.

August

Trains dominated the headlines in August as rail and London Underground workers went on strike amid continuing disputes over pensions, pay, working conditions and job cuts. Members of the Rail, Maritime and Transport (RMT) union and rail workers in the Transport Salaried Staffs' Association (TSSA) staged the walkout following similar industrial action in June. The RMT argued that changes to the Railway Pension Scheme and the Transport for London scheme would cut benefits, make staff work longer and pay increased contributions.

The month also saw the applications for CDC pension schemes officially open in what was highlighted as an "injection of innovation" for the industry, with plans to consult on new forms of CDC pensions confirmed for later in the year.

The cost-of-living crisis continued through August and, in response, TPR launched a scam-fighting strategy in light of concerns that the crisis may leave savers more vulnerable to scammers. Under the plan, TPR aimed to educate the industry and savers on the threat of scams, prevent practices that can harm savers' retirement outcomes, and fight fraud through the prevention, disruption and punishment of criminals.

September

The biggest news of September was, of course, the tragic passing of Queen Elizabeth II, and members of the pensions industry were quick to pay their respects to the departed monarch. The PLSA made the announcement that their pension engagement campaign, originally scheduled to run at the start of month, was to be delayed to properly mark the period of national mourning. Pension Geeks similarly postponed Pension Awareness live shows and some pension and investment companies put the publication of research and reports on hold.

Although it was a sombre month, it was no less busy than the rest of the year as the Bank of England announced interventions into the gilt market following then-Chancellor Kwasi Kwarteng's emergency mini-Budget prompting a "seismic" response in the gilt market, with intense sales prompting "huge demand" for cash to support derivative structures popular amongst pension funds. As part of these interventions, the BofE carried out temporary purchases of long-dated UK government bonds to "restore orderly market conditions".

Changes to elements of the NHS Pension Scheme were also announced in September by the Department of Health and Social Care. The changes were made in an effort to help retain doctors, nurses and other senior NHS staff, and increase capacity. These changes included the implementation of permanent retirement flexibilities and extension to existing temporary measures to allow experienced staff to return to service or stay in the service longer.

October

Another governmental change occurred in October, as Mel Stride took over the role Secretary of State for Work and Pensions from Chloe Smith after her short tenure.

Also announced was the launch of an inquiry by the Work and Pensions Committee (WPC) into DB pension schemes with liability-driven investments (LDI), after the volatility in the gilt markets and subsequent interventions from the BofE. In particular, the WPC stated it was looking for evidence of the impact of the rise in gilt yields in late September and early October on DB schemes, the impact on pension savers, whether in DB or DC arrangements, and whether LDI is still "fit for purpose" for use by DB schemes.

October also marked the 10-year anniversary of auto-enrolment, which prompted a great deal of reflection by the industry on what the successes of auto-enrolment had been and areas where it was still to reach its full potential.

November

The year's last instance of governmental change was the confirmation of the third Pensions Minister of the year as MP for Sevenoaks, Laura Trott, was appointed to the position, taking over from Alex Burghart who was confirmed to have been appointed to the position in October.

November also saw the publication of the final rules on pensions dashboards for pension providers by the FCA. The final rules were largely unchanged from the draft consulted on, although the FCA did extend the implementation deadline from 30 June 2023 to 31 August 2023, in line with the government's extension to the staging deadline for the first cohort. As a result, FCA-regulated pension providers should complete connection of their pension schemes to the Maps digital architecture by 31 August 2023.

November also saw the approval of the Pensions Dashboards Regulations 2022 by MPs and peers, in what was described as a "major step" in formalising dashboard duties by the PDP.

Written by Tom Dunstan