Pensions in 2019

Pensions could be on the brink of something special in 2019, and with a number of high profile initiatives in the wings (in spite of the political turmoil), Pensions Minister Guy Opperman is hopeful that a bumper pensions bill could make them a reality. Theo Andrew looks ahead for the year

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Single Financial Guidance Body
The Single Financial Guidance Body (SFGB), which will merge Pension Wise, The Money Advice Service and The Pensions Advisory Service, formally came into being in October 2018. However, it will be throughout this year where it really comes into force. A transition period will take place throughout 2019, as well as an official name sought, and we will likely see the body's new outreach strategy, giving us an indication of what to expect. The body's executive board is also in place, however there are still a number of key appointments to be made, which the Department for Work and Pensions says will be announced shortly. We also know that part of the new SFGB's responsibilities will be to facilitate the development of the pensions dashboard.

Pensions dashboard
Towards the end of 2018 the pensions industry finally saw some sort of progression through the implementation of the long-awaited pensions dashboard feasibility study. The study, which looked like it might be killed off earlier in the year, revealed that the government plans to have multiple dashboards, and that state pension data will not initially be included, but phased in over time, which many believe will be key to the success of the project. The Department for Work and Pensions said that it will begin with a non-commercial, single dashboard, which will be facilitated by the Single Financial Guidance Body, before moving to the multi-dashboard system. Responses to the DWP's consultation are expected by the 28 January 2019, from which we will await the next steps. While it wasn't what everybody was looking for, it did offer hope.

Patient capital
With a flurry of consultations released at the end of 2018 around permitted links and fund types, all eyes are on what the DWP are looking to do around the charge cap issue, expected in the first half of this year. 2019 should see a considerable amount of development around defined contribution schemes, which are expected to have assets under management of £1 trillion by 2025. The working group of several of the largest pension schemes, looking into the framework of how DC schemes can invest into illiquid assets, which will also assess key governance issues, may take a little longer. Nest, Aviva, HSBC, L&G, The People's Pension and Tesco's Pension Fund are working with the British Business Bank to explore options for pooled investment. In the meantime, Exchequer Secretary to the Treasury, Robert Jenrick, has urged trustees to "open their minds" to illiquid assets.

Auto-enrolment levels up

The un-yielding success of automatic enrolment continues to reach new heights. Following the first initial rate rise in April 2018, opt-out levels remained "consistent", however all eyes will be on the final hike to 8 per cent in April 2019. Employees will be asked to contribute 5 per cent to the employers' 3 per cent, and it remains to be seen how they will react to a pinch on their take-home pay packet. Furthermore, the amount of people who have been auto-enrolled into a pension scheme, currently at 9.96 million since 2012, is likely to break the 10 million barrier. Prepare your bunting. Employers will also experience increased pensions costs, however early data suggests that they too are coping with rate rises, while also growing their understanding of what is required of them. The latest figures showed that 93 per cent of micro-, small- and medium-sized employers are aware of their ongoing AE duties.

TPR powers

The DB white paper, published at the end of 2017, brought a raft of proposed changes to the pensions sector, and in particular the powers of The Pensions Regulator. Amongst the remedies, changes to TPR's funding code were recommended, which we should see outlined fully throughout 2019, while implementation is not expected fully until 2020. The code is still in the development phases, but we can expect the regulator to take a more prescriptive approach to regulation, getting trustees to focus on the long term, with more accountability. There will also be an element of flexibility to TPR's new framework regulatory approach. TPR's responsibilities will increase throughout the year, as we finally get a look at what the master trust market will look like; it will also be assessing potential superfund market entrants. Perhaps the biggest change the regulator will face this year is the appointment of its new chief executive Charles Counsell. Announced that he would be replacing current chief executive, Lesley Titcomb, in December, the former TPR director of automatic enrolment has already come under fire from the Work and Pensions Committee, which believes his appointment doesn't go far enough to effect change at the regulator.

A year in the courts

While 2018 was a busy year in the courts, 2019 is set to be another frantic one, according to Sackers.
Despite the High Court ruling in April 2018, *Burgess vs BIC UK* will be heard in the Court of Appeal on 5-6 February. The High Court ruling found that the recovery of overpayments is not subject to a six year limitation period where it is an equitable recoupment, under which trustees seek recovery by making a reduction from future pensions payments.
Another case which rolls on is *Safeway vs Newton*, which is set to hit the Court

of European Justice (CJEU) after it was referred by the Court of Appeal. The Court dismissed the argument that the normal pension age between men and women was equalised at age 65 for men and women in 1991. The question around the power to retrospectively amend the scheme rules to equalise normal pension age is prohibited under European law.
British Airways vs Airways Pension Scheme is expected to be heard in the Supreme Court this year, after the trustees appealed the decision handed down by the Court of Appeal in July 2018. The Court of Appeal held that the function of the trustees was to manage and administer the scheme, not design the benefit structure. This year could also feel the repercussions of 2018 cases, such as the *Hampshire vs Pension Protection Fund (PPF)* decision. Following the CJEU ruling that the PPF must pay at least 50 per cent of member pension entitlements to individuals whose employers have fallen

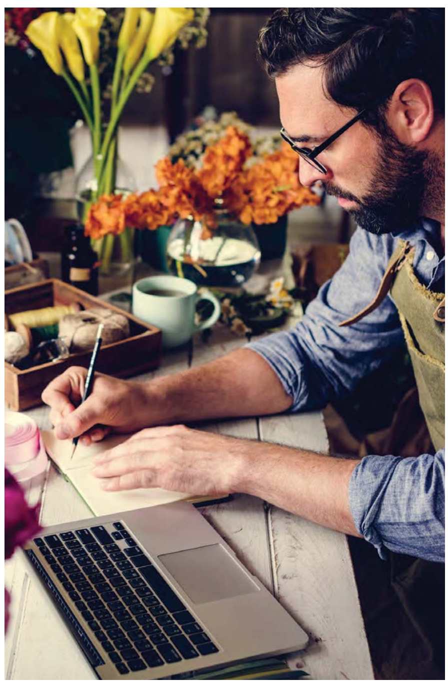
into the fund following insolvency, the PPF said it would be implementing the changes "as quickly as possible". Another landmark case saw the High Court rule that pension schemes must now equalise pensions benefits for men and women, meaning schemes will be working throughout the year to understand how much it will affect their liabilities.

Year of the consolidator

The new kids on the block, so to speak, commercial consolidators have been on the brink of taking off throughout the second half of 2018, and if you believe what they are saying, they are ready to push go. The government launched its consultation in December 2018, focusing on the regulatory framework around the funds. TPR will see its powers beefed up and an authorisation process akin to DC master trusts will be implemented. However, in October, TPR warned that it could be two years before the regulatory framework is ironed out – but both Clara Pensions and The Pensions SuperFund expect to get a share of the action sooner. Collective defined contribution (CDC) schemes were also a hot topic throughout 2018, and something the government seems to be throwing its backing behind. Like Marmite, CDC seems to split opinion. The consultation launched in November 2018 said the government is looking to keep the 0.75 per cent charge cap, and that any CDC scheme should be subject to an independent annual valuation. The deadline for the industry's consultation responses is on 16 January, but it will be the government's response to this that will hold all the detail.

Pensions bill

Promised by the Pensions Minister, Guy Opperman, at last year's Pensions and Lifetime Savings Association (PLSA) Annual Conference, a bumper new pension bill is expected at some point this year. It's anyone's guess as to what this is going to include, however many things have a chance of being in there. Pensions dashboard legislation is likely to be included, as is part of the framework that will facilitate how patient capital will work. The Pensions Regulator will also expect its funding code to be included. The enablement of CDC schemes and defined benefit consolidators could also make an appearance, in what would be a massive change to the current pensions landscape. Of course, much of these developments rest on the current government staying in power, and with the bill not likely to receive Royal Assent until 2020 it is not beyond the realms that some of these initiatives fall through. Tune in next year to find out.



Pensions for the self-employed

Many in the industry have been banging the self-employed pensions drum for years now. The ante was upped in 2018 and the government has finally moved to do something about it. The government, along with a number of key pensions providers, will be trialling a number of initiatives to help find a solution to the self-employed pensions problem. It will involve direct marketing campaigns and behavioural prompts to nudge the self-employed into long-term saving. Hopefully, at some point through the year, we will get an indication of how these initiatives have gone and what we can expect for next steps.

Continued political turmoil

Just as in the past couple of years, political uncertainty is set to reign throughout 2019. Unless by publication time the country has miraculously secured a Brexit deal that pleases everybody, I'd fasten those seat belts. The ever growing prospect of a no deal Brexit leads to all manner of scenarios. A new government, meaning a new minister and likely an emergency Budget. According to an estimate by Cardano, a hard-Brexit scenario could result in a £219 billion increase in the aggregate buyout deficit of UK pensions funds. It can be hard to decipher between the scaremongering and what the picture might actually look like once we leave the European Union on 29 March, but whatever the weather, it is more important than ever for trustees to implement contingency plans in order to safeguard the future of their pension scheme.

Written by Theo Andrew