Summary
• Brexit and the Covid-19 pandemic caused the majority of government pension policy development and implementation to be paused during 2020.
• This has led to a backlog of regulations that are being pushed through at the same time, creating capacity concerns.
• The Pension Schemes Act added a significant amount of workload to trustees already dealing with issues such as GMP and digitalisation, on top of coping with the impact of the pandemic.
• Trustees need to keep track of all the changes happening within the industry, and prioritise the most time-sensitive and important initiatives.

A regulatory bottleneck

Jack Gray analyses the number of new regulations and consultations pension scheme trustees are having to contend with, and discusses how they can keep up with the increased workload and responsibility

Entering the New Year is often associated with a clean slate, but pension scheme trustees may not be feeling this way as we begin 2022. Regulatory initiatives that have been dragging on for years continue to add to trustees' workloads, alongside a swathe of new regulations and consultations issued by the government and regulators.

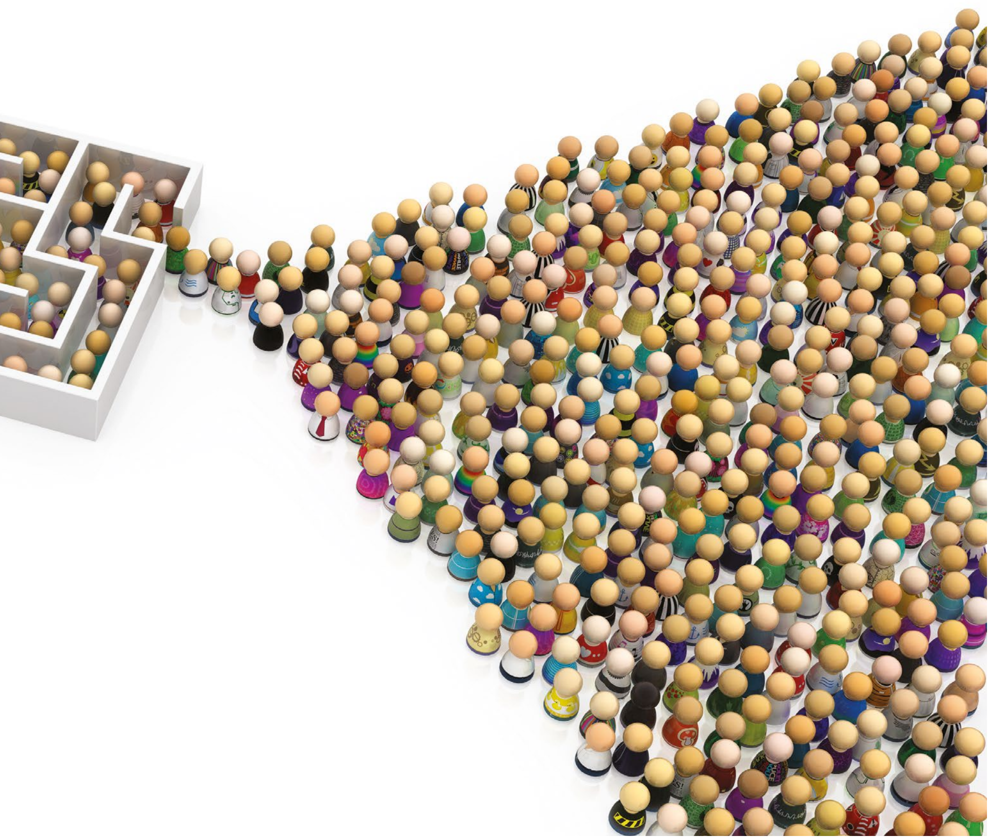
Brexit and the Covid-19 pandemic effectively put policy changes on hold for much of 2020, as parliament was understandably preoccupied with addressing the issues arising from both. However, this has led to a bottleneck of new regulation and legislation as the government and regulators attempt to push through changes to the pension system.

Bottlenecking

Regulations introduced by the Pension Schemes Act, such as climate risk disclosures, pension scam transfer blocking powers and pensions dashboards, alongside long-standing initiatives like GMP equalisation and digitisation, are creating a high workload for trustees. With continued work on consolidation and defined benefit (DB) superfunds, and the proposed introduction of simpler annual benefit statements and a statement season also ongoing, the industry has voiced concerns about a capacity crunch that the sector may not be able to handle, which is in turn increasing responsibility on trustees' shoulders and making the role less appealing to newcomers and existing trustees alike.

"The crunch is being felt across the board," warns Association of Consulting Actuaries (ACA) chair, Patrick Bloomfield.

"There is a policy part of the industry who have had a really tough couple of years working with government departments trying to understand and shape these bits of legislation and regulation as they are coming out and now it is beginning to flow through into the operational side of businesses, with trustees and their different service providers needing to put these things



into action or prepare for them.

"Brexit and the pandemic caused a lot of things to go sideways because parliament was dealing with those and that's fair enough, but it has meant we have two or three years of pension policy that is still lingering around and needs to be brought over the line."

Aegon head of pensions, Kate Smith, adds that the knock-on effect of the pandemic has meant that proposals have been pushed into 2022, which, along with other planned and new activity, has created a congested regulatory change roadmap.

"There has been another explosion of regulation in the past couple of years, in part due to the Pension Schemes Act 2021, but the burden on trustees seems only likely continue to increase," notes Linklaters partner, John Sheppard.

"You just have to look at climate change, where the ink is barely dry on the new governance and reporting regulations and the government is already consulting on making further changes."

Necessary change

Although some argue that the pace of regulatory change is too much for professional trustees to handle, Ross Trustees trustee director, Grant Suckling, does not believe this is the case: "I don't think there are too many regulations for trustees to keep up with. A well-run scheme is based on a foundation of solid governance and the regulatory framework is critical in helping to shape that.

"We do need to acknowledge, however, that extra time commitments are particularly challenging for any lay trustee who also has a day job to consider. The role is certainly not getting any easier."

Bloomfield argues that the issue is not with the regulations themselves, but the pace at which they are being introduced: "We're in a really tough situation because the regulatory change that's happening is generally good, well-intentioned, and will make pensions and savings better," he says. "It's about the pace of it all and how indigestible it's all been for the industry.

"A couple of things that have recently come up are statement seasons and simpler annual statements. They are both really interesting, valuable initiatives, but trying to squeeze those in alongside preparing for dashboards is going to add to the capacity crunch in a way that I'm not sure the industry can handle."

20-20 Trustees trustee director, Angela Winchester, agrees, describing the number of open consultations and publications that are going to impact trustees and business as "ridiculous".

"I think that there probably have been too many regulations introduced," she continues.

"To a certain extent everything was paused in the first year of Covid. The regulators said: 'We're going to delay everything for six months then we'll come back and look at it'. We are at the back end of this, and I think we are seeing the very start of some regulatory convergency."

Knock-on effect

The amount of regulatory change in the pensions industry is having a knock-on effect for pension trustees. The expertise needed is increasing, which is leading to a greater focus on professionalisation. Many warn that member-nominated trustees are being put off by the rising level of knowledge required, the increasing amount of time needed to