HYMANS ROBERTSON

Current issues

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Articles this month:

Parliamentary committee flies the flag for UK DB

The House of Commons Work and Pensions Committee (WPC) reported the findings of an enquiry into defined benefit (DB) pension schemes. The WPC concludes that the recently improved state of DB funding has brought new opportunities and challenges, and that well-governed and appropriately regulated schemes can benefit the UK economy and help ensure retirement-savings adequacy.

In summary, the WPC's recommendations are as follows:

- the Pensions Regulator's funding Code of Practice should address concerns that the new funding regime will push open-scheme trustees toward inappropriate de-risking (the employer-covenant horizon gets a particular mention);
- the Regulator's Pension Protection Fund (PPF) -shielding objective ought to be replaced with one requiring it to safeguard members' past- and future-service benefits;
- before proceeding with its proposal to establish a public-sector consolidator (the WPC says that '*the model raises significant questions which are still to be answered*'), the Department for Work and Pensions (DWP) should ascertain the regulatory and governance framework necessary to mitigate the risks to member benefits;
- the DWP and Regulator should investigate ways in which members' reasonable expectations for benefit enhancements (especially discretionary increases) from surplus can be met;
- accreditation ought to be mandatory for professional trustees, with a plan for having at least one accredited (professional or lay) trustee on every board, and the forthcoming trustee register should be used to provide data on numbers who have completed the Regulator's Trustee Toolkit;
- the PPF legislation should be amended to allow it to safely reduce its levies to zero, and to improve its compensation levels, in particular by providing indexation on pre-6 April 1997 benefits, if members' original schemes provided for it (this change should also be reflected in the Financial Assistance Scheme's rules);

- the Regulator and the PPF should work with the Office for National Statistics to understand DB funding positions (there being a discrepancy in their respective estimates of the impact of 2022's gilt-market turbulence);
- the Government should publish plans for promoting retirement-income adequacy, and the role that open DB schemes could play in it;
- the DWP should ensure that Parliament has all of the information to make informed judgements on pensions legislation (this is a dig about the Department asking MPs and Lords to vote on the Funding and Investment Strategy Regulations before seeing the final draft of the new funding Code);
- the Regulator should track demand for buy-out and its alternatives and work with the Financial Conduct Authority and Prudential Regulation Authority to understand the financial-stability implications;
- the DWP and Regulator should consider whether changes to the funding regime would give more trustees confidence to take appropriate investment risk;
- the Regulator should conduct research into schemes' discretionary increase rules and the awards made (or not made) thereunder;
- the DWP should introduce measures to improve accountability of sole trustees and facilitate member involvement in their appointments;
- the DWP should consult on a statutory superfunds framework with all due haste;
- the Regulator should consider requiring trustees to justify their decisions to buy-out, or consolidate, or run-on;
- the review of the PPF compensation rules should cover the 2.5% indexation cap for post-5 April 1997 benefits;
- the review of the FAS rules should consider removing other discrepancies with PPF compensation (e.g. capped compensation and an absence of interest on arrears); and
- the Government should report before the summer recess on how it will ensure that members of the Atomic Energy Agency Technology scheme have an avenue to have complaints about the assurances given prior to their transfers into the scheme.

We're gratified to see that the Committee accepted our recommendation on updating the Regulator's statutory objectives, now that the PPF and many DB schemes are well-funded, to cover future retirement provision. We called for a DB renaissance and so we're also very glad that the Committee endorsed proposals to allow the remaining open schemes to thrive. The regulatory environment needs substantial change to supercharge innovation in DB and reconnect the wealth therein with societal aims. With surplus capital in DB now estimated by DWP at £225bn, there's a once-in-a-lifetime opportunity for sharing that capital across the generations.

New timetable for dashboards connections

The Department for Work and Pensions (DWP) has published statutory guidance on the staging timetable for connection to pensions dashboards. The trustees and managers of the largest occupational schemes are expected to be ready to connect in a little over a year's time.

Background

Pensions dashboards are intended to provide scheme members with easy, online access to information about all of their State and private pensions entitlements, with identity verification and other consumer safeguards built into the system. The trustees or managers of occupational and contract-based schemes with more than 100 members will be obliged to connect to the digital dashboards infrastructure, determine whether a person who is seeking details of their pension entitlements is a member of their scheme, and if so return the relevant information (such as pension values) to the person's chosen dashboard service.

A staging schedule ('profile') setting out the dates by which different schemes would have had to connect to the system was incorporated into the dashboards legislation for occupational pension schemes. There were corresponding requirements for providers regulated by the Financial Conduct Authority (FCA). The schedule was organized so that different types of schemes would connect in order of size (on the basis of membership), with the largest foremost. However, it was withdrawn to allow more time for the Pensions Dashboards Programme (PDP), the body charged with designing and establishing the digital infrastructure and setting standards for the system's operation, to complete the complex tasks involved.

The amended legislation fixes a single deadline of 31 October 2026 for connecting schemes to the system. That is not the full story, though, because the legislation also says that, when meeting their connection obligations, trustees and scheme managers must have '*regard to guidance*' issued by the DWP, Money and Pensions Service or the Pensions Regulator (either separately or in conjunction).

Revised dates

The DWP's connection guidance takes the original schedule's broad structure and adapts it for the new, October 2026 connection deadline. There are some notable differences: the membership sizes[1] for the DWP's connection milestones differ from those that appeared in the withdrawn schedule in some cases; the overall timetable has been compressed into a period of roughly 17 months, compared to 26 under the original plan; and it covers both occupational schemes and FCA-regulated providers. Nevertheless, the largest schemes are once again in the vanguard: the guidance envisages that connection begins with defined contribution (DC) master trusts with at least 20,000 members, which would connect by 30 April 2025 (the same time as FCA-regulated operators with 5,000 or more members in their schemes). Their deadline under the original schedule would have been 31 August 2023.

DC schemes that are used for automatic enrolment and have at least 5,000 members, and private-sector defined benefit or hybrid schemes with 20,000 or more, should aim to connect by 31 May 2025. The connection date for public-sector schemes of all sizes is 31 October 2025.

At the other end of the staging timetable, occupational schemes with 100 to 124 members are now expected to connect by 30 September 2026, just one month before the ultimate deadline. Under the old legislative profile, that date would have been 31 October 2025.

Not obligatory, but strongly advised

The DWP also explains the significance of the statutory requirement about trustees '*having regard to*' the guidance when connecting to dashboards system. Although not mandatory, it encourages them to follow the timetable '*unless there are exceptional circumstances*' that prevent it, and warns that if they leave it to the last minute they might not be connected by the statutory deadline. To show that they have 'had regard' to the guidance they should establish an audit trail showing that they considered it before making decisions, and says that they should document their reasoning and any associated risks that they identify. Inability to demonstrate that regard was had to the guidance could result in regulatory action and penalties.

Deferring connection

There is provision in the dashboards legislation for occupational pensions trustees to apply to defer connection for up to a year beyond the 31 October 2026 deadline. The facility is only available if the trustees had made certain commitments, before 9 August 2023, involving a change of scheme administrator, which mean that compliance with the deadline would be disproportionately burdensome or would place members' personal data at risk. The application must be made by 9 August 2024.

As the staging timetable in the new guidance is not mandatory, there is no need to make a formal application if the relevant connection date is impractical. However, the DWP nevertheless directs trustees towards its *guidance for formal deferral applications* as a source of useful information. It particularly recommends the section about the robustness of the evidence required to demonstrate that a disproportionate burden would arise if trustees had to meet the October 2026 deadline (we read this as a subtle echo of the suggestion that trustees ought to observe the connection dates in the guidance unless exceptional circumstances apply).

Making a connection

The timetable is for schemes that will connect indirectly, through a third party such as an 'integrated service provider' (ISP). The DWP recommends that trustees liaise with their chosen third party well in advance of their staging date. Trustees of schemes that will connect directly to the system are advised to engage with the PDP as soon as possible, as it intends to begin connecting such schemes ahead of the staging timetable.

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[1] Membership size for the purposes of the staging timetable is determined for an occupational pension scheme by the numbers of active, deferred and pension-credit members in the scheme at the year-end that falls within the period from 1 April 2023 to 31 March 2024. For FCA-regulated providers it is the total number of pots in accumulation.

Schemes with fewer than 100 members are not covered by the timetable. The guidance notes, however, that their trustees may in some cases wish to connect voluntarily. The DWP advises that they look out for forthcoming PDP guidance.

The dashboard connection guidance allows the industry to move forward with some certainty into a delivery phase. There are still a few pieces missing from the jigsaw puzzle, but trustees now know when they are expected to connect.

Strategy-statement specs

The Pensions Regulator is consulting about the form and content of the 'statements of strategy' that trustees will be expected to prepare and send to it, under the reformed funding rules for defined benefit (DB) pension schemes. It plans to require use of standardized templates, which will ask for less information from smaller and 'Fast Track' schemes.

The new funding regime is expected to come into effect for valuations with effective dates from 22 September 2024. In accordance with it, trustees will need to devise a funding and investment strategy (FIS) for the long-term provision of their scheme's benefits. The FIS will describe how they propose to be fully funded, with low dependency on sponsor support, by the time the scheme is significantly mature; and their journey plan for reaching that state.

A statement of strategy (which we will abbreviate as SoS, to avoid unnecessary confusion with the international distress signal) will—

- describe the trustees' funding and investment strategy;
- evaluate their success in implementing it (and, if things are not going well, how they plan to get themselves back on track);
- assess the main risks to success, and how trustees will manage them;
- reflect on decisions taken and lessons learned; and
- provide the Regulator with details of the latest actuarial valuation and any resulting recovery plan, scheme maturity, investment risk levels, compliance with liquidity requirements, and the strength of the employer covenant.

The SoS will be sent to the Regulator. Under the amended funding legislation, the Regulator will have power to determine the form in which trustees submit their SoS. It is also being given discretion over the level of detail required for some components of the statement. The consultation document is airing the Regulator's proposed approach to the uses of those powers.

The Regulator proposes to provide a set of templates that trustees must use for their SoS. There would be four versions, covering the different permutations of scheme-maturity status and the trustees' choice between the 'Fast Track' and 'Bespoke' approaches to compliance. Less information would be required via the SoS for schemes that fit within the Fast Track parameters; schemes that have reached passed the point of significant maturity will not need journey plans.

Smaller schemes would not have to provide as much information. There would be two categories of small scheme: fewer than 100 members for actuarial information, and less than £30m in s. 179 liabilities for investment purposes. Some extra data would be required from open schemes.

The consultation document is accompanied by an example of a SoS (for a fictitious scheme that has not yet reached the state of significant maturity, where the trustees have decided to follow the Bespoke compliance track), an example of a trustee assessment of maximum affordable contributions (relevant to the trustees' assessment of the strength of the employer covenant for a Bespoke valuation), and a reference list of the items of information that trustees could be required to provide (the actual list for any particular scheme will depend upon its characteristics and circumstances).

The consultation period ends on 16 April 2024. The Regulator confirms that it still expects to consult on proposed covenant guidance during the summer.

The Regulator says that it wants to minimize the additional burden imposed by the funding reforms and streamline the data-submission process. However, the information that trustees would be required to provide under the proposals is extensive: the reference list contains some 155 items, (even if many are circumstance-specific, so that no one scheme will need all of them); and the example Bespoke SoS runs to 37 pages if printed off. The extra work associated with valuations would be significant. Those with in-scope valuations later this year will have their work cut out for them, and need the Regulator to finalize the funding Code, Fast Track parameters and other guidance as soon as possible.

It's not clear how much value the extra disclosures will add in a funding landscape that's changed since the inception of the funding reforms. Only a small, and shrinking, number of schemes are poorly funded. The focus is increasingly on endgame and surplus management rather than scheme funding. Nevertheless, the Regulator looks set to use the change in funding regime to increase the amount of data it collects from schemes.

Abolition angst

The Pensions (Abolition of Lifetime Allowance Charge etc) Regulations 2024[2] make numerous changes to the tax legislation to patch over gaps and defects in the Finance Act 2024's lifetime-allowance abolition provisions. The changes take effect, like abolition itself, on 6 April 2024.

The changes made by the Regulations are too numerous to list here. However, His Majesty's Revenue and Customs (HMRC) has discussed most of them in its February and March *Lifetime Allowance Guidance Newsletters*. For example—

- The conditions on which schemes will be able to pay pension commencement excess lump sums (PCELSs) are being altered to remove a problematic 'permitted maximum'. As a result, a PCELSs will be potentially unlimited, though it will only be payable once the member has no lump sum allowance or no lump sum and death benefits allowance remaining, and must be paid in conjunction with an arising entitlement to pension.
- A double-counting of pre-6 April 2006 pensions in payment when valuing pension rights for trivial commutation lump sum purposes is being corrected.
- The details of the maximum pension commencement lump sum (PCLS) calculation for those with scheme-specific lump sum protection are being amended. Regrettably, the calculation still does not quite work as expected; HMRC is aware of the problem and has promised guidance on the matter.
- A member's overseas transfer allowance (for transfers to qualifying recognized overseas pension schemes) will be reduced by the amount of any lifetime allowance used up prior to 6 April 2024.
- Where scheme administrators must provide a statement about past benefit crystallization events to a member who would not otherwise receive one in 2024/25 (i.e. when the person is not in receipt of a pension), it will be the *percentage* of the lifetime allowance used up that must be specified.
- If a member became entitled to a lump sum before 6 April 2024, but it was paid thereafter, questions about whether the lump sum was an authorized member payment and how it should be treated for tax purposes will continue to be answered based on the pre-6 April 2024 rules.
- Until 5 April 2029, benefit limits in scheme rules by reference to the lifetime allowance or lifetime allowance charge will continue to have effect (giving trustees or scheme managers time to amend their scheme rules to prevent unintended changes to liabilities).
- The 'continuity of the law' will not be affected by repeal and re-enactment of provisions as part of the lifetime allowance abolition changes (HMRC has illustrated the need for this 'continuity' rule by saying that it will, for example, preserve the effect of transitional enhancement certificates issued under the repealed rules).
- Scheme administrators will only need to report lump sum or lump sum death benefits payments to HMRC when the amount of the payment exceeds the member's available lump sum or lump sum and death benefit allowance, when the member has an enhanced allowance and the payment would have exceeded the standard allowance, or when lump sum death benefits from the scheme exceed £1,073,100.
- The replacement of lifetime allowance excess lump sums to PCELSs is being mirrored in social security legislation, so that occupational pension schemes are able to commute pensions to provide the new type of lump sum.

Not all of the changes announced in HMRC newsletters are included in the Regulations. The need for at least one additional statutory instrument has been confirmed.

The intricacy of the task of abolishing the lifetime allowance makes it almost certain that further amendments (or amendments to amendments) will be required before the job is completed.

[2] SI 2024 No. 356.

A public-sector approach to private-sector DB consolidation

The Pension Protection Fund (PPF) published a discussion document giving its preliminary thoughts on the features of a public sector consolidator (PSC) for defined benefit pension schemes.

The discussion document arrived on the coattails of a Department for Work and Pensions (DWP) consultation paper exploring Options for Defined Benefit Schemes.[3] In it, the Department announced plans to give the PPF's Board a new role, by the end of 2026, to operate a consolidation vehicle serving schemes that are underserved by commercial market participants. The Government's other stated criteria are to protect member interests, facilitate greater investment in UK productive assets, and avoid distorting the market unnecessarily. (We believe that the Government seeks to achieve this either directly through the PSC investment strategy, or by the very existence of PSC acting as a safety blanket, potentially giving trustees greater confidence to invest more in return-seeking assets.)

The PPF says that meeting all of those objectives is 'not straightforward', and suggests that some compromises may be required.

Assessing demand

The discussion document estimates that there are approximately 2,400 schemes, with about £120 billion in assets, that could constitute the market for the PSC. It recognizes, however, that only a fraction of those may be interested, and that with developments in the commercial consolidation sector the number of transfers into the PSC may be small. Although that would still be a positive result for those schemes, it would not achieve the Government's productive-investment ambitions. It says that in order to reach the required scale, it may be necessary to widen the focus beyond those schemes that are unattractive to commercial consolidators. Accordingly, it does not anticipate setting stringent eligibility criteria, and in any event thinks that it would be difficult to define parameters around commercial attractiveness.

Design

The Board echoes the DWP's ruminations about the possible design of the PSC, for example that it would

- operate as a pooled fund, ring-fenced from the PPF proper;
- aim to run on rather than acting as a 'bridge to buy out';
- be subject to similarly stringent funding requirements as commercial superfunds;
- standardize member benefits on entry;
- have a public service obligation to accept all transfers that satisfy its conditions; and
- allow sponsors of schemes with funding deficits to enter into an agreement to pay off the shortfall in an affordable manner (with reduced benefits[4] for members if the employer goes bust before doing so).

Whereas the DWP suggested that capital backing for the PSC might come either from the Government or out of the reserves that the PPF has amassed as a lifeboat fund, the PPF Board expresses a clear preference for the former option. It notes that the PSC is intended to satisfy Government objectives—facilitating scheme consolidation and UK investment—and that use of the PPF's reserves could have implications for member security and levy payers (including the PPF's ambitions to reduce the levies to zero). It does not think that the capital buffer that could be readily supplied from the PPF's reserves would be sufficient. It also says that in return for underwriting the PSC's risk the Government could reasonably obtain a say over its investment policy, allowing it to pursue its aim of spurring investment in the UK. The PPF would have responsibility for devising a suitable strategy and asset allocation to achieve the goals set by the Government. The Board thinks that Government support could be limited if the PSC is eligible for PPF entry in the event of failure; the PSC would accordingly have to pay a PPF levy.

The benefits of standardization

Both the DWP and the PPF Board suggest that standardization of benefits will be a key feature of the PSC. It should simplify the operation of the PSC and therefore make it less expensive to run than if it were to replicate transferring schemes' benefits. It will also allow the PSC to take in more schemes, more quickly.

The PPF Board proposes that trustees would be able to pick from a menu of benefit options. It thinks that it should be able to commit to providing the same initial levels of pension, payable from the same ages, that members were entitled to, pre-transfer. Other details, such as revaluation, increases, death benefits and lump sums, may need to change following

[3] See our Sixty Second Summary, *Freeing DB to do better*, for details.
[4] This contrasts with the current position for commercial superfunds, which are unable to offer less than full scheme benefits.

transfer, whilst maintaining the (actuarial) value of the benefits; phased retirement would not be permitted. The Board expects that benefit standardization will act as a sort of filter on the schemes that transfer into the PSC. The trustees of schemes that are the most enticing to commercial consolidators are more likely to find it affordable to transact on the basis of replicating (or nearly mirroring) existing benefit structures. The Board thinks that those trustees will tend to prefer that route to one that ends with members receiving different, albeit actuarially equivalent, benefits.

Streamlining procedures

The PPF Board wants to smooth the process of entry into the PSC, for trustees and members, as much as possible. To that end, it proposes the use of standard contracts and templates, an online ready reckoner that would allow trustees to easily determine whether the PSC is a practical option for their schemes, and guidance on the most important stages in the induction process. It notes that, as with commercial consolidation, benefit definition and data cleansing will be essential preparatory tasks. Equalization for differences attributable to guaranteed minimum pensions (GMPs), and conversion of GMPs into non-GMP benefits would also be a prerequisite for transfer to the PSC.

The Board is considering ways to minimize trustees' 'execution risk' (the prospect of the transaction falling through so that the preparatory work will prove to have been for naught). It mentions the possibility that it could give an early commitment on pricing, for example by instituting a pre-transaction price-lock; and strategies for matching scheme asset values to the PSC's pricing basis, perhaps by making pooled funds available. It also puts forward the potential for GMP equalization and conversion to be combined with benefit standardization.

It is expected that the PSC would follow the PPF's example, in having a high-quality member web portal that would allow them to obtain estimates of and make choices about their benefits, update their personal details, and access documents.

We are responding to the DWP's consultation paper, so it's helpful to have additional information about how the PSC might work, from the organization likely to be in the driver's seat. It will be interesting to see how far the existence of an implicit Crown guarantee will influence trustees' feelings about accepting a degree of benefit reshaping.

Revoking CoPs & general disorder

The Pensions Act 2004 (Codes of Practice) (Revocation) Order 2024[5] revoked most of the Pensions Regulator's Codes of Practice, with effect from 28 March 2024, coinciding with the coming into force of the General Code, which was achieved via the Pensions Act 2004 (General Code of Practice) (Appointed Day, Amendment and Revocations) Order 2024.[6] The Regulator had previously indicated that the new Code would be in force from 27 March 2024.

The General Code contains modules that replace the following ten historical subject-specific Codes:

- 1: Reporting Breaches of the Law
- 4: Early Leavers
- 5: Reporting of Late Payment of Contributions to Occupational Pension Schemes
- 6: Reporting of Late Payment of Contributions to Personal Pension Schemes
- 7: Trustee Knowledge and Understanding (TKU)
- 8: Member-nominated Trustees/Member-nominated Directors—Putting Arrangements in Place
- 9: Internal Controls
- 11: Dispute Resolution—Reasonable Periods
- 13: Governance and Administration of the Occupational Trust-based Schemes Providing Money Purchase Benefits
- 14: Governance and Administration of Public Service Pension Schemes

[5] SI 2024 No. 273.
[6] SI 2024 No. 431.

Surplus-refund tax cut

A statutory instrument to reduce the rate of tax on return of pension scheme surplus to a sponsoring employer has been laid before Parliament. It will reduce the 'authorised surplus payments charge' from its current level of 35% to 25%, effective from 6 April 2024. The change was announced in the 2023 Autumn Statement.

A policy paper by His Majesty's Revenue and Customs (HMRC) was published alongside the legislation. It estimates that it will cost HMRC £380,000 to update its IT systems. It also reckons that the loss to the Exchequer from the reduced tax charge will be negligible for the next two tax years, and less than £5m a year for each of the three following years (this is the same impact estimate that appeared in the Autumn Statement 'Green Book').

It's not clear what assumptions underlie HMRC's tax-impact estimates. They seem rather low to us, but perhaps the Government has priced in some of the behavioural change that the tax reduction is intended to encourage. The Chancellor of the Exchequer is hoping that it will give sponsors the confidence they need to support trustees running their schemes on for longer with high-growth (UK) investments. The estimates also suggest a £5m reduction in the tax take for 2023/24, the year before the change takes effect; presumably the assumption was that employers would pause their surplus-extraction plans once they heard the Autumn Statement announcement.

Lesser of two evils for the General Levy

The Department for Work and Pensions (DWP) has announced the outcome of its consultation exercise about the future of the general levy. It has abandoned its favoured option, which would have imposed a £10,000 premium upon small defined contribution (DC) schemes, choosing the simpler approach of increasing levies across the board each year.

The general levy is collected annually by the Pensions Regulator on the DWP's behalf. It is intended to recoup the DWP's funding of the Regulator, the Pensions Ombudsman, and the pensions related activities of the Money and Pensions Service. Increases to the size and activities of those organisations has resulted in a substantial and burgeoning deficit costs versus the levies paid by pension schemes. The DWP had therefore proposed ways of eliminating the deficit by the 2030/31 levy year, laying out the effects upon the levies for the years 2024/25 to 2026/27.

Its preferred option would have entailed 4% increases in each of those years, together with an additional £10,000 premium for defined contribution (DC) schemes with fewer than 10,000 members in 2026/27. It was intended that the premium would incentivise consolidation of smaller schemes. Instead, the DWP has chosen to retain the current levy structure, with a more straightforward 6.5% increase to all levies for each of the three years from 1 April 2024. This was the option preferred by the majority of respondents.

Regulations enshrining the new levy amounts for defined benefit, hybrid, DC, DC master trust and personal pension schemes in legislation were laid before Parliament and came into force from 1 April 2024.[7]

We're pleased that the DWP has decided against imposing a penalty on smaller schemes and has instead gone for a more-equitable approach to reducing the levy deficit.

[7] The Occupational and Personal Pension Schemes (General Levy) (Amendment) Regulations 2024 (SI 2024 No. 274).

SI-lent spring

A flurry of statutory instruments (SIs) appeared in March, before the clocks sprang forward to propel us, sleepy-eyed, into British Summer Time.

Section 148 Order

The Social Security Revaluation of Earnings Factors Order 2024[8] will determine the revaluation of guaranteed minimum pensions (GMPs) during active service, and for some early leavers, with effect from 6 April 2024. It is known as a 'Section 148 Order', because it was produced under that provision in the Social Security Administration Act 1992. This year's Order is based on a 7.6% increase in the general level of earnings over the year to September 2023.

GMP increase Order

The Guaranteed Minimum Pensions Increase Order 2024[9] comes into force on 6 April 2024, setting this year's increase to GMPs in payment (to the extent that entitlement was built up after 5 April 1988) at 3%.

Public Service Pensions

The Pension Increase (Review) (No. 2) Order 2024[10], which determines the increase in the rates of public-sector pensions (and some private sector ones that have adopted the public sector's increase mechanism), was laid before Parliament—twice.[11] It provides that pensions in payment before 8 April 2024 will increase by 6.7%.

The Public Service Pensions Revaluation Order 2024[12], fixes the prices- and earnings-inflation rates relevant for revaluation of benefits in the reformed public-sector schemes. The change in prices is an increase of 6.7%, whilst the change in earnings is an increase of 7.7%. The Order comes into force on either 1 April or 6 April 2024, depending on the scheme.

The Finance Act 2004 (Registered Pension Schemes and Annual Allowance Charge) Order 2024[13] allows for combination of pensionable service under the legacy and reformed new public-sector schemes, for annual-allowance purposes, if the periods of service are connected to the same employment. It comes into force on 6 April 2024.

Amendments to collective-schemes legislation

The Occupational Pension Schemes (Collective Money Purchase Schemes) (Amendment) Regulations 2024[14] facilitate variations to 'multi-annual benefit reductions' (one of the benefit-adjustment options available for collective defined contribution—CDC—schemes) if funding improves. They also allow trustees to make use of a larger range of death-benefit options when discharging liabilities on wind up.

New type of family-friendly statutory leave

The Carer's Leave Regulations 2024[15] come into force on 6 April 2024. They establish a new employment-law right to take up to a week's unpaid leave per year to provide or arrange care for a dependant with a long-term care need. There are notice requirements, and the employer is entitled to postpone the leave for up to a month if business would be unduly disrupted.

The implications for occupational-pensions provision appear similar to those for most other forms of family leave (maternity leave is a bit different), in that an active member will not be entitled to continued accrual during periods of unpaid leave, but will be treated as having continuity of pensionable service.

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[8] SI 2024 No.284.
[9] SI 2024 No. 243.
[10] SI 2024 No. 372.
[11] The first, abortive, attempt was the Pension Increase (Review) Order 2024 (SI 2004 No. 331). See this month's *And Finally...* section for more 'information'.
[12] SI 2024 No. 290.
[13] SI 2004 No. 357.
[14] SI 2024 No. 334.
[15] SI 2024 No. 251.

PPF goes bespoke for assessment assumptions

The Pension Protection Fund (PPF) is consulting on proposals to allow actuaries of smaller schemes (those with less than £50 million in liabilities) to derive their own discount-rate assumptions for 'section 143' (PPF-entry assessment) valuations.

The PPF is considering taking the step in response to experience of schemes that have been assessed as being capable of buying out their PPF-level liabilities, and yet find themselves unable to do so when they approach the insurance market. This is because of occasional discrepancies between the PPF's standard assumptions and insurers' small-scheme pricing. Those schemes end up back at the PPF's door after this detour, having incurred significant further expenses in the meantime, making the ultimate state of affairs worse for the PPF's funding position.

The consultation period runs from 25 March to 6 May 2024. The change would be introduced with effect from 31 May 2024.

HMRC newsletters: March 2024

Lifetime Allowance Guidance Newsletter

His Majesty's Revenue and Customs (HMRC) published a March edition of its Lifetime Allowance Guidance Newsletter. Once again, much of it is given over to questions and answers on the details of the post-lifetime-allowance-abolition tax regime. The Newsletter was updated after publication (see the responses to questions 14, 20 and 37).

Pension Schemes Newsletter

The scramble to prepare for the abolition of the lifetime allowance continues with Pension Schemes Newsletter 157, which contains another 39 answers to 'frequently-asked questions' on the subject.

It also includes:

- brief notes about recent tax-related statutory instruments;
- a request for scheme administrators to wait for HMRC's formal letter before contacting it about status updates to scheme registration applications, even if the status update can be viewed online beforehand;
- a notice about additional security questions when logging into the online Managing Pension Schemes (MPS) service;
- information for relief-at-source administrators;
- a note about the delayed implementation of the scheme-return feature on MPS, and associated guidance for administrators;
- a reminder to migrate schemes to MPS;
- changes to the forms for transfers to qualifying recognized occupational pension schemes (QROPS), and a request for volunteers to help develop an overseas-transfer-charge reporting function on MPS; and
- changes to event reporting as a consequence of lifetime allowance abolition.

And Finally…

Attentive readers of the first 94.448 per cent (approx.) of this edition of *Current Issues* will have noted the reference to mysterious shenanigans around this year's Pensions Increase Review Order (PIRO). To wit, the replacement of the Pension Increase (Review) Order 2024 (SI 2024 No. 331) with the Pension Increase (Review)(No.2) Order (SI 2024 No. 372).

The PIRO for any given year picks up its increase percentage from the Social Security Benefits Up-rating Order for that year. By the usual rules of cause-and-effect, therefore, the PIRO must logically come *after* the Benefits Up-rating Order. However, the first attempt at this year's PIRO inadvertently preceded the Benefits Up-rating Order on which it would rely, evidently triggering a 'DOES NOT COMPUTE' error in some poor soul's pre-frontal cortex. Although the scrap-it-and-start-again reaction might seem overly punctilious to some, the mistake is the sort of deviation from The Proper Order of Things that would make AF twitchy too; mind you, he also surreptitiously sorts Jelly Tots by colour before consuming them (orange ones last).

Similarly fastidious instincts seem to have been at work in the drafting of the legislation (also covered in this edition) that brought the Regulator's General Code of Practice into force, and terminated its various progenitors with extreme prejudice. The Revocation Order in fact cancels more than just the ten Codes that were assimilated into the General Code's Borg Collective. Evidently, someone spotted that Codes 5, 6 and 7 had been revised in the past without ever formally withdrawing their original versions. The question of what the consequences would be if they hadn't been revoked seems like the basis for history's dullest time-travel-paradox movie plot.

The General Code Order also does more than just bringing that Code into effect: it revokes a handful of historical statutory instruments that had been responsible for the commencement of a bunch of older Codes. Think of it as being a bit like when Stalin had Trotsky Photoshopped out of all his group selfies after their break-up. Hopefully the relationship is less apt to be resolved, ultimately, by recourse to an ice axe...