# Pension News update (January 2022)

## DWP launches second State Pension age review

1. In accordance with the provision set out in the Pension Act 2014, which requires the State Pension age to be reviewed during each Parliament, the Department for Work and Pensions (DWP) launched the second State Pension age review on 14 December 2021. The final report from this review must be published by 7 May 2023.
2. State Pension age is currently 66. Legislation is already in place for two further increases: a gradual rise to 67 between 2026 and 2028 for those born on or after April 1960; and a gradual rise to 68 between 2044 and 2046 for those born on or after April 1977.
3. The first Review of State Pension age was undertaken in 2017 and concluded in its report that the next Review should consider whether the increase to age 68 should be brought forward to 2037-39 before making any changes to legislation. Therefore, this review will consider a wide range of evidence, including:
   1. the implications of the latest life expectancy data;
   2. a balanced assessment of the costs of an ageing population and future State Pension expenditure;
   3. labour market changes and people’s ability and opportunities to work over State Pension age; and
   4. options for setting transparent and fair legislative timetable for State Pension age.

## TPR publishes guidance on climate-related risks and opportunities

1. Following a consultation in Summer 2021, the Pensions Regulator (TPR) has published the final version of its guidance to help trustees of certain schemes meet new requirements intended to improve the standards of governance and reporting relating to climate-related risks and opportunities.
2. TPR states that its guidance complements and should be used alongside the DWP’s statutory guidance ‘Governance and reporting of climate change risk: guidance for trustee of occupational schemes’.
3. TPR expects to see clear evidence from trustees to demonstrate how they:
   1. are taking proper account of climate change in making decisions about their scheme and ensure the advice from the external expert in making decisions is relevant and helpful;
   2. have carried out the analysis in a way that is consistent with TCFD recommendations so that members and others can be confident in it ;
   3. have seriously considered the risks and opportunities that climate change will bring to their scheme, in its own circumstances; and
   4. have decided what to do as a result of the analysis and have set a target to achieve the goal.
4. TPR has also added a new appendix – Breaches of the Climate Change Governance and Reporting Regulations to its Monetary Penalties Policy. The minimum penalty for a breach of the requirement to publish the climate change report is £2,500, with the maximum penalty up to £50,000.

## PPF publishes final levy rules for 2022/23

1. On 16 December 2021, the Pension Protection Fund (PPF) published its final levy rules for 2022/23 following a consultation in September 2021.
2. The PPF confirmed that the measures introduced to help schemes and employers with the cost of the levy in 2021/22, including the small scheme adjustment and lower cap on the risk-based levy and the COVID-19 easement option, will remain in place for 2022/23.
3. The PPF has also revised its levy estimate down to £390m for 2022/23, a reduction of £130m comparing with £520m estimate for 2021/22. It is expected that majority schemes will see their levy fall for 2022/23.
4. To protect some schemes that will not see a reduction in their levy, a new limit is going to be introduced for 2022/23 only, which will ensure individual risk-based levies will not increase by more than 25% compared to 2021/22.

## TPR delays second consultation on DB funding code

1. On 15 December 2021, TPR announced that the second stage of its consultation on the revised DB scheme funding code is going to be launched in the late summer of 2022. This had originally been planned before the end of 2021.
2. The first consultation was launched in March 2020, setting out a ‘twin-track’ model where trustees will be able to choose either a prescriptive ‘Fast Track’ option or a more flexible ‘Bespoke’ approach to completing and submitting a valuation of their schemes.
3. TPR states that the new Code is significant for DB schemes and, therefore, ‘it is vital to take the time to get it right’. In the announcement, it also noted that it is critical for the draft code and DWP’s draft regulations to work together in a coherent and integrated way. TPR want to learn from DWP’s consultation on the draft funding and investment regulations, expected in Spring 2022, and also want to ensure that stakeholders have plenty of opportunity to engage with and input to the proposals as they are developing.
4. Therefore, the second stage of the consultation on the draft code will be launched in the late Summer of 2022.
5. The existing Code and funding regime remain in place until the new legislative requirements and the new code come into effect. The new code will be forward-looking, meaning that only schemes with valuation effective dates on or after the code’s commencement date will be affected.