PENSION NEWS UPDATE (MARCH 2022)

Finance Act 2022 – Increasing the Normal Minimum Pension Age

1. On 24 February 2022, the Finance Act 2022 received Royal Assent. The Act includes the legislation to change the Normal Minimum Pension Age (NMPA) from 55 to 57 from 6 April 2028.

2. The NMPA is the earliest age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge, unless they are retiring due to ill health. The current NMPA has been 55 since 6 April 2010, unless the member has a protected pension age (PPA) of 50.

3. A new protection is available to reflect the increase in NMPA, referred to as the New PPA, which allows members to retain a NMPA of 55. This protection applies to anyone who was an existing member before 4 November 2021, of a registered pensions scheme that has an unqualified right to take pension benefits before age 57 under the scheme rules (as at 11 February 2021), such as sections of the RPS.

4. The legislation includes a carve-out of certain uniformed services pension schemes, which automatically retain a NMPA of 55. The BTPFSF is covered within the legislation carve-out.

5. Those members who already have a PPA of 50 will be unaffected by the New PPA or the increase in the NMPA.

6. New entrants joining the RPS since 4 November 2021 and born after 5 April 1973 will impacted by the change to NMPA, so communications are being updated to reflect this.

7. In contrast to the current PPA, individuals with the New PPA are not required to meet the specified conditions required to retain a PPA on retirement. They are also able to retain their PPA following a transfer but only in respect of transferred in benefits.

DWP launches second State Pension age review

8. In accordance with provisions set out in the Pensions Act 2014, which requires the State Pension age to be reviewed every 6 years, DWP launched the second State Pension age review on 14 December 2021. State Pension age is currently 66 and 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.

9. The first Review of State Pension age was undertaken in 2017 and concluded 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:

    9.1. The implications of the latest life expectancy data;

    9.2. A balanced assessment of the costs of an ageing population and future State Pension expenditure;

    9.3. Labour market changes and people’s ability and opportunities to work over State Pension age; and

    9.4. Options for setting transparent and fair legislative timetable for State Pension age.

10. The final report from this review must be published by 7 May 2023. A call for evidence was published on 9 February 2022 to gather information to inform an independent report on SPA. The deadline for submission is 25 April 2022.

TPR publishes guidance on climate-related risks and opportunities

11. Following a consultation in Summer 2021, 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.

12. TPR states that its guidance complements and should be used alongside the DWP's statutory guidance titled 'Governance and reporting of climate change risk: guidance for trustee of occupational schemes'.

13. TPR expects to see clear evidence from trustees to demonstrate how they:

    13.1. 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;

    13.2. Have carried out the analysis in a way that is consistent with TCFD recommendations so that members and others can be confident in it ;

    13.3. Have seriously considered the risks and opportunities that climate change will bring to their scheme, in its own circumstances; and

    13.4. Have decided what to do as a result of the analysis and have set a target to achieve the goal.

14. On 23 February 2022, TPR published an Appendix to its guidance – a step-by-step example to its climate change guidance, which illustrate the types of steps that trustees could consider taking in respect of their climate-related governance and reporting duties. The example is intended to help develop trustees' understanding of how they might approach implementing the climate change regulations at a practical level. However, TPR makes clear that it is not intended to be used as a checklist. It expect trustees to take appropriate advice and ensure that the approach adopted to meeting the requirements of the climate change regulations is suitable for their scheme.

15. TPR has also added an appendix to its Monetary Penalties Policy – Breaches of the Climate Change Governance and Reporting Regulations. 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.