# Pension News update (November 2021)

## Autumn Budget 2021

1. The Chancellor delivered the Autumn Budget on 27 October 2021. The main pensions-related items were as follows:
	1. The government announced that it will consult on changes to the regulatory charge cap for defined contribution pension schemes with the aim of allowing pension schemes to invest in a broader range of assets. The charge cap (currently 0.75%) is the highest possible fee that can be levied on the default arrangement of certain defined contribution pension schemes.
	2. The government announced a change intended to fix an anomaly that can affect low-earning members of occupational pension schemes who earn less than the personal allowance. Depending on the method a scheme uses to provide tax-relief, there can be differences in a member’s take-home pay. From 2024/25 onwards, top-up payments will be made to low-earners who are members of schemes that use a net pay arrangement. This will impact any members of the RPS or BTPFSF who earn less than the personal allowance and do not pay income tax.
	3. As previously announced, the government confirmed the earnings element of the “Triple Lock” will be suspended in 2022/23 meaning the State Pension will increase by the higher of CPI or 2.5%. The September 2021 CPI was 3.1%, therefore the State Pension is expected to rise by 3.1% from April 2022.

## DWP consults on climate change and investment reporting

1. On 21 October 2021, the DWP published a consultation seeking views on proposals to require trustees of pension schemes to measure and report how their investment portfolios are aligned to the Paris Agreement on climate change. It is also consulting on new stewardship guidance relating to Statements of Investment Principles (SIPs) and implementation statements.
2. Trustees can adopt their own portfolio alignment metrics for measuring and reporting their Paris alignment and the consultation includes three proposed approaches for this. The metric will be added to reporting requirements aligned with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations. Under the proposals, the new requirement will apply to large occupational pension schemes (schemes with £1bn or more in relevant assets), authorised master trusts and authorised collective money purchase schemes from 1 October 2022.
3. The consultation also proposes new draft statutory and non-statutory guidance to set out voting, stewardship and ESG best practice in relation to SIPs and implementation statements.
4. The consultation closes on 6 January 2022.

## Simpler Annual Benefit Statements

1. On 19 October 2021, the DWP published its finalised regulations, statutory guidance and illustrative template for simpler annual statements for defined contribution auto-enrolment schemes, following an earlier consultation.
2. The regulations introduce new requirements for the length and format of annual pension benefit statements including. These requirements include that trustees will be required to provide annual statements not exceeding one double-sided sheet of A4 paper when printed. The intention of the simpler annual benefit statement template is for members to easily understand:
	1. How much money they have in their pension plan and what has been saved in the statement year;
	2. How much money they could have when they retire; and
	3. What they could do to give themselves more money at retirement.
3. The new requirements come into force from October 2022, six months later than was initially proposed following concerns raised during the consultation.

## PPF publishes annual report and accounts

1. On 19 October 2021, the PPF published its annual report for 2020/21, which shows the PPF made £1bn in payments to members over the 2020/21 financial year up from £860m in 2019/2020.
2. The PPF state that claims, both in terms of number and value, were relatively low despite the COVID-19 crisis due to the government support that was made available although the PPF expects claims to materialise over the coming year.
3. The report also showed the PPF has a funding level of 127%, an increase 13.9% from the previous year largely due to ‘an exceptional year on investment’ particularly in growth assets which constitute around 60% of its portfolio.

## State Pension triple lock to be suspended for 2022/23

1. On 7 September 2021, the government announced that the triple lock mechanism for annual State Pension increases, under which the State Pension has risen by the highest of price inflation, earnings inflation or 2.5% will be temporarily suspended for 2022/23. The State Pension, both old and new, will increase either by 2.5% or inflation, whichever is higher, in April 2022.
2. The government confirmed the triple lock will be returned the following year and said this measure was in response to ‘statistical anomaly’ caused by the many thousands of workers coming off the furlough scheme and returning to the payroll. The rise in earnings that would have been used for the 2022 increase is estimated at a rate of between 8% and 8.5%.
3. The Autumn Budget on the 27 November confirmed the suspension of the triple lock guarantee for 2022/23.
4. On the 2 November, the House of Lords backed an amendment that would overturn the government's State Pension triple lock suspension and see the earnings link reinstated on a different basis. There will now be a further debate and vote in the House of Commons although it is expected that amendment made by the Lords will be overturned.

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