Pension News Update (May 2021)

TPR publishes climate change strategy

1. On 7 April 2021, The Pensions Regulator (TPR) published its climate change strategy, which sets out how TPR intends to help trustees meet the challenges from climate change, with TPR stating climate change is "systemically significant to pensions, to our regulatory regime and to our statutory objectives".

2. The strategy sets out TPR's expectations for all scheme trustees to comply with the current legislative requirements. This includes trustees of schemes with 100 or more members setting out, in their statement of investment principles (SIP), their policies on stewardship and on environmental, social and governance considerations (including climate change) that they consider financially material.

3. New regulations under the Pension Schemes Act 2021, based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, will introduce further requirements. For example, trustees will have to measure their scheme's carbon footprint and setting climate-related targets.

4. TPR plans to publish additional guidance to help trustees comply with legislation but will also take enforcement action where appropriate.

TPR and PPF consults on asset information updates for DB pension schemes

5. On 29 April 2021, TPR and the Pension Protection Fund (PPF) published a joint consultation on proposals to change the asset class information, which is collected annually from defined benefit (DB) pension schemes via the scheme return. TPR uses the information to help measure investment risk, while the PPF uses it to help calculate the PPF levy.

6. The consultation proposes taking a "proportionate approach" to the data collected, by introducing a new-tiered approach based on scheme size, as measured by the size of a scheme's liabilities on the PPF's valuation approach (s179 liabilities), as follows:

   6.1. Tier 1 – smaller schemes with s179 liabilities less than £20 million, will see minor changes to the current level of detail;

   6.2. Tier 2 – schemes with s179 liabilities between £20 million and £1.5 billion, will be asked to provide more granular data; and

   6.3. Tier 3 – largest schemes with s179 liabilities over £1.5 billion will continue to provide the bespoke stress calculation as required under the PPF levy rules.

7. Schemes will be able to 'trade up' tiers to provide more information voluntarily if they wish.

8. The consultation closes on 10 June 2021.

FCA consults on the stronger nudge to pensions guidance

9. On 4 May 2021, the Financial Conduct Authority (FCA) launched a consultation on proposals, which would require providers to 'nudge' members to take-up guidance service from Pension Wise before accessing defined contribution (DC) savings.

10. Despite providers being required to signpost consumers to Pension Wise guidance and encourage them to seek appropriate pension guidance or advice, take-up of Pension Wise guidance remains low. The consultation sets out plans that would require providers to refer members to Pension Wise,

explain the nature and purpose of the service's advice, and offer to book appointments on behalf of the member or provide members with sufficient information to book their own appointment.

11. Providers would also be required to confirm and record whether members opted out of receiving Pension Wise guidance, received the guidance or received regulated advice. The FCA also called for ideas about how to further increase take-up of Pension Wise's services.

12. As this is an FCA proposal, it would not directly affect occupational pension schemes but if it proves successful, it may persuade TPR to introduce similar requirements. The consultation closes on 29 June 2021.