PENSIONS BULLETIN

QUICK LINKS

In this month's Pensions Bulletin, we cover:

1. A new draft Funding Code of Practice for defined benefit (DB) schemes, setting out the Pensions Regulator's (TPR's) expectations on compliance with the statutory requirements introduced by the Pension Schemes Act 2021. TPR is also consulting on a twin track regulatory approach using a Fast Track procedure to filter schemes that require minimal engagement. The intention is for the new Funding Code and associated funding regime to apply to valuations with an effective date from after 1 October 2023.
2. TPR's latest guidance for trustees of defined contribution schemes, highlighting the need, in the light of the effect of recent market movements on members' benefits, for communications with members and strong scheme governance and oversight.
3. Information from TPR on the new form of scheme return for DB and hybrid schemes, for 2023 scheme returns.
4. Confirmation from the Pension Protection Fund that it will go ahead with its proposals for the 2023/24 levy.
5. A determination from the Pensions Ombudsman ordering a transferring scheme to reinstate a member's benefits following its due diligence failure on a scam transfer.

We include our regular watch list of current and future developments.

One Bunhill Row
London EC1Y 8YY
United Kingdom
T: +44 (0)20 7600 1200

THE PENSIONS REGULATOR'S CONSULTATION ON DB FUNDING CODE

The Pensions Regulator (TPR) is consulting on a new Funding Code of Practice for defined benefit (DB) schemes, nearly three years after it outlined the principles underlying the Code. The draft Code sets out TPR's views on compliance with the statutory requirements introduced by the Pension Schemes Act 2021 and by regulations, currently in draft form. In addition, TPR is consulting on a twin track regulatory approach to enable it to use a Fast Track procedure to assess scheme valuations and filter schemes that require minimal engagement. TPR confirms the previously announced aim of a commencement date of 1 October 2023 for both the Code and the regulations, with the new regime applying to valuations effective from after that date.

Background

Under changes made by the Pension Schemes Act 2021, trustees of DB schemes are required to determine a Funding and Investment Strategy (FIS) (which the employer must agree in the vast majority of cases, mirroring the current position for determining the scheme's Technical Provisions) for ensuring that pension benefits can be provided over the long term, and to set this out in a Statement of Strategy signed by the trustee chair and submitted with the valuation documents to TPR. The new provisions are not yet in force, but the Government consulted on draft regulations last year. For more details, please see our Pensions Bulletin September 2022.

Funding Code

The Funding Code contains the detail of how TPR expects the legislation and regulations will work in practice. TPR has now published:

- Draft Funding Code of Practice for DB pension schemes.
- Consultation on the draft Code.
- Consultation on Fast Track and a twin track regulatory approach.
- Response to its March 2020 consultation.

Both consultations close on 24 March 2023. The earliest date the final regulations and Code are expected to come into force (together) is 1 October 2023 – for valuations with an effective date after that date. To meet this tight timescale, the Government must put the final Code before Parliament in mid-June, alongside the final regulations. As the draft Code has been issued before the regulations have been finalised by the DWP (and there were many responses to the consultation on the draft regulations), any changes (for example, in the definition of "significant maturity") will need to be reflected in the final Code.

A significant change from the 2020 proposals is that the twin track approach (Fast Track and Bespoke) will not be in the Code but in separate Fast Track regulatory guidance, to be used by TPR to assess scheme valuations.

Status: The draft Code explains that it is not a statement of the law but, when determining whether legal requirements have been met, a court or tribunal must take it into account. As in other Codes, TPR uses "must" when referencing what TPR considers are legal obligations, "should" or "expect" to refer to TPR expectations and "need" where the process is necessary to allow a scheme to operate even though there is no expectation or legal requirement in place.

Significant maturity: The regulations provide that the FIS must be set no later than end of scheme year in which the scheme is estimated to/did reach significant maturity. As expected, the draft Code sets significant maturity as the point when the length of years that the "average" person will receive a pension until death is 12. However, amendments may be made to what the draft regulations provide in relation to significant maturity in the light of the recent volatility caused by increasing gilt yields (which effectively brought forward the point at which certain schemes reached significant maturity materially), in which case the Code will also change.

Investment: In setting the FIS, trustees must assume that, from the date of significant maturity, the investments would meet the requirements of a **low dependency investment allocation** (LDIA) and the assets would be sufficiently liquid to enable the scheme to meet expected cash flow requirements, with a reasonable allowance for unexpected cash flow requirements.

The draft Code explains that cash flows from investments must be "broadly matched" with benefit payments through matching assets. LDIA can contain a mixture of "growth" and "matching" assets; the Code gives example of 85% bonds and gilts and 15% growth assets. Schemes should seek to have a minimum level of interest rate and inflation hedging of at least 90%. There are indications that trustees will be able to invest in a broader range of assets than was feared. However, it is unclear whether TPR's view of how the LDIA might operate truly fits with the more prescriptive draft regulations.

The investment strategy for the FIS must be such that the value of the assets relative to the value of the scheme's liabilities is highly resilient to short-term adverse changes in market conditions. As a minimum, TPR expects schemes to test for a one-year, 1-in-6 stress scenario with resulting variations in funding levels due to market movements expected to be limited to a change in funding level of 4.5%.

Trustees are not <u>required</u> under legislation to invest in accordance with the FIS but TPR expects trustees to exercise investment powers in a way "*generally consistent*" with it. The Code gives examples of where there may be good reasons in the short term to move away from the investment strategy in the FIS, such as where the employer refuses to agree to changes to the FIS.

A section on investment and risk management sets out TPR's expectations in relation to the trustees' duties to exercise investment powers to ensure liquidity, security, profitability and quality. This section includes references to liability-driven investment (LDI), where TPR says trustees should *"consider the impact of changes in key variables such as real and nominal interest rates, currency and credit spreads. For example, this could be that the trustees will hold enough liquid assets so that liability hedging can be maintained following a rise in long-term interest rates (real and nominal) of 300-400 basis points (bps)"*. There may be some changes to this section following completion of the current Parliamentary inquiry into LDI. In its consultation on the Code, TPR acknowledges that recent events have highlighted the potential systemic risks from the use of leveraged LDI, whilst noting that schemes using LDI to reduce funding volatility may be in a better position to show that they can meet TPR's expectations.

Employer covenant: Trustees must "*bear in mind the strength of the employer covenant*" in determining its journey plan. TPR is moving away from covenant grades to an approach considering three fundamental "covenant pillars": cash, contingent assets and prospects. Trustees should assess the employer's financial ability to support the scheme by reference to the employer's cash flow, the likelihood of an employer insolvency event and other factors likely to affect the employer's business, such as its future prospects, market outlook and strategic importance. Assessment of the employer's financial ability to support the scheme is primarily forward-looking and should consider the following:

- Visibility over employer's forecasts. This typically covers a period of between one to three years. In addition to considering the forecast cash flows, trustees will need to consider profit and loss account and balance sheet forecasts to understand the employer's short-term prospects. When assessing the reasonableness of employer forecasts, trustees should consider the historical accuracy of managements forecasts as well as the appropriateness of the assumptions underpinning these forecasts.
- Reliability over available cash - the period where trustees have reasonable certainty over the employer's available cash to fund the scheme. Trustees should consider the employer's forecasts, to the extent that these are available and deemed reasonable, and the employer's prospects (including its capital structure and overall resilience, and the market in which it operates).
- Longevity of the covenant. This represents the maximum period in which trustees can reasonably assume that the employer will remain in existence to support the scheme.

As the Code recognises, there is likely to be considerable variation between sponsors in covenant reliability.

Support from any legally enforceable contingent security (such as parent company guarantees) will also be relevant but trustees must identify the scenario in which the contingent asset is likely to be called upon and the method to assess expected realisable value.

TPR emphasises in its response to consultation that the Code does not make fundamental changes to how covenant is assessed but has embedded existing good practice and developed the way TPR expects trustees to demonstrate covenant support. TPR will be updating covenant guidance and will consult on this in 2023.

Journey planning: This section outlines how trustees should assess the maximum risk that trustees should take during two distinct periods - the period of covenant reliability and the period after that but before the "**relevant date**" (no later than end of scheme year in which the scheme is estimated to/did reach significant maturity). Trustees should set out the date for achieving LDIA, the shape of the de-risking strategy (the Code sets out examples) and the intended future approach to actuarial assumptions for Technical Provisions (TPs) - the amount required on actuarial calculation to make provision for the accrued scheme's liabilities over time. (TPs continue to be calculated using economic and actuarial assumptions chosen prudently.) Open schemes can assume a "reasonable" allowance for future accrual and new entrants; this will delay the time at which the scheme reaches significant maturity, so open schemes may be able to take investment risk over a longer period.

Recovery Plans: The Code mirrors the regulations in stating that, in determining whether a recovery plan length is appropriate, trustees must follow the principle that funding deficits must be recovered "*as soon as the employer can reasonably afford*". The Code does not set benchmarks for recovery plan lengths (but there is a six year limit for Fast Track – see below). Investment outperformance is allowed but only to extent supported by employer covenant or where a suitable third party enters into a contingent funding arrangement to provide direct cash support. Post-valuation experience can be taken into account. In some areas, the Code appears more relaxed than the draft regulations. Trustees and employers have room to agree Recovery Plans that take account of the sponsor's need to invest in its own business and to use its available assets for appropriate means ("alternative use of cash"). Alternative uses of cash include investment in sustainable growth, covenant leakage (distributions to shareholders or intercompany loans that are unlikely to be repaid, for example), and discretionary payments to other creditors - where the employer elects to make payments to creditors other than the scheme, at a time when they are not due – such as the early repayment of a loan.

Covenant leakage or discretionary payments to other creditors will be considered less reasonable the lower the scheme's funding ratio (and schemes and sponsors will, of course, need to consider whether any of TPR's moral hazard powers are engaged by such activity, having taken professional advice as required). The more mature the scheme, the greater the need for available cash to be paid to the scheme in the near term. Available cash should not be used for discretionary payments or to effect covenant leakage where this would require deficit repair contributions (DRCs) to be paid after the period in which available cash is considered reliable (see **Employer covenant** above on reliability of available cash). Allocation of available cash between DB schemes sponsored by the employer should be fair.

Open schemes: The draft regulations were widely criticised for making no provision for open schemes. In the Code, the principle from the first consultation that open schemes should have the same level of security as closed schemes is retained. However, the Code reflects the different characteristics as compared to closed schemes:

- It is not necessary to have same level of TPs; assumptions can be made for period of future accrual and/or level of new entrants.
- For open scheme in steady state (where new entrants replace leavers) and where the covenant remains unchanged, TPR would not expect investment de-risking.
- Open schemes may be able to invest in a less liquid portfolio (on the basis that future cash contributions will provide sufficient liquidity).
- The period of future accrual and, where appropriate, allowance for new entrants should not be assumed to continue beyond where the trustees have reasonable certainty over key aspects of covenant such as cash flow. (For Fast Track, the period of future accrual is assumed to be six years.)
- Trustees should consider to what extent it is reasonable to assume that DB pensions will continue to be offered.
- Assumptions for new entrants should be evidence-based and prudent.

Fast Track and Bespoke

Alongside the Code consultation, TPR is consulting on its revised regulatory approach to DB funding. TPR explains that details of Fast Track will not form part of the Code, for three reasons: it is not in the legislation; it will allow greater flexibility to change Fast Track without requiring an amendment to the Code; and it will provide a filter for TPR interventions, as it reflects TPR's view of a tolerated level of risk. TPR has decided to adopt a single set of parameters for Fast Track; covenant grading will not be included. If a scheme meets all the Fast Track parameters, TPR is unlikely to scrutinise the valuation submission further. Where it does not meet individual parameters, TPR's engagement is likely to be limited to those areas. TPR predicts that just over half of schemes would currently pass Fast Track parameters.

TPR stresses in its response to consultation that trustees submitting a Fast Track submission will still need to be satisfied that they comply with legislation and have considered the Code principles.

The scheme actuary must confirm that Fast Track submission by the trustees (through the portal) meets the parameters, which include:

- Discount rate based on gilt yield curve + (no greater than) 0.5%.
- 12 years' duration for scheme maturity.
- Recovery Plan of no more than six years before the relevant date or three years after the relevant date (with no allowance for future investment outperformance and DRCs to increase by no more than CPI inflation).

Open schemes can make allowance for future service (up to six years) and new entrants (based on average over last three years). For smaller schemes (fewer than 100 members), the calculation of duration is simplified.

The alternative to Fast Track is a **Bespoke** submission, where:

- trustees want to run more risk and this is supportable by employer covenant (and in line with scheme maturity); or
- the scheme cannot meet Fast Track because of employer affordability restraints; or
- unique employer circumstances necessitate a different approach.

If trustees submit a Bespoke valuation, the level of evidence and explanation required in the Statement of Strategy will depend on the level of complexity and risk.

Next steps for trustees and employers: Whilst TPR emphasises that its aim is to embed good practice rather than to make fundamental changes to the funding regime, the level of detail in the draft Code and regulations means that there will be a significant burden on trustees to show that they meet TPR expectations. Trustees and employers should note that there are discrepancies between the draft Code and the regulations, and either might be subject to change, particularly with regard to the assessment of when scheme maturity arises. Although the new regime will not apply to valuations until late 2023, the impact is immediate because: (i) the level of prescription in the draft regulations and the Code, and the new requirement for a Statement of Strategy to be signed by the chair of trustees, combined with the need for trustee-sponsor engagement on the new regime, means that significant analysis and planning are required ahead of the deadline for submitting the first Statement of Strategy; and (ii) the draft regulations and Code prescribe how the transition must be made during the journey plan towards the significant maturity date. As such, trustees and employers need to engage with their actuarial, covenant and legal advisers at the earliest opportunity to prepare and assess key items such as the likely duration of their scheme to significant maturity (which may well have changed following recent market movements), how the low dependency target fits with their existing plans, and the choice between Fast Track and Bespoke. Trustees will need to look out for TPR's updated covenant guidance. TPR's new Single Code of Practice, expected shortly, will also be relevant to risk assessment.

THE PENSIONS REGULATOR'S DC TRUSTEE GUIDANCE IN THE CURRENT ECONOMIC CLIMATE

The Pensions Regulator (TPR) has published a guidance statement setting out actions it expects trustees of DC schemes to take in the light of the effect of recent market movements on DC members - supporting and communicating with members and strengthening governance and oversight.

Many of the key messages in TPR's guidance statement for DC trustees in the current economic climate are taken from the existing DC Code of Practice and TPR guides on DC investment governance and Communicating and reporting: DC schemes. TPR also refers to its October 2022 statement on liability-driven investment (LDI) funds: Managing investment and liquidity risk in the current economic climate, issued in the wake of last year's dramatic movements in gilt yields, which forced some trustees of defined benefit (DB) schemes to take emergency measures to meet cash margin calls in relation to their LDI investments. (For details of TPR's LDI statement, please see our Pensions Bulletin October 2022.)

In the latest guidance, TPR notes that although DC schemes have not been directly affected by LDI issues, significant market volatility from equities and falling bond values (because of corresponding rising yields), along with increases in inflation and interest rates, has affected DC members, particularly those close to retirement (with higher allocation to gilts).

TPR's expectations on governance and investment are that DC trustees should:

- Review the governance structure for investment risks and decisions, ensuring they have sufficient resources and time for DC arrangements.
- Review investment advisers against agreed strategic investment objectives. (TPR is now responsible for checking trustee compliance with trustees' duty to set strategic investment objectives for their investment advisers.) TPR refers to its guidance for trustees in setting objectives . Trustees should carry out regular "detailed" reviews of investment advisers' performance and are recommended to review the extent to which proactive investment advice is allowed for in the investment advisers' remit, and acted on in practice.
- Use member data and trends in behaviour to inform decisions and investment strategy, with reference to DC investment governance (Designing investment arrangements section).
- Review investment arrangements. Under the Investment Regulations, trustees are required to review their default strategy and the performance of their default arrangement, at least every three years and without delay following any significant change in investment policy. TPR comments that as the current market environment could change the outlook, trustees may wish to ask their investment adviser to carry out a strategy review to ensure the investment arrangements and the outcome they are targeting remain suitable.
- Monitor performance against objectives and industry benchmarks and consider how different groups of members have been affected, for both default and self-select investment funds.
- Assess how investments protect against high inflation and review the use of cash funds.

Trustees should consider the communications, and the level of support, provided to members. In particular:

- Given the significant movements in the market, trustees should "act now" to ensure member expectations are better aligned with where they are invested. This is particularly true for those approaching retirement, or close to the point where they can withdraw cash.
- TPR says that trustees may need to provide additional information to go with the annual benefit statement, to ensure members can make informed decisions, "*even if it is not required by law*". Suggestions include illustrating how saving more and/or changing the planned retirement date might generate an increased pension pot, encouraging members to use modelling tools and to check any pensions with previous employers, and highlighting the importance of updating trustees on any changes to retirement expectations. Descriptions of options available to members, especially on self-select funds and on access to pensions, need to be sensitive to changing market conditions and changing perspectives on risk.
- While the focus will be on the annual benefit statement, trustees should consider providing "continuous communications" and trustees "*should certainly begin communicating with affected savers before statements are issued if that is due to take place some way in the distant future*".
- With employers, trustees should support members to understand the implications of opting out or ceasing contributions, and prompt re-joining.
- Members should be encouraged to take advice before making major decisions. The following should be provided to members as standard:
  - a copy of the **MoneyHelper leaflet your pension: your choices** or similar information

- signposting to tools such as the **MoneyHelper pension calculator**
- encouraging the take up of guidance services offered by MoneyHelper or Pension Wise guidance.

On transfers, TPR reminds trustees to follow best practice on helping to prevent scams. It has also updated its Dealing with transfer requests guidance, which provides information on checking, proceeding with and refusing transfer requests from scheme members. The update is to the section on the requirement for trustees to direct members to mandatory guidance from MoneyHelper where an "amber flag" is identified in relation to the transfer request. TPR clarifies that members need to book a pensions safeguarding appointment through the correct link; booking a different type of appointment (such as a Pension Wise appointment for those aged 50 plus) would not satisfy the requirement. To avoid delays in processing transfers, trustees should provide the link immediately after completing due diligence.

Next steps for trustees and employers: Although TPR's statement largely repeats previous guidance, it makes clear that it expects trustees to consider the issues raised and take appropriate action as part of their ongoing governance responsibilities. There is a strong message on the need for communication with members, not limited to annual benefit statements, as well as a recommendation that trustees should ask their investment adviser to carry out a strategic review of default and self-investment options.

NEW DEFINED BENEFIT AND HYBRID SCHEME RETURN

The Pensions Regulator (TPR) has published information on a new form of scheme return for 2023, for defined benefit (DB) and hybrid schemes.

The main change to the DB and hybrid scheme return is the updated asset breakdown, reflecting the new asset classes agreed with the Pension Protection Fund (PPF). Each scheme will be assigned a tier based on their total liabilities (assessed for PPF purposes) at the latest valuation:

- Less than £30 million - Tier 1 (Simplified approach)
- £30 million to less than £1.5 billion - Tier 2 (Standard)
- £1.5 billion or more - Tier 3 (Enhanced)

Tier 2 and 3 schemes need to provide more detailed information about the bonds and equities they hold. Tier 3 schemes also need to provide information on risk factor stresses, as required under the PPF levy rules.

Schemes in the lower tiers have the option to "trade up" to Tier 2 or 3 and provide more information. There are also changes to the asset categories, removing insurance funds, hedge funds and commodities and adding diversified growth funds and absolute return funds (available for Tiers 2 and 3).

There is no mention of compliance reports on trustee oversight of investment consultants and fiduciary managers. In October last year, the Competition and Markets Authority (CMA) announced that, with effect from 1 October 2022, the responsibility for compliance with the requirements for carrying out compulsory competitive tenders for new suppliers of fiduciary management services and to set strategic objectives for investment consultants had moved to the Pensions Regulator (TPR) and therefore the requirement under the 2019 CMA Order for trustees to make annual compliance reports to the CMA has ceased. TPR has not yet announced how compliance should be reported going forward.

Next steps for trustees: Trustees need to collect the new asset information in time for the 31 March 2023 deadline. Trustees will need to check with their investment advisers and managers but the more detailed asset breakdown should be relatively straightforward for most schemes to provide and, in many cases, will already be included in regular reporting from investment managers.

CONFIRMATION OF PENSION PROTECTION FUND LEVY RULES

The Pension Protection Fund (PPF) has announced that it will go ahead with its proposals for the 2023/24 levy as set out in its September 2022 consultation.

The PPF has published final levy rules for 2023/24 and a policy statement. The proposals included cutting the levy, reducing the increments between levy bands, cutting the risk-based levy scaling factor and the scheme-based levy multiplier, and integrating the new asset class information being collected by the Pensions Regulator (see item on scheme returns above). The PPF estimates that it will collect £200m, a reduction of £190m on 2022/23, and that almost all levy payers will see a reduction in their levy. For details, please see our Pensions Bulletin October 2022.

Next steps for employers and trustees: The key dates for 2023/24 are set out in the policy statement. Any scheme wishing to put in place new contingent assets or to recertify existing contingent assets must do so by 31 March 2023. Where trustees wish to certify the value of an asset backed contribution arrangement and any payments made under the arrangement, the same deadline applies.

SCHEME ORDERED TO REINSTATE BENEFITS FOLLOWING FAILURE TO MAKE ADEQUATE CHECKS ON TRANSFER

In Mrs G, the Pensions Ombudsman (TPO) upheld a complaint about due diligence failure on a scam transfer. The transferring scheme was ordered to reinstate the member's benefits, amounting to nearly £220,000.

Mrs G complained that Teachers' Pensions (TP) did not conduct sufficient due diligence checks when transferring her pension benefits from the Teachers' Pension Scheme (TPS) to the London Quantum Pension Scheme (LQPS). Mrs G was unable to access her benefits from the LQPS. TPO was satisfied (after an oral hearing to test her evidence) that Mrs G had shown, on the balance of probability, that but for TP's maladministration, she would not have proceeded with the transfer. As a result, Mrs G suffered the loss of her TPS benefits. TPO made the following points:

- Mrs G did not complete the application form within three months of receiving the statement of entitlement, so TP was not under a statutory obligation to effect the transfer. Even if TP did believe it was under a statutory duty to transfer, it would have been under an obligation to carry out sufficient due diligence in order to achieve a discharge under Section 99 of the Pension Schemes Act 1993.
- The documentation showed that Mrs G was transferring to a scheme sponsored by a geographically distant company for whom she did not appear to work. That was a clear red flag that ought to have prompted TP to contact Mrs G and carry out additional due diligence.
- By the time of the transfer in 2015, TP had had considerable time to put in place compliant transfer processes to reflect TPR's 2013 guidance. TPR's expectations on proper processes were widely understood in the industry and highlighted by the fact that Friends Life had rejected a transfer of benefits it held to the LQPS. It was significant that Mrs G accepted Friends Life's decision to refuse to transfer.
- The transfer was completed quickly – within three weeks of Mrs G's application. TPO acknowledged the proportionate balance of risk between acting promptly and being satisfied that the transfer does not present a risk to the member's benefits. TP had sufficient time to carry out the due diligence and a desire to avoid criticism for delaying the transfer did not excuse its actions.

TP was ordered to reinstate Mrs G's accrued benefits in the TPS, accounting for any revaluation that would have taken place since the transfer. TPO said that, to avoid double recovery, if the new trustees of the LQPS, appointed by TPR, managed to retrieve some or all of Mrs G's pension fund, and provide TP with satisfactory evidence that has happened, TP would be entitled to recover that amount from Mrs G. TP was also ordered to pay Mrs G £1,000 to reflect "serious distress and inconvenience".

Next steps for trustees: Although the decision relates to a transfer that took place in 2015, the need for due diligence in order to achieve a statutory discharge, and the obligation on trustees to update processes to meet changing law and guidance, are relevant for trustees now as they comply with the new restrictions on individual statutory transfers out under the Transfer Regulations 2021.

The majority of flags identified by trustees are amber, triggered as a result of the receiving scheme having overseas investments. So long as the transferring member takes the appropriate MoneyHelper advice (and can demonstrate this to the transferring trustees) there is a statutory right to transfer. In these circumstances there should be no need for trustees to go down the non-statutory route. If they do take the non-statutory approach, trustees need to remember that this must be permitted under the trust deed and rules, and the statutory discharge in Section 99 of the Pension Schemes Act 1993 (which extends to contingent benefits that are extinguished on the transfer) will not apply: trustees will have to rely on any discharge in the scheme rules and/or the transfer-out documentation. A discharge under the scheme rules may extend to contingent benefits but this point, and the discharge wording generally, should be checked carefully.

PENSION LEGISLATION AND REGULATION WATCH LIST

No	Topic	Effective date or expected effective date	Further information/action
1	Changes to DC scheme governance and disclosure, including the annual Chair's Statement and the charge cap	For charging years ending after 6 April 2022: £100 de minimis pot size below which flat fees cannot be charged. From 6 April 2023: removal of performance-based fees from charges cap	DC schemes only. Consultation on draft regulations on inclusion of explanation of illiquid investment policies in default SIPs, and draft regulations and draft statutory guidance on disclosure of asset allocation data in Chair's Statement (from 1 October 2023). Consultation closed 10 November 2022. Consultation on new Value for Money framework to start "in the New Year".
2	Trustee oversight of fiduciary managers and investment consultants	1 October 2022. Requirement for trustees to make annual compliance reports to the CMA ceased 1 October 2022.	All DB and DC schemes (with minor exceptions). Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022 largely replicate existing regime under the Competition and Markets Authority Order 2019. TPR guidance issued August 2022.
3	Climate risk governance and reporting requirements	1 October 2022.	For schemes with £1 billion or more in net assets, governance to be in place for the scheme year underway, and the first annual report to be published within seven months of the end of the scheme year. Trustees of schemes in scope have to adopt a portfolio alignment metric for measuring climate risk from 1 October 2022.

No	Topic	Effective date or expected effective date	Further information/action
4	Stewardship and voting reporting in Implementation Statements: statutory guidance	Statutory guidance applies to Implementation Statements for scheme years ending on or after 1 October 2022.	All schemes required to prepare Implementation Statements. Guidance on Statements of Investment Principles is non-statutory.
5	Simpler annual benefit statements	1 October 2022.	DC schemes used for auto-enrolment.
6	Draft DB Funding Code of Practice	Part 2 of TPR consultation and draft Code issued 16 December 2022; consultation closes 24 March 2023. Code to be operational from 1 October 2023.	DWP regulations issued for consultation July 2022. Once in force, the Code will apply to triennial valuations submitted thereafter.
7	TPR Single Code of Practice	Revised Code to be issued January 2023.	All schemes.
8	New notification requirements for DB schemes in relation to corporate and financing activity and change to the notification process	Response to consultation on draft Notifiable Events (Amendment) Regulations was expected Summer 2022.	TPR will consult on update to Code of Practice 2 (Notifiable Events) and accompanying guidance once DWP have published their finalised regulations and consultation response.
9	Changes to the scheme asset information collected through scheme returns	Scheme returns with deadline of 31 March 2023.	DB and hybrid schemes.
10	Pensions dashboards	Compulsory connection deadlines from August 2023.	All registerable UK-based schemes with active and/or deferred members. Regulations in force from 12 December 2022; TPR consultation on compliance and enforcement policy closes 24 February 2023.

London
T +44 (0)20 7600 1200
F +44 (0)20 7090 5000

Brussels
T +32 (0)2 737 94 00
F +32 (0)2 737 94 01

Hong Kong
T +852 2521 0551
F +852 2845 2125

Beijing
T +86 10 5965 0600
F +86 10 5965 0650

579921177