

10 green bottles standing on a wall...

Make sure one doesn't accidentally fall

January 2022

Top 10 priorities for 2022 - DB pension schemes

January is the perfect time to set out your priorities for the year ahead, but when there's a lot going on, the list can get overwhelming.

Picture each task as a bottle standing on a wall - the more you have standing there, the more likely it is that one should accidentally fall. But when each bottle is an exercise that could impact future pension scheme member outcomes, you can't afford for that to happen.

That's why we've come up with an easy checklist and reference guide to your top 10 pension scheme priorities for 2022. [Get in touch with us](#) for more information and to map out when to cover each of these issues over the year.

Opposite is a printable checklist and we go into more detail on each topic on the following pages.



	Top 10 priorities for 2022	I have considered this and feel comfortable that I know my next steps
1	Strategic journey planning	
2	Complying with the Pensions Regulator's new single Code of Practice	
3	Pension Schemes Act 2021 - acting with awareness of new Pensions Regulator powers	
4	GMP equalisation	
5	Preparation for the new Scheme Funding Regime	
6	Responsible investment	
7	Pensions dashboard	
8	Evolving member options and IFA support	
9	Trustee board behaviour and decision-making	
10	Keeping on top of emerging issues	

Top 10 priorities for 2022

Your easy reference guide to your top 10 DB pension scheme priorities for 2022.

1 Strategic journey planning

Considering your scheme holistically has never been more important. Take the recent example of the Covid pandemic, which impacted investment markets, funding assumptions, covenant strength and governance practices in different ways for different schemes. Being able to look through the noise and stick to a clear plan has really shown its worth in the last couple of years, with some schemes coming out in significantly stronger positions despite everything that's happened.

Whilst insurance solutions (buy-ins and buyout) continue to be the most common target, more options for schemes' ultimate targets are emerging so, it is vital you keep a watching brief on your long-term plan. Of course, for many schemes, investment returns will be key in completing that journey, so you need to ensure they are aligned with your objectives and monitored effectively. And you need to be comfortable that your covenant can support the risks you are taking, both in the short and longer term.

Contingent funding options have been around for several years, but with recent regulatory and other developments they are now becoming more mainstream. They can provide security to members, whilst also representing efficient use of the sponsoring employer's resources – in other words, they can be a win-win.

- Read our [journey planning blueprint](#) to help you set or test your own journey.
- Use [LCP Sonar](#) to help you understand how your various risks interact and how to prioritise risk management actions.
- Make sure you understand the [contingent funding](#) options available so you can critically assess whether any of these could work for you.
- [Stay on top](#) of the latest in the buy-in and buyout market so you are well prepared to implement insurance solutions if opportunities arise.
- Make sure you're aware of other de-risking solutions too, so you're equipped to decide which could be most suited for your scheme.



2 The Pensions Regulator's (TPR's) new single Code of Practice

Combining a number of existing Codes of Practice, the new single Code is expected in summer 2022. But this isn't just a tidying up exercise – the new Code will also introduce new expectations for both DB and DC schemes.

These include requirements to have in place an effective system of governance ("ESOG") and undertake a regular own risk assessment ("ORA"), as well as introducing three new explicit functions – Risk Management, Internal Audit and Actuarial – which will need to be assigned to trustees, advisers or independent parties.

Get yourself ahead of the curve by considering the [requirements](#) of

the new single Code and anything you will need to change in order to comply.



Top 10 priorities for 2022 continued

3 Pension Schemes Act 2021 – new Pensions Regulator powers

Whilst finalised in January 2021, many of the provisions and powers came into force on 1 October and therefore remain very new. In particular, all significant corporate activity now needs to be considered carefully from both a sponsor and trustee perspective in the context of potential criminal sanctions and the threat of new contribution notices, and eyes will be on the first cases TPR deals with under this new regime.

Understand how [practice is emerging](#), to inform your approach to future projects.



4 GMP equalisation

Many schemes will have already started their journey on GMP equalisation. Further government Bills could [change](#) the goal posts, albeit hopefully with a focus on clarifying currently unclear legislation. Understandably at this stage schemes may be reluctant to make final decisions on the equalisation method they will adopt for future benefits. However, there is still plenty that trustees can be working on at this time.

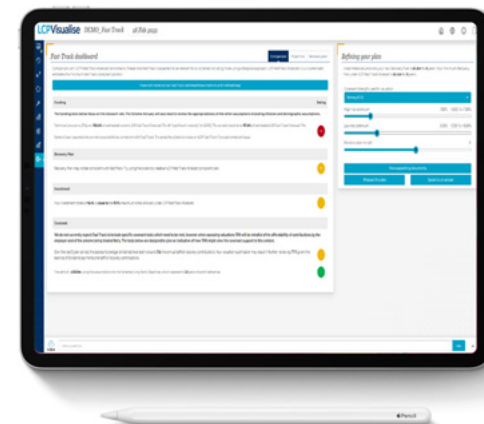
See our [GMP insights hub](#), six step plan and [webinar](#) to make sure you don't miss a step and to stay on top of the latest developments.



5 New Scheme Funding Regime

The Pension Schemes Act and the associated funding Code is set to be the biggest revolution to the requirements for scheme funding and investment for 15 years. The Pensions Regulator's first consultation has now closed, and new consultations on funding regulations and a new Funding Code are expected later in 2022. Whilst we don't expect that all the new requirements will be in place until 2023, the direction of travel indicated by the consultation is already influencing ongoing and upcoming DB scheme valuations.

Understand [how you might stack up in the new world](#) so that you can proactively consider any changes to better align.



Top 10 priorities for 2022 continued

6 Responsible investment

Whilst responsible investment is much wider than this, we expect a continued focus on climate risk in 2022 with more large schemes coming into scope of the TCFD requirements, prompted by the Pension Schemes Act 2021. Guidance released in early 2021 expects all schemes to consider this issue, so this is relevant for everyone, not just the largest of schemes.

Keep yourself abreast of the [latest developments](#) to ensure you comply with both your fiduciary duty and incoming regulatory requirements. And don't forget the other elements of responsible investment! In particular, we expect a renewed focus on [stewardship](#) prompted by the single Code of Practice and expected stewardship guidance from DWP.



7 Pensions dashboard

The Government has legislated, via the Pension Schemes Act 2021, for the delivery of pensions dashboards in order to help people better plan for retirement and so to achieve financial security in later life. DC schemes and the largest DB schemes need to be Dashboard ready by 2023 and this is expected to involve significant data and systems work for all pension schemes.

Read [our blog](#) on the latest developments in Pensions Dashboards, including the data challenges that all trustees and pension providers are going to need to overcome when considering how to “match” a member with their pension.



8 Evolving member options and exploring IFA support

It is increasingly difficult for individual members to source good and affordable advice. As a result, members are either at risk of taking poor advice or not taking advice at all and are therefore at risk of making poor decisions about their retirement options. More and more DB and DC schemes are using their bulk buying power to select, implement and monitor an IFA to support their members - this is increasingly important where schemes are looking to provide members with more options at retirement. New [anti-scam](#) regulations came into force for transfers after 30 November 2021 - an appointed IFA can also help trustees and administrators with the implementation of these.

Check out our latest [research](#) on the current state of DB transfer advice and speak to an expert to work out if this would be an effective route for you.



Top 10 priorities for 2022 continued

9 Behaviour and decision-making

Behavioural biases impact us daily – from the products we buy to the individual and group financial decisions we make. Even well-informed, educated and experienced groups are at risk of making sub-optimal (or sometimes even completely irrational) decisions. This is especially true when it comes to financial decisions and those involving large sums of money (think: pension funds!).

These behavioural risks are gaining more prominence and interest, with an ever-increasing focus in regulation on improving governance and robust decision making. This is expected to be a focus of the Pensions Regulator’s single Code of Practice due in summer 2022.



Don't be left behind! [Educate](#) yourself on behavioural risks and the steps you can take to combat these.

Stay up to date with our [events](#)

Sign up to upcoming LCP events to learn more about specific topical issues during the year.



10 Keeping on top of emerging issues

At the start of the year, of course it's impossible to accurately predict all the big trends that will affect us in the next 12 months, so make sure you're well placed to consider emerging issues as they arise, and take action as appropriate.

This might mean leaving a standing slot on meeting agendas for current hot topics, or just making sure you have a good [source](#) of updates on topical and emerging issues as the year goes on.

Examples might include:

- High inflation, if this is set to persist. Make sure you [understand](#) what this could mean for your assets and liabilities, as well as for your members and any member communications, and take proactive action to ensure your strategic decisions (eg on hedging levels) don't drift.
- Post-pandemic mortality trends. The long-term impacts of Covid on longevity may not be known for a number of years, but if you have a valuation this year then you will need to consider whether and how to make an allowance for these impacts when setting your scheme's longevity assumptions. Make sure you understand the background to this issue, including what is baked into [industry standard mortality projections](#), the [healthcare angle](#) and [long-term mortality trends](#), to ensure you can make an informed decision.



Contact us

If you would like more information please contact your usual LCP adviser or one of our specialists below.



Mary Spencer - Partner

mary.spencer@lcp.uk.com

+44 (0)20 7432 7749



Jill Ampleford - Partner

jill.ampleford@lcp.uk.com

+44 (0)20 7432 6757



Jon Forsyth - Partner

jon.forsyth@lcp.uk.com

+44 (0)20 3824 7259

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Lane Clark & Peacock LLP London, UK Tel: +44 (0)20 7439 2266 enquiries@lcp.uk.com	Lane Clark & Peacock LLP Winchester, UK Tel: +44 (0)1962 870060 enquiries@lcp.uk.com	Lane Clark & Peacock Ireland Limited Dublin, Ireland Tel: +353 (0)1 614 43 93 enquiries@lcpireland.com	Lane Clark & Peacock Netherlands B.V. (operating under licence) Utrecht, Netherlands Tel: +31 (0)30 256 76 30 info@lcpnl.com
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