

# LCP DC update

Welcome to LCP's latest quarterly DC update, in which you will find our views on key developments in the DC arena over the last three months, together with any actions and issues heading your way.

May 2020



## *In this edition:*

- 1 Key industry and market updates – not directly Covid-19 related
- 2 In focus: the impact of COVID-19
- 3 Our latest thinking: LCP Employee financial wellbeing report – our survey results revealed

## *Key industry and market updates – not directly Covid-19 related*

### *Annual allowance taper thresholds raised, but taper extended for those on the highest incomes*

The Chancellor has addressed the senior doctors' pensions tax crisis by [raising](#) both tapered annual allowance thresholds:

- With effect from 6 April 2020, those with Threshold Income of £200,000 or below will not be affected by the tapered Annual Allowance.
- The Annual Allowance will only begin to taper down for individuals who have an Adjusted Income above £240,000.
- For those on very high incomes, the minimum level to which the Annual Allowance can taper down will reduce from £10,000 to £4,000 in the 2020/21 tax year. This reduction will only affect individuals with total income (including pension savings) over £300,000.

This is something to keep an eye on, as it may affect some of your higher earners.

Check out Karen Goldschmidt's [views on what actions employers need to take](#) in relation to the changes to the Annual Allowance.

## *Implementation Statement: an update*

There is now a legal requirement for schemes to produce an annual Implementation Statement (see our [last DC update](#) for more information) as part of their annual accounts.

It is important to note that this will not only impact DC schemes. If there are any DC assets in a DB scheme, the Statement will need to cover DB as well. In addition, the Statement is not purely an RI/ESG issue.

The deadline for each scheme to produce and publish an implementation statement depends on its accounting year end.

Please get in touch with the [DC team](#) if you have any questions.

# Key industry and market updates – not directly Covid-19 related

## *Simplifying and improving auto-enrolment*

The Society of Pension Professionals has [published a paper](#) containing its ideas for simplifying and improving automatic enrolment. Some of the suggestions in the report include:

- Removing the age criterion;
- Use pay in the previous pay period to determine eligibility for enrolment;
- Opt-out window should be extendable by up to three months after enrolment; and
- Increases to contribution requirements no later than the PLSA's 2030 timetable.

## *Auto-enrolment earnings parameters settled*

The auto-enrolment earnings parameters for 2020/21 have now been confirmed:

- the annualised lower and upper limits of the qualifying earnings band are confirmed as £6,240 and £50,000 respectively)
- the earnings trigger remains unchanged at £10,000

## *Progress on the Pension Schemes Bill stalls*

Following the need for Government to focus on issues surrounding COVID-19, progress on the [Pension Schemes Bill](#) has stalled. It was last debated on 4 March, but the Bill now awaits its Report stage in the House of Lords which is now unlikely to happen until May at the earliest.

There is still however plenty of time for the Bill to reach the statute book for the summer, but this is all dependent on Parliament's priorities, given the COVID-19 pandemic and its unknown impacts.

## *MaPS to get pension guidance funding boost*

The FCA has released further details about how it will fund the Money and Pensions Service ("MaPS") in the coming year:

- £41.1m is to fund pensions guidance (a significant increase from the £30.7m in 2019/20); and
- £7.2m of this £41.1m is allocated to the pensions dashboard project (MaPS has published its first full report on the progress made so far [here](#)).

The remaining money is intended to fund 230,000 pension freedoms guidance sessions, a more responsive customer appointments system

and improved online services.

We view this positively and will keep an eye on key developments in this area.

## *Utmost Transfers: Have you written to your members who are affected?*

Utmost has confirmed that it is intending to carry on with transfers as planned before COVID-19: however there may be some delays to the planned timelines, as administration staff are currently working from home and so the timeframe for processing trustee requests is slower than normal.

In current working conditions with the backlog of requests, Utmost expect to process trustees' investment choices around 10-15 business days after receipt (with a maximum of 20 business days). Once processed, investment switches from the Secure Cash Fund into the trustees' chosen funds (such as Investing by Age) will start from the following Tuesday dealing date.

You should have already communicated with your members about these changes and informed them of your decision. If you have any questions, or need further support on the upcoming transfer, please get in touch with our [DC team](#).

# In focus: the impact of COVID-19

## TPR issues further Covid-19 guidance

The Pensions Regulator is building up quite a collection of material on its Covid-19 microsite, adding three more documents just before the last Bank Holiday weekend.

Key information can be [found in our bulletin](#), including links to guidance that cover:

- An update on reporting duties and enforcement activity
- Automatic enrolment and pension contributions
- Late payment reporting – DC schemes

Having dealt with some urgent issues in the early days of the lockdown, TPR is quite rightly moving on to many other issues on which it needs to signal its approach to the pensions industry. We expect to hear more Covid-19 announcements shortly.

## Coronavirus Job Retention Scheme

The Government's scheme for financial support for companies that need to furlough some or all of their staff due to the Covid-19 emergency has [opened](#) for grant applications. To assist companies, on 17 April HMRC published an [employer step by step guide](#) on the application process along with related [guidance](#) on how to work out 80% of wages, NICs and pension contributions, which includes an online calculator. TPR's guidance also clarifies treatment of salary sacrifice under furlough. And on 20 April it published further guidance on how to claim.

**LCP's technical experts are continuing to post regular updates and news alerts to keep you informed. You can read our updates, and subscribe to have the bulletins delivered directly to your inbox by following [this link](#).**

## COVID-19 Insight Hub

Our [dedicated hub](#) aims to provide you practical insights and up to date thinking all in one place.

Some of the key materials designed to support those who run DC schemes are shown below.

### Managing the COVID-19 pandemic: take a look at our action plans

We appreciate that companies and trustees of DC schemes will have a lot on their plate, so we have produced an action [plan for trustees of DC schemes](#) as well as an [action plan for companies](#) to help you understand the impact of COVID-19 on your scheme, members and employees.

### Coronavirus and considerations for employers with DC pension schemes

Since the restrictions were introduced to combat the spread of covid-19, employers have understandably been focused on the implications for their businesses. This includes considering the impacts for their DC scheme, alongside the Government's Coronavirus Job Retention Scheme, and more general issues linked to ongoing auto-enrolment compliance. [Here we provide](#) some examples of issues uncovered and actions which we have seen employers taking:

- Contributions paid
- Budgeting
- Retaining life assurance
- Salary sacrifice

## Our Viewpoint on COVID-19

### Help without helplines

In this blog, [Helen Shackelford discusses some steps you can take to help ease your members worries](#). With so much uncertainty at the moment, it's understandable that your DC members may be feeling a bit nervous about their hard-earned pension savings.

### Helping your members make sensible pension decisions in the COVID-19 crisis

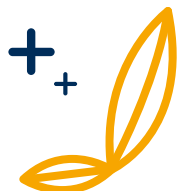
In this blog, [Clive Harrison explores the latest guidance and joint statement](#) from the FCA, TPR and MaPS about how schemes can protect their members against scammers and ensure they make sensible pension decisions in the COVID-19 crisis.

### Taking care of both your people and your business in COVID-19

In this blog, [Ming Fong explores, from a pension benefit perspective](#), the challenging decisions employers need to make around protecting valuable employees, whilst not excessively damaging their businesses in the long-term.

### Working from home

In this blog, [Lorraine Porter explores how working from home has created many new challenges](#) yet provided the ability to pause and reflect on some of the things that weren't considered.



# Our latest thinking

## Employee financial wellbeing report

We surveyed over 10,000 UK employees to get a real snapshot of the nation's financial health. Our inaugural financial wellbeing report analyses these findings to help employers to understand the key issues and how these impact day to day lives.

Within this report we have an additional spotlight on the effects of the Covid-19 pandemic on the UK workforce. It goes without saying, that this is for many a time of worry, anxiety and uncertainty and the impacts are felt socially, physically, emotionally and financially. Read more [here](#).



## Investment uncut podcast

Investment Uncut is a podcast about investing. Hosts Mary Spencer and Dan Mikulskis are joined by guests each week as they get beyond the jargon to try and bring sense to the world of investing and bring clarity to your investment decisions. LCP's investment team advise large institutional investors including pension funds with billions of pounds of assets under management. Look out for new episodes every Wednesday on our website or review, rate and subscribe on [Apple Podcasts](#), [Spotify](#), [Pocket Casts](#) or [SoundCloud](#).

## LCP Elevenses

Join our virtual coffee break every Tuesday and Thursday at 11am. A time to grab a cuppa, come together with your peers in the industry and have an informal catch-up. Contact [lcp.events@lcp.uk.com](mailto:lcp.events@lcp.uk.com) for joining instructions.

## COVID-19 - Insight in unprecedented times

Our dedicated hub provides up to date thinking on how Coronavirus (COVID-19) is impacting the market across all our business areas. It is designed to give expert reaction on the latest developments and what they might mean in the short and longer term as well as giving practical advice about dealing with challenging times.

Our hub is divided into three areas; Pensions, Investment and Insurance. We are regularly updating our hub with expert insight and opinion. Read more [here](#).

## Any questions?

If you would like any assistance or further information on the contents of this Update, please contact one of the team below.



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