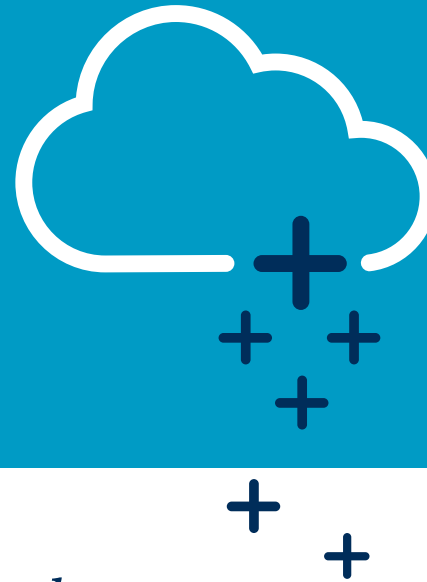


# LCP DC update

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.

February 2020



## *In this edition:*

- 1 Key market/industry updates
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## *Key market/industry updates*

### *Implementation statements – new regulations start from 1 October 2020*

Following the 2019 updates to DC Scheme's Statements of Investment Principles 'SIP', the [second stage of The Pensions Regulator's \(TPR\) new requirements for trustees](#) will come into effect shortly.

From 1 October 2020, schemes will be required to make an implementation statement freely available online/on a website that:

- Sets out how, and the extent to which, in the opinion of the trustees, the SIP has been followed during the year.
- Describes any review of the SIP during the year, or the date of the last review if none in the last year.
- Explains any change to the SIP made during the year, and the reason for the change.
- (By 1 October 2021) describes the voting behaviour by, or on behalf of, the trustees during the year (including the most significant votes cast) and states any use of the services of a proxy voter during that year.

## Key market updates continued

### *The Pensions Schemes Bill is here to stay*

Following the General Election on 16 December there was a mini reshuffle at Cabinet and ministerial level which resulted in no significant changes to pensions policy, including the [Pension Schemes Bill](#).

Consequently, on 7 January 2020, progress resumed on its passage, when it returned to the House of Lords. The Bill is principally the same as that originally introduced in October 2019 (see [Pensions Bulletin 2019/39](#)) [before the General Election](#) but there is the prospect of further revisions/additions during its parliamentary journey.

In this News Alert, [our experts summarise and comment on the contents of the Bill](#) which we think may reach the statute book by early summer.

### *DWP proposes reform to DC annual benefit statements*

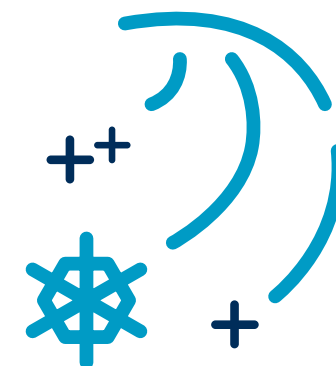
Between 1 November and 20 December 2019, the DWP [ran a consultation](#) on **three related issues** regarding the annual benefit statements issued by DC schemes. It sought views on the following:

- The principle of using short, simple, statements,
- How members can understand what charges they have paid; and
- How the assumptions used in statements can help members identify if their savings are on track.

Encouraging greater engagement amongst DC members to understand the importance of their pension statements has long been a major challenge for DC schemes. So much of the current content in annual statements are heavily weighed down by legal and compliance caveats, that it is perhaps unsurprising that many statements in their current format invariably remain unread or 're-cycled'.

However, many DC providers have gone to great lengths to offer innovative on-line alternatives which are considerably more user-friendly and interactive, so we would encourage trustees and scheme sponsors to make sure they understand what is already on offer, whilst we wait for the outcome of this consultation.

We have helped some trust-based schemes produce their own more user-friendly 'saving statements' as a supplement to current text-heavy standards, so contact us if you would like to know more.



### *Actuaries estimate how much the PLSA's retirement living standards will cost to deliver*

Following on from the [PLSA's retirement living standards](#) initiative, the Institute and Faculty of Actuaries has [published a report](#) calculating the monthly contributions required throughout a working life in order to deliver the three levels of the PLSA's retirement living standards – 'minimum', 'moderate' and 'comfortable'.

The report's findings show, perhaps unsurprisingly, that minimum auto-enrolment contributions will only support a 'minimum' retirement lifestyle (allowing for the State pension). A 'moderate' retirement lifestyle requires a contribution of £799 a month on average over an entire working life (around one quarter of average full-time earnings), whilst £1,755 a month is needed to enjoy a 'comfortable' retirement.

These numbers will be daunting to most DC members, which re-emphasises the need for ongoing engagement.

## Key market updates continued

### 22 years of pension savings gone in 24 hours:

#### New pension scam warning sounded

Through their joint 'ScamSmart' campaign, both TPR and the FCA have once again re-emphasised the importance of protecting members against pension scams, reminding everyone of the four simple steps that members should take to protect themselves, such as rejecting unexpected offers, checking who you are dealing with, not being rushed and sourcing impartial information and advice.

These findings are truly shocking when you read that 63% of people appear to trust someone offering pensions advice out of the blue (see [Pensions Bulletin 2019/43](#)).

DC members approaching the point at which they can access their accounts from age 55 onwards are likely to be prime targets, so a consistent and persistent communication campaign on this hugely important issue is always worthwhile.

If you need any help in formulating your strategy on this really important issue, and you can help protect your members, please get in touch with our [DC team](#), who will be able to help you.

### ACA calls for greater flexibility in savings and pensions products

The Association of Consulting Actuaries' (ACA) [2019 pension trends survey](#), has called for greater flexibility in savings and pensions products to make them more attractive to younger workers, including such radical suggestions as allowing individuals to draw down some of their pension savings in order to help with a house deposit.

### The new Money and Pensions Advice Service

The new Money and Pensions Service (MaPS) has [launched](#) its UK-wide [strategy](#) with the ambition to transform the UK's financial wellbeing within a decade.

MaPS defines financial wellbeing as "being about feeling secure and in control, knowing that you can pay your bills today, deal with the unexpected tomorrow and are on track for a healthy financial future" against a background of:

- 11.5 million people having less than £100 in savings to fall back on;
- 9 million people often using credit to pay for food or essential bills;
- 22 million people saying they don't know enough to plan for their retirement; and
- 5.3 million children not receiving a meaningful financial education.

All this means that poor financial wellbeing has significant knock-on effects for mental health, physical health and relationships.

LCP fully supports the approach of involving the wider market to improve financial literacy, inclusion and options to support a financially healthy nation and were also part of the events that contributed to this purposeful strategy. [Find out more about how we can help with your financial wellbeing strategy.](#)

### Is the annual allowance about to be reformed?

National newspapers are reporting that, in response to the senior doctors' pensions tax crisis, HM Treasury is considering raising the threshold income for the annual allowance taper from £110,000 to £150,000. However, this proposal is receiving short shrift from doctors' representatives as not addressing the fundamental problem of doctors limiting the work they do in order not to suffer significant tax charges on their pension accrual.

But what many are asking from the Government is the complete abolition of the horribly complex taper that was introduced in 2016, reverting to a single annual allowance for all (doctors or not). Or indeed a much more significant overhaul to the pensions tax regime – for example (as recommended by the Office of Tax Simplification and reportedly supported by the BMA) abolishing the annual allowance completely for DB savings, leaving its relief to be constrained solely by the lifetime allowance. Find out more in our [Pensions Bulletin](#).



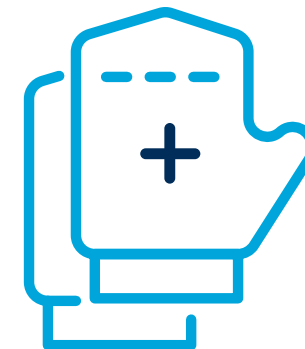
# Recent provider market developments

## Swiss Re agrees to sell ReAssure to Phoenix Group

On 6 December 2019, Swiss Re [agreed](#) to sell its subsidiary ReAssure Group plc to Phoenix Group Holdings plc.

As part of the agreement which values ReAssure at c.£3.25bn, Swiss Re will receive a cash payment of £1.2 bn, shares in Phoenix representing a c.13% to 17% stake and be entitled to a seat on its Board of Directors. ReAssure's minority shareholder, MS&AD Insurance Group Holdings Inc, will receive shares in Phoenix representing an 11% to 15% stake.

It will be interesting to see what comes out of this.



## Master trust latest

So far, 31 master trusts have been authorised, whilst 8 are awaiting responses to their applications to the [TPR](#).

Some have already decided to exit the market, so once the dust has settled, and master trusts start to experience the impact of ongoing, increasingly intense, oversight from the Regulator, it will be interesting to see what its first batch of 'school reports' contain.

# Spotlight on Responsible Investment

## *LCP's Responsible Investment Survey 2020 – manager scores improve, but there's still more work to do*

Responsible investment has been at the forefront of many investors' minds over the last couple of years, so our fifth biennial [Responsible Investment Survey](#) looks at how investment managers have delivered on their responsible investment claims.

Standards appear to vary widely, and the results show the areas where practices have been improving and other areas where there has been a disappointing lack of action.

The scores that we assign managers show how good the managers are at taking account of environmental, social and governance (“ESG”) issues and exercising stewardship, and the underlying analysis indicates whether there are concerns that might need to be addressed.

We recommend putting the survey on the agenda for your next trustee meeting, so you can discuss the results with your managers.

## *FCA goes ahead with new IGC oversight duties on ESG policies and other matters*

The FCA has [decided](#) to go ahead with proposals consulted on earlier this year setting out new duties for Independent Governance Committees (IGCs) and Governance Advisory Arrangements (GAAs) in relation to ESG and related issues and separately in relation to drawdown investment pathways.

You can read more about this (see [Pensions Bulletin 2019/48](#)).

### **Our thoughts on responsible investment**

#### **Our RI survey helps you get behind the spin**

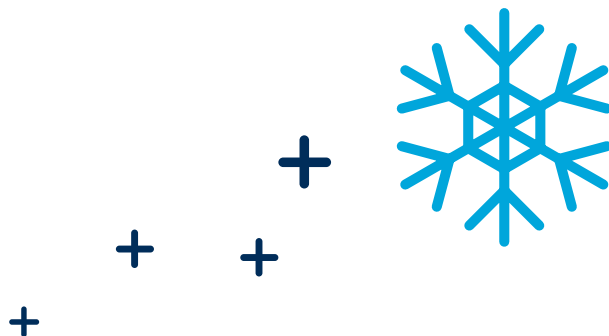
In this blog, Sapna Patel, Consultant, [discusses findings from our recently published RI survey](#). What do they tell us about how managers are managing in a world with a rapidly increasing focus on RI?

#### **LCP is signing the UK Stewardship Code 2020. Are you?**

In this blog, Clay Lambiotte, Partner, [explores how Stewardship is a vital element](#) in responding to challenges and expectations of modern society.

#### **It's time to take action on climate change**

In this blog, Max Thomas, Consultant, [explores what actions investors can take](#) to change their approach towards the climate crisis, which the world is facing.



# Our latest thinking

## *Don't miss out on this year's DC & Financial Wellbeing Conference!*

Reserve your seat for this year's [DC and Financial Wellbeing conference](#) where we'll be looking at the saving journey through your members' and employees' eyes, including issues such as conflicting priorities and a lack of engagement to understanding what actually happens with their money. What is their vision like for 2020 and beyond?

We are delighted to announce our two guest speakers:

- [Jackie Spencer](#) Senior Policy & Propositions Manager, Money and Pensions Service (MAPS): Jackie will discuss the questions and queries that they receive directly from savers, so we can really understand what's keeping them up at night.
- [Tony Crane](#) Customer Experience Director, Bank of Ireland: Tony will look at a big question at the heart of many savers' investment considerations – Property or Pensions?

You will also hear from LCP's DC and Financial Wellbeing experts who will share their experiences with practical tips on how to improve your members' and employees' outcomes.

Register now for this free half-day event to avoid missing out - further details can be found on [our website](#).

## *Essential new technology for financial wellbeing – and how to make it work for your employees*

In this blog, Heidi Allan, Senior Consultant, [explores the fast-paced technology industry](#) and how many aspects of the tech world can help improve the way employers support their employees financial wellbeing.

## *How to design and sensitively communicate a benefits programme that addresses in-work poverty*

In this blog, Heidi Allan, Senior Consultant, [explores how 14 million people are trapped in poverty](#) and how their employer can help them feel back in power.

## *Property and pensions – taking a loan from your future self*

In this blog, [Alex Waite explains](#) why, with the right safeguards in place, the ability for people to use part of their pension to get onto the housing ladder should be applauded as a sensible form of long-term saving.



## *Do you enjoy hearing from our experts?*

It's important to us that we deliver what you want, and don't clog up your inbox with things you don't.

Please take a moment to let us know your preferences; in return we will try our best to only send you the things that matter to you.

For further details, visit our [preference centre](#).

## *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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