SLAUGHTER AND MAY/

PENSIONS ESSENTIALS

November 2023

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AUTUMN STATEMENT: TAX ISSUES

The Government will legislate in the Autumn Finance Bill to abolish the lifetime allowance (LTA) from 6 April 2024, having removed the LTA charge in April this year. This will result in a number of consequential changes, including new limits in relation to existing tax free lump sums and lump sum death benefits. There will also be new reporting requirements for trustees.

A policy paper issued after the Chancellor's Autumn Statement summarises the proposed changes to the pensions tax legislation, building on draft legislation published in July. Key points to note include:

- There will be a new personal allowance of £1,073,100 (the current LTA) for tax free lump sums and lump sum death benefits. Lump sums paid above this level will be taxed at the recipient's marginal rate of tax.
- There will be an additional limit for tax free lump sums paid in life of £268,275 (25% of the current LTA). Only pension commencement lump sums (PCLS) and the tax free element of uncrystallised funds pension lump sums (UFPLS) will be tested against this.
- In a welcome change from the July proposals, the tax free element of trivial commutation lump sums, small lump sums and winding up lump sums will not be deducted from either allowance, but an individual will need to have available capacity within these allowances to be paid these lump sums.
- The lifetime allowance excess lump sum (LTAELS) will be replaced by a "pension commencement excess lump sum" which will be taxed at the marginal rate. This is expected to address the defect in the July drafting, which gave scope for members of DB schemes to take most of their benefit as a (taxable) lump sum.
- Individuals with valid lump sum protections and valid LTA protections will retain their rights to higher levels of tax-free lump sums and lump sum death benefits. The deadline for applying for fixed protection 2016 and individual protection 2016 will be 6 April 2025.
- There will be changes to the annual Event Report, removing the existing LTA events and adding a new event relating to relevant lump sum and lump sum death benefits paid in excess of the new allowances, marginal tax paid and reliance on valid protections.
- Trustees will need to provide statements to individuals telling them "how much" of their allowances are used up when relevant lump sums and lump sum death benefits are paid. It is unclear whether this will operate on a £ basis or a percentage basis.

- Where benefits have been taken before 6 April 2024, without using all of an individual's LTA, there will be a transitional calculation mechanism to work out how much of the new allowances these use up. It appears that the default calculation method will be based on the pension that has crystallised, addressing the concern that there is no requirement in the current LTA reporting system to separately identify tax free cash. Members will be able to request an alternative transitional calculation where they have full accurate records of their previous tax free amounts.
- In a welcome move, the Treasury will have a two-year power to make any necessary changes to the primary legislation via secondary legislation.

Whilst this update is welcome, we will need to wait for the Finance Bill for the finer detail, and for confirmation of how the changes are expected to work in practice. This will leave pension schemes with very little time to prepare for the changes.

Next steps:

Watch out for draft legislation and consider how changes will impact schemes, in particular where there are hard-coded LTA provisions.

Consider what changes may be needed to existing administration processes and what might need to be communicated to members.

OPTIONS FOR DB SCHEMES: SURPLUS AND CONSOLIDATION

The Chancellor announced that the tax charge on repaying surplus will be reduced from 35% to 25% with effect from 6 April 2024. In addition, the Government intends to introduce measures to make it easier for employers to extract surplus from schemes whilst still protecting members. It has also confirmed that a public consolidator for defined benefit (DB) schemes will be introduced by 2026.

As part of the Autumn Statement, the Chancellor said that the tax charge on repaying surplus will be reduced from 35% to 25% with effect from 6 April 2024, although we don't yet know whether additional conditions will be imposed on taking surplus as a result of this charge.

In addition, one of the calls for evidence following the Chancellor's Mansion House speech in March this year asked whether allowing employers greater opportunities to extract surplus would encourage more risk to be taken in DB investment strategies and enable greater investment in UK assets.

The Government has now published its response, saying that it will introduce measures to make surplus extraction easier and the Autumn Statement says that there will be consultation later this year on the rules around return of surplus and new mechanisms to protect members.

The July call for evidence also considered whether there should be a public consolidator for DB schemes that are unattractive to commercial providers. The Government response confirms it intends to go ahead with this proposal and that a public consolidator will be introduced by 2026. It also intends to consult later this year on the details of how this will work, including design, eligibility, safeguards and a possible Pension Protection Fund (PPF) underpin. The PPF has responded saying: "*We welcome the government's commitment… to establishing a public sector consolidator by 2026 and their recognition that we have the necessary skills and experience to take on this separate function in addition to our current role… We'll work closely with DWP and industry as the detailed design of the public sector consolidator is developed over the coming months, as well as other potential measures which could impact, or involve, the PPF*".

Next steps:

Watch out for developments in relation to surplus and consider any new member protections that might be introduced.

If a return of surplus is currently under consideration, be aware that the tax charge is expected to reduce from 6 April 2024.

Keep an eye on public consolidator developments if the scheme is unlikely to be able to rely on buy-out as its ultimate endgame.

HELPING DC MEMBERS UNDERSTAND CHOICES

DWP intends to go ahead with proposals to place duties on all defined contribution (DC) occupational pension scheme trustees to provide a decumulation service to members, offering products of an appropriate quality and price at the point they take their benefits. Trustees will also need to have a default decumulation solution, based on the general profile of their members – this can be provided in partnership with another organisation.

The Government has acknowledged that whilst the introduction of the pension freedoms allowed members more choice and control in relation to their DC savings, it also placed more responsibility on them. Government research shows that only 29% of 55-59-year-olds had a clear plan about what they intend to do with their DC pots and 17% did not know they had any choices to make. In addition, 22% said that they planned to take all of their pension as a lump sum which presents a risk to the adequacy of their future pension income.

In June 2022, the Government issued a call for evidence to explore what support members need to help them make informed decisions about how to use their pension savings. It also invited views on what support and decumulation products are currently on offer to members, and what may be offered to them in the future. This was followed in July 2023 by a consultation paper which sought views on imposing a broad duty on trustees to provide decumulation services for their members. To achieve this sooner rather than later, the Government also considered whether it was possible to do this via guidance from the Pensions Regulator (TPR), supported by messaging from DWP.

A response to this consultation has now been issued, concluding that there is a role for trustees in decumulation but that the only real way to achieve this is through legislation. Therefore, DWP is proposing measures that:

- Place duties on all DC occupational pension scheme trustees to offer a decumulation service with products to members at the point of access at an appropriate quality and price.
- Require schemes to devise a backstop default decumulation solution, based on the general profile of their members, that a member would be placed into if they access their pension assets without making any active choices about how to do so. This could be achieved either directly or in partnership with another organisation.

In the meantime, the Government says that it will encourage schemes voluntarily to develop a decumulation offer or enhance their current services and to support this. TPR will issue interim guidance to show how the objectives of these policies can be met without legislation.

Next steps:

Consider what is currently done in relation to decumulation and what default decumulation option might be appropriate.

Consider whether entering into a partnership with a third party might be appropriate and how to identify an appropriate party.

Watch out for the interim decumulation guidance from TPR.

ENDING PROLIFERATION OF SMALL DEFERRED DC POTS

The proliferation of small deferred defined contribution (DC) pots poses a problem for both the industry and members. As a result, the Government is proceeding with proposals to consolidate small DC pots created under the auto-enrolment regime which have not had any contributions paid into them for the last 12 months and are valued at £1000 or less. It is also inviting views on the possibility of members being in a single scheme for the whole of their working lives.

In January 2023, the Government issued a call for evidence on the problems associated with the proliferation of small DC pots and potential solutions. Research suggests that the number of small pots in master trusts alone is likely to rise to 27 million by 2035. The Small Pots Cross Industry Co-ordination Group estimates that the continued growth in the number of small pots by 2030 may result in wasted administration costs of around a third of a billion pounds per annum. In addition, they impact negatively on value for money outcomes for members and make it harder for members to engage with their pension savings. The growth in small pots also has implications for the financial sustainability of pension providers.

In July 2023, the Government responded to the call for evidence and consulted on proposals for reform. Its key proposals were to:

- Adopt a model with multiple default consolidators. This was preferred to a "pot follows member" solution as that could see members transfer from a well performing scheme to a less suitable one and the number of potential transfers could present liquidity problems for schemes. It was also preferred to a single consolidator as it was thought that the single consolidator option could distort the market.
- Have an authorisation regime for schemes that wanted to act as a consolidator.
- Create a central clearing house that would be responsible for matching deferred pots with a member's chosen consolidator. It would also undertake communication with members where they have not previously chosen a consolidator. Where no active decision is made by the member, the clearing house would be responsible for allocating the member to one of the authorised consolidators.
- Include small pots where there had been no contributions for 12 months and valued at £1000 or less. There would be no minimum pot size for consolidation.

The Government has now responded to that consultation and proposes to go forward with legislation to introduce a multiple consolidator framework for small pots created within the auto-enrolment regime (to be defined as set out above) when parliamentary time allows. The framework will also provide for the central clearing house, and an authorisation and supervision regime overseen by the Pensions Regulator. Consolidators will need to demonstrate good value for money and provide decumulation services. They will also have to have sufficient scale to be able to deliver value.

The Government refers to similar reforms in Australia which took four years to develop fully, so these proposals are unlikely to become law in the near future.

In addition, the Government has issued a call for evidence exploring medium to long term mechanisms to prevent multiple small pots arising in the first place. It considers a "lifetime" model where a member would remain in a single scheme over their working life. In theory this would enable the scheme to develop a better understanding of the member's needs and tailor communications to them, increasing the possibility that they might engage in a meaningful way. Amendments would be needed to the existing auto-enrolment framework as contributions would need to be directed to the member's chosen scheme rather than an employer's auto-enrolment scheme.

Lifetime schemes could potentially reduce the need for members to make complex financial decisions, particularly at retirement. The Government suggests that one option would be Collective Defined Contribution (CDC) schemes and views are invited on whether this is appropriate.

The call for evidence closes on 24 January 2024.

Next steps:

Change is likely to be some way away but, when trustees are reviewing data for the dashboards, they might want to give some thought as to whether they would be able to identify small pots if they had to.

Watch out for draft legislation on the multiple consolidator framework.

PENSION TRUSTEES' SKILLS, CAPABILITY AND CULTURE

Following a call for evidence earlier this year on whether pension trustees work effectively and are supported to make decisions in the best interests of members, the Government has set out a number of proposals including supporting the Pensions Regulator to set up a trustee register, encouraging trustees to seek accreditation and working with the Regulator to produce additional information for employers on the factors they should consider when selecting a workplace pension scheme.

In July 2023, the Government issued a call for evidence around trustee capability and other barriers to trustees doing their job in a way which is effective and results in the best outcomes for savers. It focused on three areas:

- Trustee skills and capability.
- The role of advice.
- Other barriers to effectiveness.

The Government particularly wanted to determine whether trustees have the right knowledge and skills to consider investment in the full breadth of investment opportunities.

In its response published in November, the Government says: "*We are pleased to see responses… [that] confirm that the majority of trustees are well-supported, knowledgeable, and hard-working… However, it is clear there is space for action to ensure that all trustees are able to work effectively*".

The Government is therefore proposing to move forward with fairly minimal proposals, including:

- Supporting the Pensions Regulator (TPR) to set up a trustee register which will help it to regulate trustees more effectively and improve the communication of information and guidance to them.
- Encouraging professional trustees to seek accreditation through one of the existing frameworks, although this will not be a requirement for the moment.
- Working with TPR to produce additional information for employers on the factors they should consider when selecting their workplace pension scheme, focussing not just on costs but on best value and long-term outcomes for members.

Next steps:

Trustees should watch out for requirements from TPR to register with it and check what information is required.

Sponsors should be alert for more from TPR on selecting workplace pension schemes and the criteria they should have regard to.

REVIEW OF THE ROLE AND REGULATION OF MASTER TRUSTS

The announcement of the results of a five-year review of the master trusts regime signals a shift in TPR regulation from scheme resilience and reporting to an enhanced supervisory role, focusing on trustee boards' investment governance. TPR will explore further with DWP whether any legislative changes may be necessary to support the enhanced level of scrutiny.

The Department for Work and Pensions (DWP) and the Pensions Regulator (TPR) have published a five-year review of the master trusts authorisation and supervisory regime and the wider market. The review announces that, in anticipation that the master trust market will become concentrated in a few very large schemes, TPR is changing its approach to regulation - moving away from failure prevention to a supervisory approach. In future, it will be looking for more timely asset management and investment information, which it will use to challenge schemes on:

- How decisions are made.
- Trustees' investment strategy, if they are underperforming relative to others in the market.
- The expertise on master trust trustee boards: TPR will expect boards to have appropriate levels of expertise in investments.

TPR will explore further with DWP whether any legislative changes may be necessary to support the enhanced level of scrutiny. It will also identify master trusts reaching "systemically importance size" and consider what additional oversight they might require; in particular, in relation to potential conflicts of interest arising from multiple trustee appointments.

The Government sees master trusts as having a key role in its Mansion House and Autumn Statement proposals, including as a major source of funds for investment in productive finance. Master trusts are expected to be involved in a variety of areas of reform:

- As default consolidators for deferred small pots (see item above).
- The likely choice of pension provision for schemes winding up following "Value for Members" (VFM) assessments under the proposed new VFM framework. Before the introduction of the VFM framework in legislation, the Government thinks there is a role for TPR to play in driving better outcomes within the master trust market.

- Providing decumulation solutions, as part of the proposals to place duties on DC trustees to provide a decumulation service to members (see item above on helping DC members understand their choices).
- Establishing a market for Collective Defined Contribution (CDC) schemes – DWP will be consulting on draft regulations to expand CDC to multi-employer schemes early in 2024.

Next steps:

The change in TPR's approach to master trusts reflects its more general move towards focus on investment governance. TPR has bolstered its investment specialism and recent messages have been that it will be expecting all schemes to disclose more information and to analyse and mitigate risks before they materialise.

CORPORATE TRUSTEES: ECONOMIC CRIME AND CORPORATE TRANSPARENCY ACT 2023

The Economic Crime and Corporate Transparency Act 2023 will have implications for all corporate trustees as well as professional trustee companies. The key changes include identity verification requirements (for both directors and persons with significant control), new requirements around registered offices and filing and for directors to be people (or a company whose directors are people). There will also be new requirements for limited partnerships which may be relevant where a Scottish Limited Partnership is used as part of an asset-backed funding arrangement.

The Economic Crime and Corporate Transparency Act 2023, which received Royal Assent on 26 October 2023, is designed to stop the use of complex corporate structures to conceal economic crime and to improve corporate transparency. The Government has issued a collection of Factsheets on the Act and has said that although many aspects of the Act will require further secondary legislation, as well as system development at Companies House, some measures will be implemented by early 2024.

Key aspects for corporate trustees are:

- **Identity verification:** all new and existing company directors and "persons with significant control" will be required to verify their identity. If this requirement is breached, both the individual and the company will have committed an offence. The details of identity verification are to be set out in regulations, but the Factsheet says that there will be two types: direct photographic verification via Companies House, and an indirect route through an "Authorised Corporate Service Provider" (ACSP).

  To become an ACSP, an entity must apply to Companies House for registration. They must also be a "relevant person" as defined in the Money Laundering Regulations 2017 (which includes solicitors and accountants) and registered with a supervisory body for anti-money laundering purposes.

  The Government expects identity verification to be a one-off requirement. Once a person is verified, they obtain a verified status. However, there may be instances where re-verification is required, for example if the Registrar has reason to doubt the validity of the identity verification, such as a suspicion of fraud. Companies already on the register will have a transition period in which to verify identities.

- **Filing:** anyone filing documents on behalf of a company will need to verify their identity before they do so unless they are an employee or officer of an ACSP or subject to an exception in regulations. This is a significant departure from the current regime where anyone can file documents on a company's behalf.

- **Registered office:** a company's registered office will need to be "an appropriate address". This means that if something is delivered there, it would be expected to come to the attention of the company and that if acknowledgement of delivery is required, there will be someone there capable of giving it. Failure to comply will be a criminal offence. Companies cannot use a PO box as a registered office address.

  Companies will also be required to have a registered email address where "*in the ordinary course of events, emails sent to it by the registrar would be expected to come to the attention of a person acting on behalf of the company*".

- **Corporate directors:** in parallel with the provisions on identity verification, the Government will implement existing powers to restrict the use of corporate directors. It will be made explicit that only corporate entities with

"legal personality" will be properly appointable as corporate directors. All directors of any corporate director will have to be natural persons and those natural person directors must, prior to the corporate director appointment, have been subject to the identity verification process described above. Companies with corporate directors will be given 12 months to comply and either ensure any corporate directors are compliant with the conditions or remove them.

- **Limited Partnerships (LPs):** the LP will need to have a registered office in the part of the UK where it is registered and somewhere that if something is delivered there, it would be expected to come to the attention of the LP. The address will also need to be the main place of business of the partnership, the residential address or registered office of the general partner (a partner who has responsibility for the management of the business) or an address of an ACSP. These requirements may in practice require many non-Scottish schemes with asset-backed funding arrangements to engage the services of an ACSP based in Scotland.

  As with companies, an LP will also need a registered email address and there will need to be a registered officer whose identity has been verified. The general partner will need to issue a confirmation statement within six months of the Act coming into force, and annually thereafter, confirming compliance with various requirements. More details on the reforms to LPs are set out in our briefing.

  The new legislation will apply to all LPs, both new and existing, including Scottish Limited Partnerships. There will be a transitional period for existing LPs to meet the new requirements of six months from the commencement of the legislation. LPs will have to submit update statements on newly required information on partners, their registered office address (which must be in the original jurisdiction of registration) and an email address. LPs which are registered after the Act is commenced will also have to submit a confirmation statement within one year of their original date of registration. The provisions will not apply to Limited Liability Partnerships (LLPs) but there will be secondary legislation to adapt parts of the Act (such as on identity verification) to LLPs.

Next steps:

Corporate professional trustees and pension schemes with corporate trustees should consider the impact of the measures. They are likely to come into force in early 2024 (with transitional provisions for existing directors) and there are penalties for non-compliance.

Where a scheme has an asset-backed funding arrangement in place using a Scottish Limited Partnership, care will need to be taken to ensure that it satisfies the new requirements.

PENSIONS OMBUDSMAN DETERMINATION ON OVERSEAS INVESTMENTS TRANSFER CONDITION

The Pensions Ombudsman has found that trustees were entitled to decide that there was an amber flag for the purposes of the Regulations that require specific checks before complying with a member's request to transfer, because there were "overseas investments included in the receiving scheme". The member's complaint that his transfer had been unnecessarily delayed by the trustees requiring him to take advice was rejected.

In *Mr W (3568-H0D0)*, the Pensions Ombudsman (TPO) rejected Mr W's complaint that his transfer had been unnecessarily delayed by the trustees requiring him to take advice from MoneyHelper, in accordance with the conditions for dealing with transfer requests, on the ground that the receiving scheme contained overseas investments and this amounted to an amber flag.

Facts: Mr W requested a transfer to a personal pension scheme on 21 February 2022. As part of the due diligence process, the trustees of the transferring scheme asked whether monies would be invested overseas and W replied that global funds would be used. The trustees notified W on 14 April that there was an amber flag for the purposes of the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021 and referred him to MoneyHelper. W's financial adviser disagreed that there was a flag and emailed the trustees who then sought further legal advice. The trustees maintained their position and the transfer of over £227,000 was made on 6 June (down by around £19,000 since April). W complained.

Determination: TPO said that before the trustees could make a transfer, they had to be satisfied that there were no red flags for the purposes of the 2021 Regulations. Under Regulation 8(4)(b), there is a red flag where a member has not

obtained advice from MoneyHelper following identification of an amber flag. There is an amber flag under Regulation 9(5)(d) where there are "*any overseas investments included in the receiving scheme*". The standard of proof in determining whether there was a flag is whether the trustees had a reasonable foundation for belief on the basis of all of the evidence and information available.

"Overseas investments" is not defined but the decision on whether there are such investments is for the transferring trustees. Having regard to the information provided to the trustees and the fact that they sought legal advice, TPO found that they were entitled to decide that there were overseas investments in the receiving scheme. Their literal interpretation of the Regulations was not unreasonable. Therefore they did not cause any unreasonable delay to W's transfer payment.

TPO also noted that "*the wording of [the] Transfer Regulations and intended practical application may not be aligned*".

Next steps:

The DWP is considering changes to the Regulations; it has acknowledged that problems have been caused by the flags triggered by there being any overseas investments in the receiving scheme (amber) or by the offer of an incentive to transfer (red).

Trustees who have taken a literal interpretation of the provision on overseas investments can take some comfort from this determination.

PENSIONS OMBUDSMAN NOT A "COMPETENT COURT" FOR THE PURPOSES OF RECOUPMENT

The Court of Appeal, in The Pensions Ombudsman v CMG Pension Trustees Limited, has confirmed that although the Pensions Ombudsman's determinations and directions are binding, the Ombudsman is not a "competent court" for the purposes of the set-off provisions in the Pensions Act 1995. This means that if trustees wish to recover overpaid benefits by offsetting them against future benefit payments and there is a dispute, they will need an enforcement order from the county court.

The background to the case was a High Court decision, in *CMG Pension Trustees Ltd v CGI IT UK Ltd,* that a scheme rule on unclaimed benefits should be interpreted as meaning that any benefit which had not been claimed within six years was forfeited. This allowed the trustees to recoup payments they had made to members to compensate for historic underpayments of benefits. The High Court went on to consider what would happen if the member disputed the amount of recoupment. Under Section 91(6) of the Pensions Act 1995, trustees cannot exercise the right of recoupment where the amount is disputed unless the obligation to repay has become enforceable under an order of a "competent court". The Court decided that the Ombudsman is not a "competent court" for these purposes. The Ombudsman appealed but the Court of Appeal has now confirmed the High Court's decision.

However, the Court of Appeal went on to explain that enforcement in the county court is an administrative matter; there is no requirement to bring an action or for the county court to consider the merits (in fact, the court cannot do so). The Ombudsman's determinations and directions in relation to the overpayment and recoupment of benefits are enforceable in the county court as if they were an order of that court.

Next steps:

If there is a dispute, trustees will need a county court order to rubber stamp an Ombudsman's determination that has said they can recover overpaid benefits by recoupment.

It is not clear what process has to be followed - the Ombudsman is currently reviewing the position. If there is no dispute, trustees do not need an order.

FIRST SUPERFUNDS TRANSACTION

Clara-Pensions, the only consolidator to have completed the Pensions Regulator's assessment process, has agreed its first transaction and the first scheme was due to transfer in to it by the end of November.

Clara-Pensions, who completed the Pension Regulator's (TPR) assessment process for superfunds in 2021, has announced its (and the UK's) first pension superfund transaction. Clearance for the transfer of the pension benefits of members of the Sears Retail Pension Scheme to a separate section of the Clara Pension Trust has been received from TPR, and the formal transfer was due to take place at the end of November. Clara has contributed £30 million of ring-fenced capital (paid into a ring-fenced capital buffer) and the intention is to proceed to an insured buyout in five to ten years' time, under Clara's "bridge to buyout" model.

As part of the Mansion House proposals, the Government confirmed that it will go ahead with an authorisation and supervision regime for superfunds; legislation will be introduced "*as soon as parliamentary time allows*", with further details following in regulations. Pending the introduction of the legislation, TPR has recently updated its 2020 interim guidance for DB superfunds: Superfund guidance for prospective ceding trustees and employers and separate DB superfunds guidance for those setting up and running superfunds. For details, please see our *Pensions Bulletin August 2023*.

Before trustees and sponsoring employers enter into a transaction with a superfund, TPR expects them to demonstrate, in their clearance application, why they believe the transaction is in the best interest of members, and how the transaction meets three "gateway principles". As amended, those principles are now:

1. The scheme cannot access buy-out now.
2. There is no realistic prospect of buy-out in the foreseeable future given potential employer contributions and the employer's insolvency risk.
3. The transfer improves the likelihood of members receiving full benefits.

Next steps:

Trustees and employers who have been considering a DB superfund as an alternative to buy-out are likely to be interested in the news of the first transaction.

However, although the recent (limited) relaxations to TPR's first and second gateway principles may be helpful, significant hurdles remain in the transfer process.

PENSIONS DASHBOARDS: UPDATE FROM THE PENSIONS DASHBOARDS PROGRAMME

The latest Update from the Pensions Dashboards Programme suggests that the first connection deadline, under the staging timetable to be published in DWP guidance, is unlikely to be before early 2025. The long-stop connection deadline for all schemes in scope is 31 October 2026.

The latest Update from the Pensions Dashboards Programme (PDP) says that engagement with industry on DWP guidance on the staged connection timetable will take place in Autumn 2023, with an aim of publishing it with at least 12 months' notice before the first connection date in the guidance. This suggests that the first connection date is unlikely to be before 2025. PDP reiterates the message from the Pensions Regulator (in its initial guidance, updated following the removal of the staging timeline from the Dashboards Regulations), that schemes must have regard to the guidance on connection when preparing to connect to the dashboards ecosystem, or "*they may face action from regulators*". Schemes are expected to demonstrate they have taken the guidance into account when making decisions and to provide a record of having done so.

The PDP also gives an update on the progress of the dashboards standards, which set out requirements on the technical and operational detail that pension providers and schemes, and potential dashboard providers, will need to follow. Compliance is mandatory. For schemes, the standards are relevant to the content and presentation of the data, technical requirements for connection and compliance reporting. Final versions of the mandatory standards on data, reporting, technical and code of connection were published in November 2022 but there has been further consultation on the design standards, which are of particular relevance to employers and trustees because they cover the requirements for presentation of data on dashboards. Please see our *Pensions Bulletin December 2022* for more details.

The PDP reports that there will be further refinements to the dashboard standards "over winter 2023/24", before final publication and approval by the DWP. The aim is for publication of the first set of standards, on data, to coincide with publication of the DWP guidance on the staged connection timetable.

Next steps:

Despite the uncertainty about when the staging timeline will be published, schemes should press on with their preparations for dashboard compliance.

The mandatory design standards will be an important part of trustees' preparation.

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	From 1 October 2023: Inclusion of explanation of illiquid investment policies in default Statements of Investment Principles and disclosure of asset allocation data in Chair's Statement. Draft regulations to extend Collective Defined Contribution to multi-employer schemes expected early 2024.	DC schemes only. Consultation expected on draft regulations for phased introduction of new Value for Money framework for all DC schemes (excepting some small schemes). Draft legislation expected on decumulation options. More expected on small pot consolidation.
2	DB consolidation	Legislation "as soon as parliamentary time allows", for new compulsory framework for superfunds. Public consolidator by 2026.	TPR updated interim guidance issued August 2023. PPF working with DWP.
3	Changes to pensions tax allowances	Finance (No 2) Act 2023: removal of lifetime allowance charge (replaced with income tax charge on lump sums that could have triggered a charge) and changes to other allowances, from 6 April 2023.	Abolition of lifetime allowance and introduction of new tax-free cash allowances and changes to tax on refund of surplus from 6 April 2024, through Finance Bill 2023-24.
4	Draft DB Funding Code of Practice	Part 2 of TPR consultation and draft Code issued 16 December 2022. Regulations and Code expected to be in force from April 2024 but may be delayed until October 2024.	DWP regulations issued for consultation July 2022. Once in force, the Code will apply to triennial valuations submitted thereafter. Consultation on covenant guidance in 2023.
5	TPR General Code of Practice	Revised Code expected shortly.	All schemes.
6	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 in Summer 2022.	TPR will consult on update to Code of Practice 2 (Notifiable Events) and accompanying guidance once DWP have published their finalised

No	Topic	Effective date or expected effective date	Further information/action
			regulations and consultation response.
7	Pensions dashboards	Compulsory connection deadline of 31 October 2026 for all schemes with 100 or more active and/or deferred members at scheme year end between 1 April 2023 and 31 March 2024; staging timetable to be set out in DWP guidance.	All registerable UK-based schemes with active and/or deferred members.
8	Corporate transparency	Regulations under the Economic Crime and Corporate Transparency Act, expected to come into force in early 2024, will introduce requirements on identity verification, corporate directors and limited partnerships.	All corporate trustees and schemes using Scottish Limited Partnerships.

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