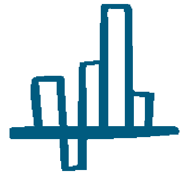
Spence & Partners Limited – Industry Changes

Your Quarterly Pensions Update – Q1 - 2019

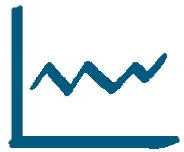
SPENCE

What’s inside?



ACTUARIAL

ADMINISTRATION



INVESTMENT

GOVERNANCE

Introduction

SPENCE

Welcome to your Quarterly Pensions Update.

The purpose of this report is to update sponsors and trustees with recent pensions industry changes in the quarter.

For your convenience, Spence has summarised the key developments and highlighted the necessary actions sponsors and trustees may need to take.

The report combines brief written comment with links to any further relevant information and any deadlines you should be aware of. We trust you will find the update useful and informative. If you require further information about how any of the topics covered might impact on your scheme specifically, please get in touch with hugh_nolan@spenceandpartners.co.uk or your usual Spence contact.

NOTE

This document is aimed at providing you with generic information about recent developments in the pensions industry.

You should not take any action as a result of information included in this document without seeking specific advice in relation to the impact these matters might have on your scheme or company. Spence & Partners Limited accepts no liability for actions taken or not taken as a result of this document.

SPENCE

The Pensions Regulator's 2019 Defined Benefit Funding Statement

The Pensions Regulator ("TPR") has now issued its 2019 annual funding statement ("the Statement") for defined benefit ("DB") pension schemes undertaking valuations with effective dates in the period 22 September 2018 to 21 September 2019.

In line with previous statements, the Statement highlights the need for the use of an integrated risk management ("IRM") approach by trustees. The Statement also stresses the importance for trustees and employers to agree long-term funding targets and take into account the risks that are associated with scheme maturity.

The Statement is much more prescriptive than prior statements. For the first time, TPR has set out, in detail, its expectations for investments, employer covenant and funding strategies. These expectations can be a helpful tool when undertaking valuations, giving a list of issues to consider and potential actions for trustees and employers to take.

While the 2018 Statement highlighted TPR's concern for growing inequality between dividend growth and stable deficit reduction contributions ("DRCs"), this year's sets out TPR's expectations for 'equitable treatment'. For example, TPR requires that, where dividends and other shareholder distributions exceed DRCs, scheme funding targets are strong and recovery plans are short. The Statement notes TPR's commitment to intervene on those schemes where their valuations do not reflect an equitable position relative to other stakeholders.

The Statement goes on to set out the engagement of TPR with schemes with 'unacceptably long' recovery plans. TPR will be looking at both the 'maturity and the covenant of the employer' when assessing the acceptable length of a scheme recovery plan. The Statement describes 'other interventions' in relation to the characteristics of scheme funding and investment plans in the context of their covenant and scheme profile. It is, therefore, imperative that trustees have a comprehensive understanding of the expectations of TPR and trustees should be fully prepared to justify the approaches they take.

The Statement also touches on Brexit uncertainty and draws attention to TPR's statement published on the 24 January 2019 which outlined the steps trustees can initiate in relation to Brexit.

The Pensions Regulator's 2019 Defined Benefit Funding Statement continued…

TPR's strict regulation on late valuations is noted again in this year's Statement. It has emphasised the need for efficient planning and processes to carry out a valuation within the 15 month deadline. In our view, the Statement sets out a clearer and stricter approach to TPR's regulation. We recommend trustees follow the approach as outlined in the Statement to mitigate any potential intervention by TPR.

Helpful Links:

- TPR's Annual Funding Statement 2019
- TPR's Key Messages 2019
- TPR's Brexit Statement

Industry Update

Guidance for trustees on winding-up a Defined Contribution Scheme

The Pensions Regulator ("TPR") has issued guidance setting out the key steps that trustees of defined contribution schemes will need to take when winding-up their schemes.

According to TPR's guidance, the wind-up of a pension scheme can be divided into four key stages:

Stage 1 – decide whether or not the scheme should be wound up

- Review the scheme rules to determine who can trigger the wind-up. The power will usually rest with the trustees or employer. Note, some events may automatically trigger wind-up of the scheme, in which case the remaining considerations in stage 1 are unlikely to be relevant.
- Consider taking professional advice before making the decision to wind-up the scheme.
- Check whether the employer is obliged or willing to pay the costs of wind-up.
- Address any data issues before winding-up is formally triggered.
- Identify any trustee insurance policies that need re-assigning to individual member names.

Stage 2 – prepare for and enter formal wind-up

- Prepare and agree a project plan with the key parties involved in the process, noting best practice is that key wind-up activities should be completed within two years.
- Review the rules of the scheme to determine the key powers applying on the wind-up and how benefits will be affected.
- Check if it would be worth extending upcoming deadlines, such as the scheme accounting year and/or Member Nominated Trustee terms of office, until the wind-up is completed.
- Formally trigger the wind-up in accordance with the scheme's trust deed and rules.
- Remember to keep a written record of any decisions.
- Communicate the wind-up to members within one month of formally triggering it and notify TPR online through Exchange.

Guidance For trustees on winding-up a Defined Contribution Scheme continued…

Stage 3 – secure members' benefits

- Ensure with the appointed administrators that the scheme is in a position to secure members' benefits, check if member consent is required, if traces need to be carried out in respect of unidentified members, and if member data is accurate.
- Thereafter, present members with the options available to them to secure their benefits such as through a buy-out, cash option, transfer or new arrangement (taking care not to inadvertently provide financial advice).
- Publish what is known as a "Section 27" notice in the London Gazette to establish claims from unknown/missing beneficiaries and gain statutory protection.

Stage 4 – complete the wind-up process

- Formally document completion of the wind-up.
- Consider obtaining trustee indemnity insurance (and check if trustee indemnity protections in the rules will remain in place) and notify the relevant regulatory authorities such as TPR and HMRC.
- Produce the final trustee report and accounts and close the trustee bank account.
- Provide statutory information to the beneficiaries regarding their benefits within three months of the scheme paying the liabilities.

ACTION

Trustees should familiarise themselves with the guidance and liaise with their professional advisers as necessary to ensure that best practice is adopted throughout the process. The guidance is aimed at trustees but employers should nevertheless be aware of the key obligations.

Helpful Links:

- [TPR - Closing Your DC Scheme]

Changes to auto-enrolment 2019 and 2020

There are headline changes to auto-enrolment that have received significant coverage in the media of late. However, there are other changes being made too, all of which are set out below.

Minimum contributions increase

The second transitional period for minimum contributions to DC schemes used for auto-enrolment will end on 5 April 2019. From 6 April 2019, minimum employer contributions will rise from 2% to 3% of qualifying earnings, with total minimum employer and jobholder contributions (including tax relief) rising to 8% of qualifying earnings.

Earnings trigger and qualifying earnings band for 2019/20

In December 2018, the Department for Work and Pensions ("DWP") announced that, in line with its existing policy, the lower end of the qualifying earnings band would rise from £6,032 to £6,136, and the upper end from £46,350 to £50,000, from the start of the 2019/20 tax year. The earnings trigger for auto-enrolment will remain frozen at £10,000.

Alternative quality requirements for formerly contracted-out DB schemes: removal of transitional easement

In anticipation of the abolition of DB contracting-out in April 2016, the DWP introduced two sets of alternative quality requirements for formerly contracted-out DB schemes that are used for auto-enrolment. However, the DWP acknowledged that technical restrictions in one of the sets of requirements (the so-called "cost-of-accruals test") meant these would be difficult to satisfy in practice. As a result, a transitional easement was introduced on 6 April 2016 for schemes that ceased to be contracted-out on that date on the abolition of DB contracting-out.

The easement allows employers of schemes that satisfied the contracting-out conditions on 5 April 2016, and in which benefits have not been amended, to apply the cost-of-accruals test at scheme level. This is the case even if there is a material difference in the cost of the benefits accruing to different groups of relevant members. The easement applies until the earlier of:

- The effective date of the first actuarial report on or after 6 April 2016 in which the actuary determines whether there is (or was) a material difference in the cost of providing the benefits accruing for different groups of relevant members, or;
- 5 April 2019.

Changes to auto-enrolment 2019 and 2020 continued…

From 6 April 2019, a formerly contracted-out DB scheme used for auto-enrolment will need to comply with either of the alternative quality requirements set out in section 23A of the Pensions Act 2008 (that is, the money purchase minimum requirements test or the cost-of-accruals test) or else with the test scheme standard set out in section 23 of that Act.

Extending auto-enrolment to the self-employed

In line with one of the recommendations in its 2017 auto-enrolment review, the DWP plans to conduct research and trials during 2019 on different approaches to help the self-employed save for retirement. The DWP's work will focus on investigating how to encourage individuals who move from employment to self-employment to continue to save for retirement; how to maximise existing systems used by the self-employed to facilitate pension saving; and the savings behaviour of self-employed individuals when the option of greater access to liquid savings is available.

Auto-enrolment: 2020 review of charges cap in default funds

Since 6 April 2015, a charge cap of 0.75% a year of funds under management applies to default arrangements under DC qualifying schemes used for auto-enrolment. In November 2017, the Pensions Minister, Guy Opperman, confirmed in a written parliamentary statement that, following a review, the Government has decided to keep the cap at the 0.75% level for the time being. The next review is due to take place in 2020.

Auto-enrolment: long-term changes following statutory review

The DWP will undertake further work to develop legislative proposals for introducing two key long-term changes to the auto-enrolment framework:

- Removing the lower end of the qualifying earnings band, so in future contributions will be calculated by reference to a jobholder's full earnings up to the upper end of the qualifying earnings band, rather than their earnings above the lower earnings limit.
- Reducing the lower age threshold for auto-enrolment from 22 to 18.

The DWP intends to introduce these reforms in the mid-2020s, subject to discussions with stakeholders during 2019 on the approach to implementation of the changes. Among other things, the DWP is keen to analyse the impact of increases in statutory minimum contribution rates applying from April 2018 and April 2019.

Changes to auto-enrolment 2019 and 2020 continued…

Auto-enrolment: 2020 statutory reviews

In 2017, the DWP conducted statutory reviews of the alternative quality requirements for both DB and DC schemes. No changes were considered necessary in relation to the latter, and the DWP indicated only minor technical changes may be necessary in relation to the former (which would be subject to consultation if progressed). Further statutory reviews of both areas are due to be conducted in 2020.

ACTION

Employers should check they are complying with their auto-enrolment duties, including ensuring their contributions are compliant with the minimum levels and the re-enrolment process is being followed.

Industry Update

Q1 2019 Investment Market Update

All major equity markets gave a positive return over the quarter. This was mainly driven by the Federal Reserve ("Fed") confirming it would not increase interest rates as previously indicated due to declining economic growth. In addition, concerns over the China/US trade dispute also diminished.

UK equities rallied over the quarter in line with global equities. Investor sentiment improved as it became clear that there was no majority in the House of Commons for a 'No-Deal' Brexit. A number of domestically-focused equities increased following the delay to Brexit beyond the original deadline of 29 March 2019, as hopes were raised that a disorderly exit from the EU could be avoided. Sterling increased against the Euro and US Dollar as a consequence. UK long-term inflation expectations were unchanged over the quarter.

US equities were the best performing region, as investors responded positively to the Fed stating it will not increase interest rates. Emerging markets equities performed well over the quarter led by China in particular. The US administration's decision to suspended tariff hikes on $200 billion of Chinese goods, together with ongoing government support for the Chinese domestic economy, was all supportive.

The price of Brent crude oil increased by 27% over the quarter as OPEC followed through on promises to cut production.

Corporate bonds performed well due to the Fed signalling it will not be raising rates and that quantitative tightening will end in September.

UK gilt yields decreased over the quarter as investors flocked to safer pastures due to fears of slowing growth. All else being equal, this acted to increase the value placed on pension schemes' liabilities quite considerably. There has been some recovery in these yields in recent weeks, but the market remains volatile.

ACTION

Trustees should continue to monitor their investment portfolio at regular intervals and liaise with their investment advisers to ensure that their scheme's investment strategy remains appropriate.

Cold Call Ban comes into effect – at last!

Everyone, well other than those who perpetrate them, are of one mind when it comes to the subject of pension scams – they must be stamped out using every available option. Perhaps the most obvious way to do this is to stop the scammer getting access to the source of the money (i.e. the members they are trying to scam). Much of this access was through cold calling and for the past few years the industry has been crying out for the Government to do something about it and introduce a calling ban. We were not naïve enough to believe that it would be a panacea to stop all scams. However, it was a start and it allowed us to reinforce the message that if you are called up about your pension and you weren't expecting one, then it was very likely to be a scam.

Well, the message finally got through and on 9 January 2019 the ban came into effect by law. If you are interested, it was introduced by The Privacy and Electronic Communications (Amendment) (No.2) Regulations 2018.

Cold calling someone about their pension is now illegal, with a couple of exceptions. The first is where the recipient of the call has either specifically consented to receive marketing calls from the organisation making the call, or has an existing relationship with them such that they would expect to receive such calls. The second is where the caller is authorised by the FCA or is a trustee or manager of an occupational pension scheme regulated by The Pensions Regulator.

There are stiff penalties for breaking this law including fines up to £500,000 from the Information Commissioner's Office.

Unfortunately, this won't be the end of the issue. There is still work to be done, with the new regulations not stretching to explicitly cover text messages and emails. The Government would argue that soliciting via these methods is prohibited by the Privacy and Electronic Communications Regulations 2003, but that is open to debate. Crucially the new regulations also do not apply to companies operating abroad.

So, while the cold-call ban is certainly a very welcome first step, trustees, scheme administrators and members need to remain vigilant to potential scams, as the crooks may look to the loop-holes – such as setting up overseas – to try and side-step the ban.

ACTION

Employers, trustees and their advisers should continue to work closely to ensure member communications make them aware of pension scams.

Industry Update

Brexit – What can we say?

Trustees and sponsoring employers (well, the whole country actually) are looking at the UK Parliament with complete bewilderment about the handling of Brexit. Schemes and their sponsoring employers are not immune to the uncertainty of Brexit and uncertainty is perhaps an understatement.

As it stands, we may or may not be leaving the EU in the next week, sometime in June, sometime this year, with or without a deal (Ed: at the time of editing, Hallowe'en has now entered the fray but who knows how the position might actually unfold?!!)

What trustees and sponsoring employers can do, and probably have done, is factor Brexit in as a managed risk for their scheme. Keep an eye on covenant, monitor investments and make sure you are talking to your investment advisers. Be mindful of members with EU bank accounts, as well as your scheme's cashflow needs and speak to your scheme actuary about any implications for the scheme.

Uncertainty is never good, but with planning and dialogue it can be managed.

ACTION

Employers and trustees should proactively manage risks associated with Brexit.

Speak to advisers and ensure an open dialogue between trustees and sponsoring employers which can react to developments over the coming months.

Industry Update

SPENCE

The Pensions Regulator's New Guidance on measuring Scheme Data

Now that the quality of a pension scheme's data is reported on in their annual scheme returns, administrators and trustees alike should already be up to speed with good record-keeping practice. Just to hit home on this point, TPR has issued a guide to measuring scheme data, together with a separate document on how to improve its quality. So, for any schemes that are falling below the expected standard it is imperative that their data issues are addressed.

Although a little dated now, to get an idea of how far the industry has fallen behind with regards to conditional data, here are a few facts taken from TPR's survey into pension scheme record-keeping:

- 30% of members are in schemes where data scores were not measured;
- 39% of scheme administrators felt the measurement of data scores was not a priority;
- Understanding of the term 'scheme-specific' or 'conditional' data is not universal;
- Record-keeping is not always seen as a priority by trustees.

It is good practice to keep on top of the scheme's data to provide the most efficient service to members. The new guidance highlights this with its recommendation that an examination of scheme data should take place at least once a year. In reality, this is an absolute minimum. It is much better practice to continually evaluate the scheme's data audit scores.

The importance of the above is paramount as poor record-keeping may lead to significant additional costs within administration, while at the same time putting members' benefits at risk. If processes are not already in place, trustees should be planning so that appropriate action can be taken. To help with this, TPR has published a useful guide to improving scheme data which aims at having scheme managers put in place stringent plans to tackle improving scheme data.

On the whole, the new guidance contains little new information but rather illustrates a framework by which TPR's expectations can be met - continually monitor scheme data standards and where they are not met, correct them!

The Pensions Regulator's New Guidance on measuring Scheme Data continued…

ACTION

Trustees should ensure they are monitoring the quality of their data and put in place an improvement plan if required.

Helpful Links:

- TPR Measuring Data Guide
- TPR Record Keeping Quick Guide
- TPR Improved Data Guide

Give Me Strength: A stronger Pensions Regulator

Over the last couple of years, The Pensions Regulator ("TPR") has been keen to highlight that it's taking a "clearer, quicker, tougher" approach to regulating pension schemes. On 11 February 2019, the DWP confirmed its plans for strengthening TPR. These plans will affect all employers with defined benefit ("DB") pension schemes, in particular where refinancing transactions or M&A activity is proposed. Legislation to implement the changes will be brought forward "when Parliamentary time allows", which in these Brexit-dominated times probably means 2020 at the earliest.

New criminal offences

The headline grabbing aspect of the announcement was the new criminal offence of "wilful or reckless behaviour in relation to a defined benefit scheme", which will carry a potential prison sentence of up to seven years, or an unlimited fine. This targets those individuals who endanger members' pensions through actions such as chronic mismanagement of a business, allowing unsustainable deficits to build up and/or taking undue investment risks. The Government sees the introduction of these new criminal offences as "a major step forward in stamping out abuses … and bringing fat-cat failures to book".

The second act to become a criminal offence is a failure to comply with a contribution notice, which carries an unlimited fine. A civil sanction of up to £1million is also being introduced for this offence, along with more serious breaches of pensions requirements.

Improving oversight of corporate activity

Several of the proposals put forward were designed to ensure that TPR has access to timely information to improve its oversight of corporate activity and deter "reckless behaviour". This includes:

- clarifying and strengthening its existing anti-avoidance powers (namely Financial Support Directions and Contribution Notices), making it easier for TPR to exercise its powers, and to obtain more money where it does; as well as
- extending the notifiable events regime (designed to give TPR advance warning of situations that could lead to calls on the Pension Protection Fund) by introducing a new requirement for employers to produce a "declaration of intent" in advance of certain business transactions and requiring employers to notify TPR of a wider range of potentially detrimental (to the pension scheme) business activity.

Give Me Strength: A stronger Pensions Regulator continued…

The idea underpinning the declaration of intent is to require businesses to think about their pension schemes when considering a transaction and to ensure communication with TPR at an appropriate stage. The declaration will need to set out the impact of any transaction and how any risks will be mitigated, although precisely what the declaration will need to contain is still being considered. Nevertheless, the declaration will force buyers to discuss an acquisition with the trustees.

Conclusion

The Government believes that the proposed changes will help build upon the "robust" regulatory system that already exists for DB schemes, helping ensure that TPR has the right powers to be able to protect effectively DB pension schemes and that it remains "equipped for the challenge of a continually evolving pensions' landscape".

ACTION

No action as yet, but employers should ensure that their current procedures for identifying notifiable events and reporting them are adequate. They may also wish to comply with the spirit of the new requirements in advance of them being written into law.

The Pensions Ombudsman – Dispute Resolution Provisions and Widening of Jurisdiction

Since the appointment of Anthony Arter as Pensions Ombudsman in May 2015, there has been a continual move towards a more streamlined complaints-handling process for UK pension schemes.

The DWP has now consulted on proposed changes to the structure of the Pensions Ombudsman and widening of the jurisdiction. The consultation closed in January 2019, however, it is unlikely to receive the changes in primary legislation required to make the proposed changes for some time, due to other pressing matters for Government.

Early Resolution Service

Until legislation is finalised, the Pensions Ombudsman is technically prohibited from investigating complaints in respect of occupation pension schemes, until the complaint has been through a pension scheme's internal dispute resolution procedure ("IDRP"). However, the dispute resolution function of The Pensions Advisory Service ("TPAS") was transferred to the Ombudsman last year with the establishment of the Early Resolution Service ("ERS"). The ERS can handle complaints prior to the IDRP being invoked, with the aim to settle disputes without them needing to reach the desk of the Ombudsman. Although the legislation has not been finalised, The Pensions Regulator took a pragmatic approach and suggested that trustees would not be penalised for updating member communications accordingly in the meantime.

Money and Pensions Service

In addition to the resolution services of TPAS being subsumed into the Ombudsman's remit, the remaining section of TPAS (information and guidance) has now been transferred to a new service, initially known as the Single Financial Guidance Body but recently rebranded as the Money and Pensions Service ("MAPS"). MAPS combines the three government-sponsored financial advice services, bringing together for the first time the provision of debt advice, money guidance and pensions guidance (i.e. The Money Advice Service, Pension Wise and TPAS).

The Pensions Ombudsman – Dispute Resolution Provisions and Widening of Jurisdiction continued...

Employer Complaints

Included within the recent consultation was the prospect of allowing employers to make complaints to the Ombudsman. Currently, employers can only raise a complaint on behalf of a beneficiary, in respect of a personal pension arrangement. With the increase take up of auto-enrolment and greater pressure on employers, it seems reasonable to arm employers with the means to make direct complaints in respect of services received from pension providers. This area would require primary legislation changes and is not something that has been formally agreed yet.

ACTION

Trustees and employers should be aware of the changes in both the services provided by the Ombudsman as well as the requirement to signpost the new services to their members and employees.

Helpful Links:

- Pensions Ombudsman Dispute Resolution Provisions And Widening Of Jurisdiction
- Pensions Ombudsman - Move Of Dispute Resolution to TPO
- MAPS Website

CDC – Government gives go-ahead

For a number of years now, some in the UK pensions industry have been jealously looking across the Channel to Denmark and the Netherlands, hoping to adopt the Collective Defined Contribution (“CDC”) schemes which have proved so popular in those countries in particular. After putting the topic out for consultation, the Government has now given the go-ahead for CDCs to be offered in the UK market.

Put simply, CDCs pay members a regular income from a pooled fund of assets, to which they and their employers contribute, rather than being collected into an individual pot, as with Defined Contribution (“DC”) schemes. The theory is that pensioners get higher benefits (due to economies of scale) with more certainty (with a target benefit level) than individual DC arrangements, achieved via the sharing of risk (i.e. investment and life expectancy risk in particular). Also, rather pertinently given the number of Defined Benefit (“DB”) schemes struggling with weak sponsoring employers, CDC schemes are not impacted in the event of a sponsor’s insolvency.

However, there have been words of warning from across the industry, with some pointing to the complexity of CDC schemes being of primary concern. Although members will be told what their target benefits will be on retirement, these are far from guaranteed. Given the reliance on investment returns from the pooled contribution fund, the actual benefits that members will receive are likely to be different from the target. Crucially, pensions in payment can vary too, leaving financial planning in retirement uncertain.

The Government has said it is “very alive” to these difficulties, stating that “misunderstanding around the nature of CDC benefits will be the single biggest risk a scheme will face". Without providing specifics, the Government has confirmed that trustees of CDCs will be required to communicate to members at the very outset the potential for fluctuations in their pension benefits due to the dependence on investment performance.

The consultation on CDC schemes brought substantial interest from companies seeking to offer employees an attractive pension arrangement, without the burden of having to account for pension liabilities. The lobbying by Royal Mail and the Communications Workers Union on this issue has been key to the progress made to date.

CDC – Government gives go-ahead continued…

There will probably be a pensions bill in the Queen's speech this year, but how quickly primary legislation will get through parliament is debatable, given the black-hole that is Brexit. The continued drive and pressure from Royal Mail may be crucial to keeping this on the to-do list at Whitehall. However, there will also need to be secondary legislation, with its own consultation period, so realistically the completion of the necessary legislation will be closer to 2021.

With the Government saying its initial focus will be on legislating for CDC schemes created by single or associated employers, it's anyone's guess when the necessary legislation to open up CDC to other models (such as master trusts and multi-employer schemes) will be passed. With only 13% of trustees and sponsors (according to an industry survey) predicting that their organisations will look to form a CDC scheme by 2025, such a timeframe probably won't cause many protests. However, given the huge shift to DC schemes and master trusts in recent years, it is understandable that schemes may be a little weary and reluctant to contemplate changing their pension vehicles again.

ACTION

There are no actions at this time, but interested parties should keep an eye on the progress of the Royal Mail/CWU scheme and the necessary legislation

Helpful Links:

- DWP Press Release on CDC

Coming Up Next…

In the last 'Coming Up Next' article, one of the key dates included was 29 March 2019, as the date the UK was due to leave the EU. In hindsight that may have been overly optimistic, or pessimistic, depending on how you voted! What can be said for sure is that the next year will no doubt be dominated once again by Brexit, but we fully expect that The Pensions Regulator, DWP and the Courts will keep us busy while Whitehall is occupied.

Some of the events we believe you should be looking out for in the next quarter are:

- As discussed earlier, the Brexit debacle process is still rumbling on, with no clear idea as to the likely outcomes. For now, however, the prospect of a 'No Deal' Brexit is still a distinct possibility, despite a fresh delay to the deadline to 31 October 2019. So, trustees and employers need to continue preparations for this eventuality, so that they understand the possible impact of a 'no deal' on the sponsoring employer's covenant and the day-to-day operations of their scheme.

- Although not technically a deadline for the next quarter, trustees should be taking steps now to review and update their Statement of Investment Principles (SIP). From 1 October 2019 all schemes need to have a SIP that sets out the trustee policies on "financially material considerations", such as environmental, social and governance (ESG) factors. Trustees should be consulting with their investment advisers now to ensure that their SIP is compliant with the new requirements.

- Over the coming months the PPF hopes to complete the initial stages of its work in implementing the Hampshire decision. The first phase of its work, covering members affected by the long-service cap, is due to be completed by 30 April 2019. The second phase is due by the end of August 2019, covering members affected by the standard compensation cap.

- The 25 May 2019 will mark the one-year anniversary of the implementation of the General Data Protection Regulations (GDPR), which certainly filled plenty of pages in our Quarterly Reports in 2017 and 2018. Although there are no official actions to be completed, many schemes will have stipulated in their new processes/statements that an annual review of data protection policies and registers will be performed.

Industry Update

Coming Up Next continued…

The anniversary should act as a prompt for trustees to check that the policies implemented last year remain robust.

Trustees and sponsoring employers alike should also be aware of the following key dates coming up:

- **30 April 2019** –Deficit Reduction Contribution certificates to be submitted on Exchange.
- **30 April 2019** – PPF to complete the first stage of the Hampshire decision implementation.
- **28 May 2019** – Deadline for submission of responses to the FCA consultation on publishing and disclosing costs and charges to workplace pension scheme members.
- **31 May 2019** – UK to leave the EU if the UK has not held EU elections and not ratified the withdrawal agreement by 22 May 2019.
- **30 June 2019** – Deadline for submission of responses to the Money and Pensions Services “listening document” on a national strategy for money and pensions.
- **July 2019** – Appeal in British Airways Case to be heard in UK Supreme Court.

.

Belfast

Linen Loft
27-37 Adelaide Street
Belfast
BT2 8FE

t: 028 9041 2000

Birmingham

Edmund House
12-22 Newhall Street
Birmingham
B3 3AS

t: 0121 389 2314

Bristol

Castlemead
Lower Castle Street
Bristol
BS1 3AG

t: 0117 959 5002

Glasgow

The Culzean Building
36 Renfield Street
Glasgow
G2 1LU

t: 0141 331 1004

Leeds

Princes Exchange
Princes Square
Leeds
LS1 4HY

t: 0113 426 4487

London

46 New Broad Street
London
EC2M 1JH

t: 020 7495 5505

Manchester

82 King Street
Manchester
M2 4WQ

t: 0161 641 6312

SPENCE

Watch the Spence Approach video here.