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Update

August 2024

New DB funding code

The Pensions Regulator's (TPR's) long-awaited DB funding code has been laid in parliament. The new code sets out to trustees, sponsoring employers and advisers, TPR's guidance and expectations on how to comply with the requirements of the Pension Schemes Act 2021 and the Occupational Pension Schemes (Funding and Investment Strategy and Amendment) Regulations 2024.

Once in force, it will replace the existing DB funding code, introduced in 2014, for valuations with effective dates on or after 22 September 2024 (although the period of 40 days from the date of laying will not be completed until after 22 September, TPR has confirmed that schemes with valuation dates falling in this period can use the new code as the basis for their approach).

Changes to the draft code include flexibility in the low dependency investment allocation (clarifying that it is an objective rather than a requirement) and prescribing a fixed date for economic assumptions used to calculate maturity and significant maturity.

As well as the draft code, TPR has published its response to the original December 2022 consultation, including its proposed regulatory approach and final 'fast track' parameters.

In March 2024, TPR consulted on the contents of the associated 'statement of strategy'. It expects to publish the final statement of strategy and consultation response in the autumn. It will also publish a consultation on updated covenant guidance. This will focus on the main areas that trustees must consider when assessing the employer covenant under the new code.

VFM consultation launched

Sarah Pritchard, FCA Executive Director of Markets and International

The Financial Conduct Authority (FCA) has launched a consultation on the introduction of a new value for money (VFM) framework for DC schemes. Although the FCA consultation applies to contract-based schemes, it is expected that the Department for Work and Pensions (DWP) will introduce equivalent legislation for trust-based schemes in the upcoming Pension Schemes Bill.

The consultation proposes the disclosure of a red, amber or green VFM rating for each arrangement and a requirement to take specified actions where an arrangement has been assessed as either red or amber. It would apply to the default arrangements of auto-enrolment (AE) schemes and 'quasi-default' arrangements of pre-AE ('legacy') schemes. The timings for implementation will be considered following stakeholder feedback and in discussion with DWP, the Treasury and TPR.

"Together we have developed a DB funding code that will support trustees in effectively planning and managing the long-term funding of their scheme today, and in the future"

Neil Bull, TPR Executive Director of Market Oversight

FCF compensation paid

The Fraud Compensation Fund (FCF), which protects occupational DB and DC schemes if an employer has become insolvent and scheme assets have been reduced due to dishonesty, has paid out a total of £9.8m in compensation to three schemes whose assets were unlawfully invested in the former sole trustee's own business, Norton Motorcycles Holdings Ltd. Using the compensation paid by the FCF, more than 200 members will gain access to their pensions after benefits were secured with Standard Life.

Company news

The Macmillan Cancer Support Pension Scheme has agreed a £33.7m buy-in with Aviva, covering all of the scheme's retirees and deferred members, and their beneficiaries.

MACMILLAN CANCER SUPPORT

The £90bn Universities Superannuation Scheme has bought a portfolio of 3,000 shared ownership homes from Sage, an affordable housing company majority-owned by US private equity business Blackstone. In 2020, USS entered into a £300m, 45-year debt facility with real estate investment trust Residential Secure Income plc, that invests in shared ownership and retirement rental homes in the UK.

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