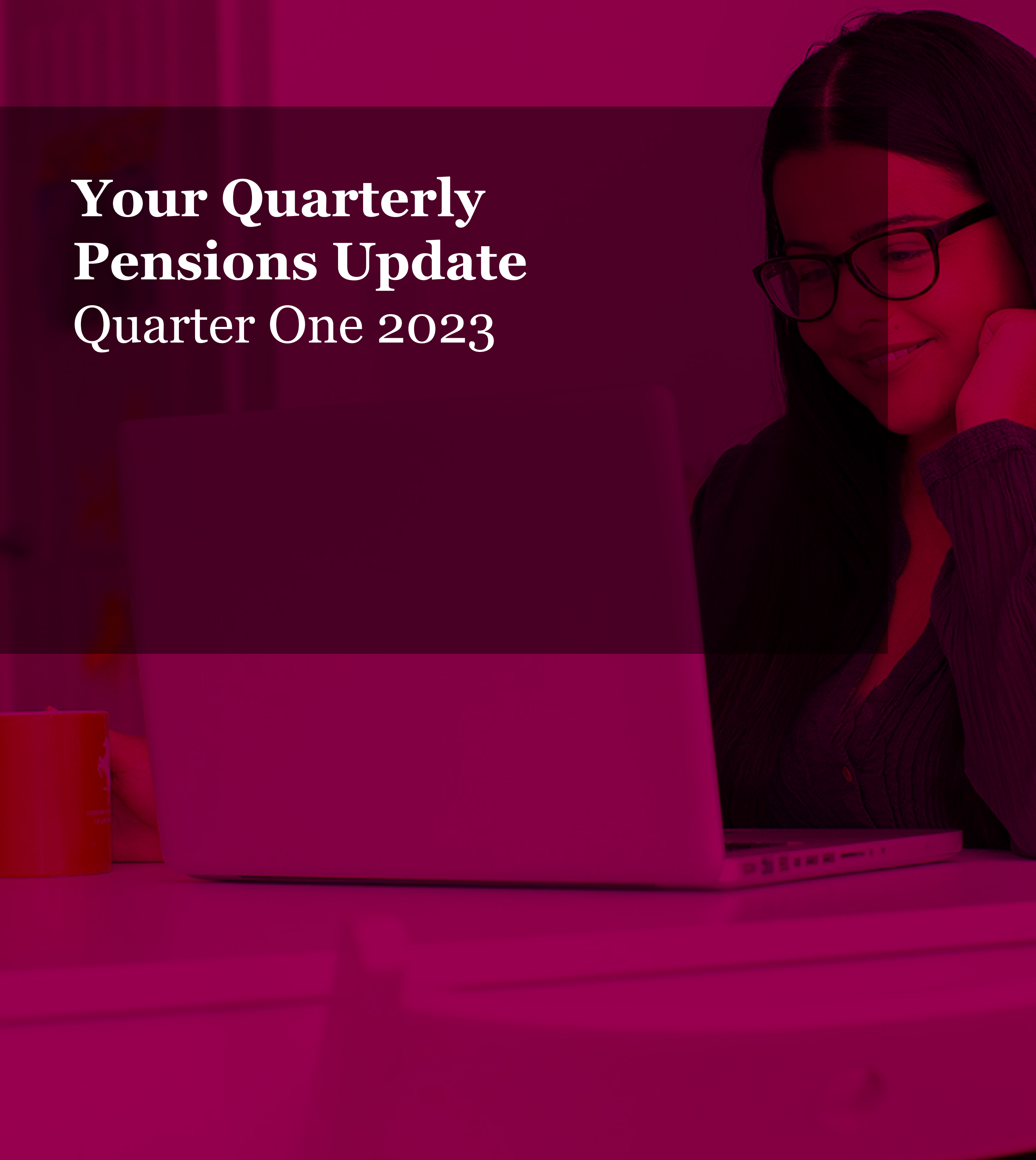
SPENCE

Your Quarterly Pensions Update

Quarter One 2023



What’s inside?

Welcome to your Quarterly Pensions Update 03

Comment regarding delay to Single Code 04

Pensions Dashboards Update 05

New guidance to combat Pensions Scams 06

The Budget: key announcements and the impact on pensions 07

Investment Update 09

DC Update 10

DC Chair and SIPS 12

Collective DC schemes for non associated employers 13

Tax rates and thresholds 15

Coming up next 18

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 alan collins@spenceandpartners.co.uk or your usual Spence contact.

Comment regarding delay to Single Code

We have been eagerly awaiting the updated code from TPR for a little over 4 years now. So, why so long? Covid and good intent are, I think, some of the understandable reasons. Although the length of the delay has been a little frustrating.

The Pensions Act 2004 was amended in January 2019, from which point Trustees have been required by law to operate an Effective System of Governance (ESoG), including Internal Controls. However, some elements of the 2019 law change have been reliant upon TPR updating its Code of Practice, hence the frustration on the delay. Initially Code of Practice 9 was expected to be updated, until in late 2019, TPR announced it was to have one code to rule them all. The ESoG was then destined for the Supercode, described as 'one up-to-date and consistent source of information on scheme governance and management' (The Pensions Regulator). This is the good intent but incorporating the ESoG in a wider project was likely to lead to further delays.

TPR then published a draft of the new Code of Practice in March 2021; 148 pages, together with a consultation, supported by various stakeholder discussions. The draft code sets out TPR's expectations of the conduct and practice that Trustees should meet to comply with their duties. It states that 'a system of governance will include anything that can reasonably be considered part of the operation of a pension scheme'. It is arguable whether such a wide remit can be incorporated in a Code of Practice for all of the different nuances for the thousands of UK Occupational Pension schemes, which then leads to the question, in terms of the ESoG, has the code been worth waiting for? Or as an unintended consequence, has the delay enabled Trustees to delay their own governance review? Almost certainly, but Trustees need to take care here as this would be evidence of Trustee 'conduct'.

Is the delay now over? Well, in a recent webinar, a TPR representative noted that the now Single / General Code will be published "very, very soon". The timing needs to include 40 days in Parliament before it is effective, indicating that late June / early July is a reasonable timeline. Importantly, throughout the 40 days it spends in Parliament, the final version will be available to read.

Interestingly, with the thousands of respondents to the consultation, the representative from the Regulator noted that there are three main areas where the majority of the amendments have been made:

- The Own Risk Assessment (ORA) – is to be slimmed down and the timings more aligned to the requirements of the 2019 law.
- The Risk Management Function; and
- The Remuneration Policy

Importantly, in the recent webinar, also it was confirmed the 'Internal Audit' would not require the involvement of a professionally qualified Auditor. The 2019 law notes the 'Internal Evaluation' function, to aid an ESoG but avoiding disproportionate professional fees in the operational costs of an occupational pension scheme. I support TPR's pragmatic approach here, which aligns with the intent of the 2019 law.

However, probably the most important comment from the representative from the Regulator was, 'familiarise yourself with the draft code'. If Trustees haven't started on their Governance Framework and Risk Management Function yet, now is the time to get on with it.

Pensions Dashboards Update

DWP announces delay to Pensions Dashboards Programme

In a House of Commons Written Statement on 2 March 2023, the Parliamentary Under Secretary of State for Pensions for the Department for Work and Pensions (DWP), Laura Trott, announced a delay to the delivery of the connection deadlines set out in the Pensions Dashboards Regulations 2022 and the Financial Conduct Authority's corresponding pensions dashboard rules for pension providers.

The DWP has formally acknowledged that more time is needed to deliver this "complex build". The legislative framework for the pensions dashboards is to remain unchanged, but there will be "a reset" of the Pensions Dashboards Programme (PDP) in which the DWP will play its part. In conjunction with the new Chair of the PDP a new plan for delivery will be established between both parties.

The DWP plans to legislate "at the earliest opportunity" to amend the timing of the pensions dashboard connection deadlines to provide clarity to schemes.

Laura Trott added that it is essential that scheme preparation for pensions dashboards continues and that the DWP would be pressing ahead to deliver the technology to do this.

The DWP is to provide a further update on delivery timings before Parliament prior to the summer recess scheduled for 20 July 2023.

Our view on this decision is that the industry absolutely needs to get this right. So, a delay will provide breathing room for those who are not as prepared as they should be at this point. Nevertheless, it does not send a great message and we need to get it back on track as soon as possible. Hopefully, any reset can be applied quickly and efficiently and does not cause people to lose interest.

Helpful Links

Written statements - Written questions, answers and statements - UK Parliament

New guidance to combat Pensions Scams

Combatting Pension Scams – New Guidance

The Pensions Scams Industry Group (PSIG) has published its Interim Practitioner Guide. The new guide details the key due diligence steps that trustees and administrators should undertake when assessing a pension transfer, and provides further clarification around overseas transfers, 'clean lists', and statutory and discretionary transfers.

The guidance, updated for the Transfer Regulations introduced in November 2021, emphasises that, where the risk of scam is low, the preference is to make transfer requests "as quick and easy as possible".

Pensions Minister Laura Trott described the guidance as a "great asset for pension practitioners [which will] help further our collective efforts to stamp out scams" and said: "We're continuing to work side-by-side with industry, regulators, and law enforcement to stop scammers in their tracks and to ensure pension savers are armed with the tools they need to spot duplicitous fraudsters."

Part A of the guide deals with statutory transfers. The guide describes the new 'flags' system for transfers (green, amber and red), defines the terms, gives examples, and guides trustees and administrators on how to decide if a particular flag is present. It also sets out the information that must accompany a transfer request.

In the event of a red flag, this removes the member's statutory right to transfer value and trustees then need to decide whether they are able and willing to offer a discretionary transfer (see below).

In the event of an amber flag, the member must take scams guidance from MoneyHelper before proceeding.

Importantly, certain information must be communicated to the member at specific times during the transfer process and the guidance explains the requirements.

Part B of the guidance covers discretionary transfers, when a statutory right does not apply. Schemes can only apply a discretionary transfer if scheme rules allow. The 2021 regulations do not apply here, but schemes must still use due diligence. There would still be risks, including of responsibility, complaints and costs if a member was a victim of a pension scam and proper due diligence had not been carried out.

Situations in which the discretionary transfer route may be exercised include a partial transfer, an enhanced transfer value exercise, or where a flag exists but there is no risk of a scam.

Further guidance on how to provide a good service to members is provided in Part C of the Practitioners Guide.

Trustees should work with their administrators to ensure a correct and proportionate application of this good practice guidance to their scheme.

Helpful Links

The Code of Good Practice - PSIG - The Pensions Scam Industry Group (pensionscamsindustrygroup.co.uk)

The Budget: key announcements and the impact on pensions

Summary

The Chancellor introduced the Spring Budget 2023 as a “budget for growth”. Key fiscal announcements included –

- The Energy Price Guarantee will remain at £2,500 for the typical household for the next three months.
- Fuel duty will remain frozen and a 5p reduction will be maintained for a further year.
- Corporation tax for businesses is to increase from 19% to 25%. Firms which make a profit of more than £250,000 will pay 25% tax on their profits from April.
- Small businesses investment allowance increased to £1m.
- An additional £320m funding for the Scottish government, £180m for the Welsh government and £130m for the Northern Ireland executive.
- Nuclear power will be classed as “environmentally sustainable” which will give it access to the same investment incentives as renewable energy.
- On childcare, a boost for childcare suppliers; parents on benefits to get more money for childcare upfront; free childcare to be extended for children over nine months; and government to fund more wraparound care for school-age children.

The key ‘pension takeaways’

- Standard Annual Allowance increased from £40,000 to £60,000.
- Money Purchase Annual Allowance increased to £10,000.
- Lifetime Allowance abolished (previously set at £1.07m).

In more detail, the key pension measures are set out below.

REFORMING PENSION TAX THRESHOLDS

The government will increase the Annual Allowance from £40,000 to £60,000 from 6 April 2023. Individuals will continue to be able to carry forward unused Annual Allowances from the 3 previous tax years.

The government will increase the Money Purchase Annual Allowance from £4,000 to £10,000 and the minimum Tapered Annual Allowance from £4,000 to £10,000 from 6 April 2023. The adjusted income threshold for the Tapered Annual Allowance will also be increased from £240,000 to £260,000 from 6 April 2023.

The government will also remove the Lifetime Allowance charge from 6 April 2023, before fully abolishing the Lifetime Allowance in a future Finance Bill.

The maximum Pension Commencement Lump Sum for those without protections will be retained at its current level of £268,275 and will be frozen thereafter.

Linking open and closed public service pension schemes

Open and closed public service pension schemes for a given workforce will be considered linked for the purposes of calculating Annual Allowance charges, thus allowing members to offset any negative real growth for Annual Allowance purposes in legacy public service pension schemes against the Annual Allowance. This will be legislated for through secondary legislation and will apply from April 2023 tax year.

MIDLIFE MOT

The government will expand and improve the midlife MOT tool to support individuals with planning for later life across Great Britain, by:

- expanding the midlife MOT Jobcentre Plus offer to reach more 50+ claimants through support sessions;

- improving the digital midlife MOT tool; and
- working with employers and pension providers to encourage signposting to the midlife MOT and related support.

PENSION FUND INVESTMENT

The Chancellor wants to encourage defined contribution (DC) pension schemes to invest in the UK's innovative firms, stating this will also bolster retirement incomes.

The government will work closely with industry and regulators to bring forward a package of measures by the autumn, but Spring Budget sets out some initial measures:

- At least £3 billion will be invested in the British Patient Capital programme, which will be extended for a further 10 years.
- The Department for Business and Trade is requesting feedback on a new Long-term Investment for Technology and Science (LIFTS) initiative. This aims to establish new investment vehicles tailored to the needs of UK DC pension schemes.

The government will shortly consult on pursuing an accelerated transfer of the £364 billion Local Government Pension Scheme (LGPS) assets into pools, proposing all listed assets are pooled by March 2025. This is intended to support increased investment in innovative companies and other productive assets.

The government will also consult on requiring LGPS funds to consider investment opportunities in illiquid, long-term productive assets such as venture and growth capital.

WRITE-DOWNS FOR ANNUITIES PRODUCTS AND INSURER LIABILITIES

The government is legislating to address the pensions tax and corporation tax consequences of write-downs of liabilities of insurers in financial distress under the proposed new section 377A Financial Services and Markets Act 2000 and any subsequent court-ordered variation or termination of those write-down orders.

LOCAL GOVERNMENT PENSION SCHEME INVESTMENT

The government is challenging the Local Government Pension Scheme in England and Wales to move further and faster on consolidating assets – a forthcoming consultation will propose LGPS funds transfer all listed assets into their pools by March 2025 and set direction for the future. This may include moving towards a smaller number of pools in excess of £50 billion to optimise benefits of scale. While pooling has delivered substantial benefits so far, progress needs to accelerate to deliver and the government stands ready to take further action if needed. The Government will also consult on requiring LGPS funds to consider investment opportunities in illiquid assets such as venture and growth capital, thereby seeking to unlock some of the £364 billion of LGPS assets into long-term productive assets.

Spring Budget 2023 (publishing.service.gov.uk)

Pension Tax Limits - GOV.UK (www.gov.uk)

Investment update

Q1 2023 Market Commentary

We entered 2023 under the spectre of a moderate recession, with rising interest rates, and high inflation putting a downward pressure on growth. As such, a more challenging market environment was expected in 2023 with higher cost of debt and a lower volume of investment. The first quarter of 2023 surprisingly experienced positive economic growth globally. This was attributed in part to headline inflation easing, driven partly by lower energy and oil prices, and China reopening. Against this backdrop, global equities gained in Q1, buoyed by declining recessionary worries in developed markets. Developed market stocks returned nearly 8% over Q1 2023, with growth stocks outperforming value stocks. In fixed income yields, and specifically government bond yields, fell (meaning prices increased).

Japanese stocks performed strongly in Q1 with the Topix up 7.2% in yen terms. Emerging markets posted positive returns but lagged the MSCI World Index, returning 4.0% (in USD). Returns were boosted by the aforementioned Chinese economy reopening. India and Brazil performed poorly.

Eurozone shares notched up strong gains in Q1 (returning 10.5%). Gains were driven by the information technology, consumer discretionary and communication services sectors. Laggards were the energy and real estate sectors. The European Central Bank increased interest rates to 3.5%, as inflation reached a one-year low level within the region.

The UK economy performed better than anticipated in Q1 2023. Equities rose over the quarter returning 3%, and economically sensitive sectors outperformed, in line with other markets. Corporate bonds returned 1.9%. The Bank of England raised its policy rate by 0.25% in March to 4.25%.

The US economy grew in Q1, equities returning 7.5%. The short-lived market turbulence, following the collapse of Silicon Valley Bank (SVB) did little to inhibit investors optimism. Leading US equity higher, though there were major sell-offs in the US and European financial sectors. Tech stocks rallied during the period. Renewed tensions between the US and China dampened the upward trajectory. The Federal Reserve raised the fed funds rate by 0.25% in March to a target range of 4.75%-5.00%.

As core inflation measures ticked higher during Q1 2023, there was concerns that the lowering of inflation was starting to reverse. The SVB collapse dwarfed concerns over inflation which re-accelerated and prompted a sharp rally in government bond markets. Fears of a banking crisis, led to government bond markets moving from pricing in rate hikes to discounting sizeable rate cuts in markets. As a result, yields on global credit fell over the quarter with credit spreads widening slightly. The over 15-year UK gilt yield decreased by 0.11% to 3.79%. All else being equal, the move in gilt yields will act to increase the value placed on pension schemes' liabilities.

Note: All regional returns are shown in local currency terms unless otherwise defined.

DC Update

Most industry pundits were expecting the eagerly awaited Single / General Code from The Pensions Regulator to be published. However, this seems to have been delayed further by what wasn't expected - the increase in the number of Government announcements and consultations on further pensions development, particularly in respect of DC pensions, with the Parliamentary Under Secretary of State at the Department for Work and Pensions , Laura Trott, announcing a shake-up of private pensions to create "fairer, more predictable, and better-run pensions".

Part of the measures include a consultation on a new Value for Money (VfM) framework, developed in partnership with The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA), and sets out how schemes will be expected to provide savers with better value from their investments and a quality level of service. The VfM framework is intended to improve transparency, comparability, and competition between DC pension schemes and help deliver the best possible value and long-term outcomes for pension savers. It will require pension schemes to disclose key metrics and service standards shifting focus from a dominant consideration of costs only, to enable a holistic assessment of VfM.

The accompanying consultation contained some very positive messages and we support the stated objectives. One key absence we felt however, was the key part that employers play in providing better member outcomes; from arranging onsite member workshops and allowing staff time off to improve financial wellbeing, to the employer NI uplift to the member's contribution when using salary sacrifice. Employers play a critical part in VfM, which should not be ignored, although potentially difficult to incorporate within the objective to achieve comparability and competition between DC pension schemes. It therefore feels that Employers and Trustees will need to overlay the specific VfM that they provide for their members in addition to future regulatory requirements.

The DWP also published a Call for Evidence (CfE) to support the development of policy options for automated consolidation solutions to address the growth of deferred small pots in the automatic enrolment workplace pensions market. The CfE is focused on two large-scale automated consolidation solutions — a default consolidator model and a pot follows member model. Potentially either could introduce non consent transfers for contract-based pensions for the first time, which could start GPP / DC Master Trust consolidation. Why have 2 DC platforms? DC is DC to a member.

The Chancellor, Jeremy Hunt, introduced the Spring Budget 2023 as a "budget for growth", in which the key pension aspects introduced from 6 April 2023 were the standard Annual Allowance increasing from £40,000 to £60,000, the Money Purchase Annual Allowance (MPAA) increasing to £10,000 and the adjusted income threshold for the Tapered Annual Allowance also be increased from £240,000 to £260,000. The Lifetime Allowance (LTA) charge was removed, with the intention to fully abolish the LTA in a future Finance Bill and the maximum Pension Commencement Lump Sum for those without protections will be retained at its current level of £268,275 and will be frozen thereafter.

Most welcome was the increase in the MPAA. Although statistics indicate that fewer than expected have reduced their DC pension contributions, one effect of the cost of living crisis has been the increase in members flexibly accessing their benefits. In October 2022, Just Group, reporting from HMRC figures, found that almost 1,200 pension savers were dipping into their pensions for the first time every working day, triggering the MPAA rules which, at best, would restrict future pension contributions with tax relief and at worst, build up an AA tax charge.

The Chancellor also wants to encourage DC pension schemes to invest in the UK's innovative firms, stating this will also bolster retirement incomes. We should expect a package of measures by the autumn, although Spring Budget sets out some initial measures - including at least £3 billion to be invested in the British Patient Capital programme, which will be extended for a further 10 years, and The Department for Business and Trade requesting feedback on a new Long-term Investment for Technology and Science (LIFTS) initiative.

Going back to the Parliamentary Under Secretary for Work and Pensions, the DWP has opened a consultation seeking views on policy proposals for broadening Collective Defined Contribution (CDC) provision beyond single or connected employer schemes, in order to accommodate multi-employer schemes. The aim is to make CDC provision more widely available and the potential role of CDC in 'decumulation' (retirement income). Oversight will be provided by TPR, with a number of proposals based around the existing authorisation framework for DC Master Trusts.

Further to this, TPR recently authorised the Royal Mail's Collective Pension Plan (RMCPP), although industry sentiment on the development of CDC feels reserved. One argument is that with the socioeconomic demand for flexibility, taking a step back towards Defined Benefit (DB) may initially seem, prima facie, counterintuitive to CDC. Indeed, the government is responding to the demand for flexibility with proposals to encourage the over 50's back to work, including a commitment to expand and improve the midlife MOT tool to support individuals with planning for later life across Great Britain. You may also recall the October 2022 DWP consultation outcome to allow retired and partially retired NHS staff to return to work or increase their working commitments without having their pension benefits suspended or abated. However, one aspect of making CDC provision more widely available is potentially to wean other quangos from the costs of DB. CDC could be the new DB, rather than the new DC. Decumulation only CDC may however need a little more work. With-Profit annuities have had limited appeal.

The Government has issued its response to the consultation on broadening investment opportunities of DC pensions, supporting the Chancellor's objective to encourage DC pension schemes to invest in the UK's innovative firms. The Parliamentary Under Secretary for Work and Pensions said: "This is an important step in our journey to ensure DC pension schemes can take advantage of the opportunities illiquid asset classes can bring to pension scheme savers, and in helping to unlock pension fund investments in assets that can benefit the UK economy... Subject to Parliamentary approval, I intend to bring these regulations into force by the spring." Progress on this has already been made with regulations introduced from 6th April 23 requiring trustees to publish their policies on investment in illiquid assets and information about the types of assets in which their scheme has investments.

Finally, returning to the Single / General code, which one TPR spokesperson recently commented was due to be laid before Parliament "very, very soon". Late June / early July would then seem to be a best estimate, after the 40 days the final version needs to sit with Parliament before it is effective.

Helpful Links

Value for Money: A framework on metrics, standards, and disclosures - GOV.UK (www.gov.uk)

Spring Budget 2023 (publishing.service.gov.uk)

Pension Tax Limits - GOV.UK (www.gov.uk)

DC Chair and SIPS

Changes to SIPs and Chair Statements for 2023

The DWP has published its response to a recent consultation, and laid regulations before Parliament, in relation to changes that will impact the default fund charge cap and disclosure requirements for most defined contribution (DC) pension schemes.

The consultation sought industry views on draft regulations and statutory guidance to help implement the DWP's objective of enabling DC schemes to take advantage of long-term illiquid investment opportunities in long-term illiquid assets. Broadly, the DWP objectives are:

– requiring trustees of relevant (DC) schemes to disclose and explain their policy on investments in illiquid assets in the default arrangement statement of investment principles (SIP); and
– exempting performance fees from the scope of the 0.75% default fund charge cap; and
– requiring trustees of relevant schemes to calculate and disclose in the annual chair's governance statement (a) the percentage of assets in the default arrangement(s) allocated to different asset classes, and (b) the amount of any performance fees incurred in relation to the default arrangement(s).

The DWP is now proceeding with these changes.

The exemption of performance fees from the default fund charge cap will come into force on 6 April 2023.

New disclosure requirements, affecting the content of SIPs and chair statements will apply as follows:

– in relation to performance fees, for the first scheme year ending on or after 6 April 2023
– in relation to investment in illiquid assets, from the earlier of:
    o the first occasion that the default arrangement SIP is updated after 1 October 2023, and
    o 1 October 2024
– in relation to asset allocation, for the first scheme year ending on or after 1 October 2023.

The requirements will further expand the governance obligations of DC and CMP schemes. While the policy in relation to investment in illiquid assets is to be included in the SIP, and broadly therefore only needs to be reviewed triennially, the calculations and accompanying disclosures in relation to asset allocation and performance fees will need to be carried out annually. Trustees will also need to assess the extent to which the fees charged by their investment funds are performance fees, both when the exemption comes into force and when any changes are made to those funds' fee structure or when new funds are introduced.

Trustees of relevant schemes will need to make arrangements to comply with the new regulations from April and October 2023. When making these arrangements, trustees must have regard to updated statutory guidance.

Broadening the investment opportunities of defined contribution pension schemes - GOV.UK (www.gov.uk)

Collective DC schemes for non associated employers

Broadening Collective Defined Contribution (CDC) pension provision

The DWP has opened a consultation which seeks views on policy proposals for broadening Collective Defined Contribution (CDC) provision beyond single or connected employer schemes in order to accommodate multi-employer schemes. The aim is to make CDC provision more widely available and the consultation invites views on proposals for:

- broadening CDC provision beyond single or connected employer schemes to accommodate multi-employer and master trust schemes (to date, discussions about CDC schemes in the UK have focussed on the Government's plans to facilitate single employer schemes and the scheme for the Royal Mail); and
- the role of CDC in 'decumulation'.

The consultation covers the potential framework for multi-employer / master trust schemes providing "whole-life CDC" (covering accumulation and decumulation) and "decumulation-only CDC".

Oversight will be provided by The Pensions Regulator (TPR), with a number of proposals based around the existing authorisation framework for DC Master Trusts. Expectations cover the persons involved in the scheme being fit and proper persons, the design of the scheme being sound, the scheme being financially sustainable, the scheme having adequate systems and processes for communicating with members and others, the systems and processes used in running the scheme being sufficient to ensure that it is run effectively, and the scheme having an adequate continuity strategy.

Whole-life and decumulation-only arrangements are considered separately in the consultation, but there is overlap in terms of the key principles that are expected to apply (see the table below). Key areas the DWP now wish to consider are who would meet the costs of establishing and operating the arrangements, how they would achieve and maintain sufficient scale, the mechanism for determining the price at which individuals buy into the CDC arrangement including the potential for mortality underwriting, how member communications can be made to work, and enabling reasonable comparison between options across the market.

Whole-Life CDC	Decumulation-Only CDC
– CDC benefits accessed through occupational pension schemes must be collective money purchase benefits. Not to do so could risk these benefits being redefined as defined benefits, undermining what allows these schemes to work as intended – CDC benefits should only be offered in a trust-based environment for the time being. This would need to be revisited should an appetite for contract-based products emerge in the future – authorisation of CDC schemes by TPR will continue to be required for these new types of schemes. This is necessary to ensure these new CDC schemes are well designed and well run – an authorisation application fee will continue to apply to help ensure that TPR is able to recover its processing costs – CDC designs should continue to include an aspiration to deliver increases at least in line with the Consumer Prices Index (CPI)	– the CDC benefits in these arrangements must be collective money purchase benefits. – the arrangements would be offered through a trust based occupational pension scheme. – such arrangements will require authorisation and supervision by TPR to help ensure only well designed and well-run schemes can operate and to protect the interests of members. DWP want to work with interested parties and seek views on the appropriate authorisation and supervision requirements. – an authorisation fee would apply. – CDC benefits would be subject to annual valuation and adjustment

- CDC benefits should be subject to annual valuations and adjustments so that the available assets and the benefits payable remain in balance
- any adjustments made to benefits will be made without variation across the membership
- the CDC fund of whole-life CDC multi-employer schemes should be subject to the 0.75% CDC charge cap

In the foreword to the consultation, the Minister for Pensions, Laura Trott MP, states that:

"…we have seen the appetite for extending CDC provision to unconnected multi-employer schemes and Master Trusts grow and grow. This was underscored by the large number of respondents to our recent call for evidence, 'Helping savers understand their pension choices', who supported the role CDC can play in helping provide pension scheme members with more options for turning their pension pots into a long-term retirement income.

"By extending our secure and dependable CDC framework, more members will be able to benefit from the opportunities of sharing risk. This means their pension savings work harder for them, and provide, on average a better outcome for their retirement than might otherwise be available."

Helpful Links

Extending Opportunities for Collective Defined Contribution Pension Schemes - GOV.UK (www.gov.uk)

Tax rates and thresholds

Main Income Tax and National Insurance Rates for 2023-2024

PAYE tax and Class 1 National Insurance contributions

England and Northern Ireland

The standard employee personal allowance for the 2023 to 2024 tax year is:

- £242 per week
- £1,048 per month
- £12,570 per year

PAYE tax rate	Rate of tax	Annual earnings the rate applies to (above the PAYE threshold)
Basic tax rate	20%	Up to £37,700
Higher tax rate	40%	From £37,701 to £125,140
Additional tax rate	45%	Above £125,140

SCOTLAND

The standard employee personal allowance for the 2023 to 2024 tax year is:

- £242 per week
- £1,048 per month
- £12,570 per year

PAYE tax rate	Rate of tax	Annual earnings the rate applies to (above the PAYE threshold)
Starter tax rate	19%	Up to £2,162
Basic tax rate	20%	From £2,163 to £13,118
Intermediate tax rate	21%	From £13,119 to £31,092
Higher tax rate	42%	From £31,093 to £125,140
Top tax rate	47%	Above £125,140

WALES

The standard employee personal allowance for the 2023 to 2024 tax year is:

- £242 per week
- £1,048 per month
- £12,570 per year

PAYE tax rate	Rate of tax	Annual earnings the rate applies to (above the PAYE threshold)
Basic tax rate	20%	Up to £37,700
Higher tax rate	40%	From £37,701 to £125,140
Additional tax rate	45%	Above £125,140

EMERGENCY TAX CODES

The emergency tax codes from 6 April 2023 are:

- 1257L W1
- 1257L M1
- 1257L X

CLASS 1 NATIONAL INSURANCE THRESHOLDS

You can only make National Insurance deductions on earnings above the lower earnings limit.

Class 1 National Insurance thresholds	2023 to 2024
Lower earnings limit	£123 per week
	£533 per month
	£6,396 per year
Primary threshold	£242 per week
	£1,048 per month
	£12,570 per year
Secondary threshold	£175 per week
	£758 per month
	£9,100 per year
Upper earnings limit	£967 per week
	£4,189 per month
	£50,270 per year

CLASS 1 NATIONAL INSURANCE RATES

Employee (primary) contribution rates

Deduct primary contributions (employee's National Insurance) from your employees' pay through PAYE.

National Insurance category letter	Earnings at or above lower earnings limit up to and including primary threshold	Earnings above primary threshold up to and including upper earnings limit	Balance of earnings above upper earnings limit
A	0%	12%	2%
B	0%	5.85%	2%
C	nil	nil	nil

Employer (secondary) contribution rates

You pay secondary contributions (employer's National Insurance) to HMRC as part of your PAYE bill.

National Insurance category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
A	0%	13.8%	13.8%	13.8%
B	0%	13.8%	13.8%	13.8%
C	0%	13.8%	13.8%	13.8%

CLASS 1A NATIONAL INSURANCE: EXPENSES AND BENEFITS

You must pay Class 1A National Insurance on work benefits you give to your employees, for example a company mobile phone. You report and pay Class 1A on expenses and benefits at the end of each tax year.

The National Insurance Class 1A rate on expenses and benefits for 2023 to 2024 is 13.8%.

Rates and thresholds for employers 2023 to 2024 - GOV.UK (www.gov.uk)

Coming up next

Spring has sprung… according to the calendar, but someone forgot to tell the weather. The pensions industry has been a bit quicker to spring into action, even if for different reasons than we might have been expecting. After waiting for so long, we all expected TPR's Single Code to bloom, only for its growth to be halted, ironically, by the Chancellor's "Budget for Growth". The Government produced an unexpected harvest of pension announcements from the Budget and from DWP, serving to stem the growth of the Single Code and propagate instead a plethora of changes to private pensions, to shake-up the industry.

The consultations released, the calls for evidence announced, the changes to pension allowances – all these seeds are now sown, and we will all have to tend to them in the coming months. Though we always need to react to the prevailing climate and prepare best we can for future projects that will need our care.

So, as ever, we end the Quarterly Report by offering up a brief summary of those future events that we can see sprouting and that we think you should prepare the ground for.

New Chair Statement Information

- Not many schemes at the time of writing will have published their chair statements for year ends after 6 April 2023, but for those schemes that will now be preparing them, it is important to remember the new requirements to report on specified performance-based fees incurred by the scheme and on the different asset classes in which they invest.
- For those schemes with year ends after 1 October 2023, it is worth noting now that relevant pension schemes will be required to disclose the percentage of assets allocated to different asset classes in their default funds.
- The requirements for chair statements are becoming increasingly complicated, so it is important that trustees and scheme managers familiarise themselves with all changes and discuss with their advisors how the requirements will be addressed in their annual statement.

TPR General Code of Practice

- In our last Coming Up Next article, we optimistically said, "Whisper this, as we don't want to scare it away, but we expect TPR's long-awaited Single Code of Practice to be laid before Parliament imminently – perhaps by the time you are reading this!"
- Well, that didn't come to pass (see our earlier DC Update article for the reasons why!), but what we do now know is that the consolidated single code of practice will be called the General Code. If trustees hadn't started preparing for the Single Code, now is definitely the time to review the requirements for the General Code and get an ESOG in place, as well as preparing an own-risk assessment (ORA) that will need to be completed within a year of the General Code coming into force.
- This has been some time in the making – this won't be the first Spring that has come and gone! – but it now seems more certain that the General Code will be laid before Parliament in May/June 2023 and come into force after 40 days.

Building on those selected topics, here are some key dates to keep in your diary as we kick on through 2023:

- **Spring of 2023 –** Economic Crime and Corporate Transparency Bill expected to receive Royal Assent, bringing in a requirement that corporate professional trustees to ensure all of their directors are 'natural' persons.
- **May 2023 –** DWP's review into the Conditions for Transfer Regulations is expected to be published.
- **Summer 2023 –** The phased compulsory on-boarding of schemes to the pensions dashboard was due to begin, but now expecting a revised staging timetable to be published.
- **1 October 2023 –** New 'AS TM1' assumptions for money-purchase illustrations.
- **Autumn/Winter 2023 –** revisions to scheme and employer-related events notifiable events, we well as the introduction of new declarations of intent.

- **Autumn/Winter 2023 –** Royal assent for the Data Protection Bill is expected, which will replace the EU's data protection laws following Brexit.
- **6 April 2024 –** the Lifetime Allowance will be abolished.
- **April 2024 –** The new DB scheme funding rules come into force for schemes with effective dates from April 2024, including revised funding regulations, the new TPR code and a requirement for Statements of Strategy.
- **Summer 2024 –** Relevant schemes must complete their first Own Risk Assessment (ORA) as required under TPR's General Code.

SPENCE

Belfast

Linen Loft
27-37 Adelaide Street
Belfast BT2 8FE

T: +44 (0)28 9041 2000

Bristol

Castlemead
Lower Castle Street
Bristol BS1 3AG

T: +44 (0)117 959 5002

Glasgow

The Culzean Building
36 Renfield Street
Glasgow G2 1LU

T: +44 (0)141 331 1004

London

46 New Broad Street
London
EC2M 1JH

T: +44 (0)20 7495 5505

Manchester

St James Tower
7 Charlotte Street
Manchester M1 4DZ

T: +44 (0)161 641 6312

Birmingham

Edmund House
12-22 Newhall Street
Birmingham B3 3AS

T: +44 (0)121 389 2314

Leeds

Princes Exchange
Princes Square, Leeds
West Yorkshire LS1 4HY

T: +44 (0)113 426 4487

spenceandpartners.co.uk

Authorised and regulated by the Financial Conduct Authority. No. NI37760