



# Regulatory Update

It was a quiet start until the shock announcement of a general election on 4 July. As the political parties published their election manifestos in the weeks running up to the election, we looked at the key themes and what we might expect to see from the new Labour government. So, in this update I'll take a look ahead and give you my thoughts on the possible fortunes of already in-flight policy.

## A fresh outlook for pensions and savings policy

Pensions and savings policy has understandably been impacted by the events of the recent past - Brexit, the pandemic, war in Europe, political and economic instability. There was a period when policy progress was delayed by more pressing priorities and in the last couple of years there has been a stronger and more direct intention of applying pensions and savings policy to support broader Government objectives, and a clear desire for short-term impact as a general election inevitably loomed.

Any new Government has the opportunity to be bold at the beginning of its term. With a strong majority, an incoming Labour government perhaps even has the opportunity to consider two terms in power and to think about settling the structural question marks that have hung over the industry for some time - for example, pension contribution adequacy, short-term financial resilience, the State Pension and, tax relief.

## A review of the pensions and retirement landscape

So how might things play out in the short-term. Rachel Reeves ruled out an immediate summer

fiscal event but we should expect one in the Autumn. In its manifesto, Labour committed to undertake a review of the "pensions and retirement landscape" with the aim of improving pension outcomes and increasing investment in UK markets. Even before the polls opened on 4 July, representations were being made about the possible scope of that review.

### The regulatory outlook

In our advocacy, I have been encouraging a twin approach of:

- 1) validating and confirming commitment to pre-existing policy initiatives; and
- 2) considering the bolder and longer-term changes needed to support consumers' outcomes.

Labour has publicly supported the reform of the advice and guidance boundary and voiced commitments to support the value for money assessment changes. We are very supportive of both policies. Labour has not been drawn on the Conservative's Lifetime Provider proposals, but we understand it is aware of the industry's concerns. In June, Rachel Reeves ruled out reinstating the Lifetime Allowance which was extremely welcome. Pensions Dashboards have long had strong cross-party consensus, so I have no concerns there.

It's harder to predict what will happen with policy in the longer-term and bolder bucket. It's clear, however, that the Labour government wants to equally pursue consolidation of pension schemes and investment in domestic markets. Rachel Reeves referred to driving investment in homegrown businesses in her first

major speech as Chancellor and the appointment of Emma Reynolds as Pensions Minister, with remit across both HM Treasury and the Department for Work and Pensions, is a clear indication of the desire to have impact on economic growth with pension policy. We maintain that pension schemes must retain discretion to invest in members' best interest, but investing in private assets offers a great opportunity to deliver improved outcomes and I am pleased that this will remain a focus under the new Government.

Left-wing policy bodies favour higher minimum pension contributions and an approach which defaults pension members at retirement into products which offer a whole-of-life income plan. Not necessarily, or wholly, an annuity, but a structured plan which provides a greater security of income to defined contribution retirees.

Much will depend on the scope and pace of the pensions review and how it is convened and led. Immediately before the election Labour didn't have a shadow pensions minister so that appointment will be influential. A key priority has to be identifying a plan to address the adequacy of retirement outcomes. Higher minimum contributions is likely to be an important part of that puzzle, but it has to be assessed alongside the future of the State Pension and long-term sustainability of the pensions taxation system.

So, we sit at an important and exciting juncture with lots to discuss in the coming months.

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**Watch James Carter talk through the key regulatory themes from Q2**

## Labour's election manifesto June 2024

The table below shows what we might expect over the next Parliament as pledged by Labour in its pre-election manifesto. However, the manifesto, like the other Party's manifestos, is short on detail and much perhaps hangs on the scope and pace of the pensions review Labour committed to undertake and appetite to consider longer term structural changes. We strongly support a review, however, it must be carried out with a long-term view and consider the State Pension alongside the development of the automatic enrolment regime to ensure members receive the best possible outcome in retirement. Contribution adequacy and engagement with retirement planning remain fundamental issues impacting savers.

Like many of the manifestos, Labour has pledged to maintain the State Pension 'triple lock'. People are living longer and will be relying on the State Pension for longer and knowing that their State Pension won't be eroded away by inflation will provide some comfort to those currently receiving the State Pension or about to reach the State Pension age.



| Party  | State Pension / Triple Lock | Workplace pensions  | Pensions reform  | Environmental, Social and Governance (ESG)  | Gender/ Compensation schemes            |
|--------|-----------------------------|---|--|---|---|
| Labour | Maintain the triple lock.   | Adopt reforms to ensure workplace pension schemes take advantage of consolidation and scale to deliver better returns for UK savers and greater productive investment for UK PLC. | Conduct a pensions review to consider what steps are needed to improve pension outcomes and increase investment in UK markets. | Mandate financial institutions – including banks, asset managers, pension funds, and insurers – and FTSE 100 companies to implement Paris Agreement transition plans. | Review the Mineworkers' Pension Scheme. |

### New Pensions Minister

Following the result of the General Election, Labour appointed a new Pensions Minister, Emma Reynolds. This ministerial role now spans both the Department of Work and Pensions (DWP) and HM Treasury. This new approach will hopefully facilitate more joined up policy making and a better rounded consideration of the influence of pensions taxation on members' outcomes and engagement with pensions. It also signals a continuation of the desire to apply pensions policy to support economic growth. Whilst in opposition and through the framing of the pensions review in its election manifesto, it is clear that Labour wants to continue the pursuit of consolidation of pension schemes and investment in domestic markets. Labour has committed to undertake a review of the "pensions and retirement landscape" with the aim of improving pension outcomes and increasing investment in UK markets. The new Pension Minister will presumably play a key role in driving that review.

# Consultations and publications affected by the General Election July 2024

The announcement of the General Election in May delayed several consultations and publications and potentially halted some of the Conservative government's key pension and ISA initiatives. The table below shows the key publications that are outstanding.

| Delayed publications  | What next?   | Our view   |
|---|--|--|
| <b>Financial Conduct Authority (FCA) consultation on the Value for Money (VfM) framework draft rules joint consultation</b> | This is the next step in developing the proposed VfM framework. The FCA is to carry out a further joint consultation with DWP and TPR on the draft rules for publishing and comparing VfM metrics on services provided, costs & charges and investment. This consultation was due to be published in Spring 2024 and we understand may be published in the summer.   | We are supportive of the introduction of a new VfM framework, which aims to bring a consistent and standardised approach across the industry.  |
| <b>Abolition of the Lifetime Allowance (LTA) - revising regulations</b>   | Changes to regulations are required to correct and clarify outstanding issues for those taking benefits or transferring out of a scheme.   | The industry has been working with HMRC on correcting certain regulations (post the implementation date). These updates were not laid prior to Parliament dissolving ahead of the General Election. These revised regulations need to be confirmed as soon as possible to ensure clarity for pension members, schemes, and advisers.   |
| <b>Consultation on changes to the 2021 Transfer (scams) Regulations</b>   | In June 2023, DWP published its 18-month review of the 2021 Transfer Regulations to ensure that the regulations are working effectively and giving the maximum protection for pension savers. As part of its findings, DWP acknowledged further work was needed to determine if changes could be implemented to the regulations to improve the member transfer experience. We await a further publication on any proposed amendments to the regulations. | The original policy intent for the introduction of these regulations was to empower trustees and scheme managers to reject a transfer request where they believe the member may be at risk of a scam.<br><br>Our ambition here is to support DWP in making the changes that are needed to the rules, bringing them closer to the original policy intent and enabling trustees and scheme managers to better protect their members.   |
| <b>Consultation response to the UK ISA consultation</b>   | The deadline for providing a response to the recent consultation on the proposals for a new UK ISA closed at the beginning of June. However, it is unclear at this stage whether the Labour government would wish to continue with this new ISA product proposal.  | Whilst we welcomed the effective increase in the amount that investors could shelter from tax each year if the UK ISA proposal went ahead, we continue to believe that further simplification is needed across the ISA landscape rather than introducing a new product. This could be achieved by combining the Stocks and Shares and Cash ISA products as well as improving the ease of transfers.  |
| <b>Government response to its lifetime provider call for evidence</b>   | In November 2023, the DWP issued a call for evidence on the implementation of a lifetime provider model for workplace pensions.<br><br>The Spring 2024 Budget subsequently confirmed that the Government at the time remained committed to exploring a lifetime provider model for Defined Contribution schemes in the long-term and would undertake continued analysis and engagement to ensure that this would improve outcomes for pension savers.    | We questioned at the time, the extent to which a lifetime provider model would improve member outcomes, as there is no evidence to support this.<br><br>Policies to address the issues of multiple pots are already in flight and not yet delivered. These should be prioritised and delivered, and the success measured before layering on further changes.<br><br>It is not clear whether Labour intend to take forward the Conservatives 'Lifetime Provider' proposal. We'd expect this to be considered under their pensions review. |

# In other news...

May 2024

## Pensions Dashboards Programme (PDP) publishes updated Data Standards

The PDP published an updated version of its Data Standards, which sets out the detailed data requirements for finding and viewing pensions information. PDP consulted on draft Data Standards in 2022 and further engagement with industry took place in 2023 with the result being this revised version. The other standards which include technical, reporting and design standards, as well as a code of connection, are still being worked on and PDP intends to publish these once they have been tested and validated with volunteer participants.

### Our view:

We welcome the publication of these updated Data Standards, which will be a relief to the pension industry given the first connection deadline is now less than a year away. It is key that trustees and providers are clear on the data items that the dashboard will require, so this is welcome progress as we work through our own development, but we do not currently have any concerns about our ability to provide data to the dashboard. It is also imperative that PDP publish the remaining updated Standards as soon as possible to give the pension industry sufficient time to implement these prior to the connection deadlines in 2025 and beyond.



# In other news...

May 2024

## The Pensions Regulator (TPR) publishes its 2024 – 2027 Corporate Plan and sets out its regulatory priorities

TPR has published its new Corporate Plan for 2024 to 2027, which outlines how it will protect savers' money, enhance the pension system and innovate in savers' interests over the next three years. Key challenges identified by TPR for 2024–25 will be ensuring that schemes deliver value for money, raising standards of trusteeship and driving trustees to prepare for pensions dashboards as well as embedding the new Defined Benefits Funding Code. TPR also states that the implementation of a new Defined Contribution value for money framework will take much of this strategic cycle to deliver. TPR will seek to improve market transparency before full implementation of the framework through piloting it with the Defined Contribution master trusts market on a voluntary basis from 2025-26.

Also this quarter, TPR CEO, Nausicaa Delfas, told the pension industry that they must get the basics right on data quality to deliver on key areas such as pensions dashboards and value for money (VfM).

Poorly performing pension schemes will come under ever greater regulatory scrutiny to ensure they meet TPR's expectations. In particular, TPR will be scrutinising compliance by smaller schemes with the VfM requirements, as well as changing their focus and approach to master trust supervision with a greater focus on investments and using data and disclosure to discuss what schemes are aiming for. TPR recognises that pensions are changing towards fewer, larger schemes and therefore will be more forward looking, to enhance the market and be supportive of innovation.

Ms Delfas also set out TPR's roadmap which aims to ensure that:

1. All Defined Contribution savers receive value for money
2. All Defined Benefit schemes secure their future
3. All schemes are well run with high quality data powering informed decision-making by excellent trustee boards

### Our view:

Full and accurate scheme data has always been a key focus for TPR. The success of in-flight policies such as pensions dashboards and Value for Money will depend on schemes having full and accurate data. Improving scheme data should be an ongoing process for trustees and employers who need to work closely with their pension scheme administrators to regularly review and improve the data through data control and improvement plans.

## Important information

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