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# What will the UK General election mean for DC?

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John F Kennedy once said: "Change is the law of life'. Closer to home, those of us who have worked in the retirement benefits industry for many years would doubtless ruefully remark that change is also the law of pensions. The snap election called by the UK Government hasn't helped in that it has left some important elements of pensions policy up in the air. There is no clarity about how much of this change agenda will get picked up and seen through to a conclusion once the colour of the incoming administration has been determined on 5 July. So more than ever right now, change really is the law of pensions.

This DC publication isn't the place to discuss the possible impact of the election on all the DB pensions policy initiatives underway -such as surplus refunds and the status of the DB Funding Code. But there is no shortage of DC policy elements impacted by the election and the unknown priorities of a possible new Labour administration. What does the election mean for DC specific initiatives like:

- The proposed joint DWP, FCA and TPR value for money (VFM) framework covering trust-and contract based schemes, on which a Consultation Outcome was published in July last year (and which is intended to apply a consistent, uniform benchmark of value across the DC market)? While manifestos of the main political parties are silent on the VFM framework, Labour indicated in its plan for financial services that it would give the Pensions Regulator (TPR) new powers to consolidate schemes where they do not provide sufficient value to members
- The implementation of the Pensions (Extension of Automatic Enrolment) Act 2023, the Private Members' Bill which extends the scope of auto enrolment by reducing the age from which it applies, and by catching earnings from the first pound? While the legislation received Royal Assent on 18 September last year, it only comes into force when the Secretary of State (whoever that is going forward) makes regulations to this effect
- The Mansion House Compact and the associated productive finance reforms (which build on the Edinburgh Reforms) - for example, Jeremy Hunt's proposal in March this year that DC plans will be required to publicly disclose their level of investment in UK businesses by 2027? And how long before the DWP or Treasury grasp the real nettle here and make the favourable tax treatment accorded to registered pension schemes conditional on investing a proportion of their assets in the UK? The Conservative Party has confirmed its intention to implement the Mansion House reforms and

Labour has focussed on consolidation, scale and facilitating pension scheme investment in UK businesses

- The plan for the DWP to legislate to place statutory duties on trustees of occupational pension schemes (presumably primarily DC) *"to offer a range of different decumulation products and services to members at the point of access"?* We are hopeful of progress in this area. The Government have been clear in its intention to legislate when parliamentary time allows and Labour publicly supports the FCA's Advice Guidance Boundary Review and harmonisation across regulators to improve member outcomes
- The Government's proposals to establish a clearing house and multiple default consolidators to tackle the number of small pots, confirmed in November last year, and indeed the whole direction of travel of the small pot consolidation issue?
- The "pot for life" proposals announced by Jeremy Hunt in last November's Autumn Statement which would give workers the right to nominate a lifetime pension provider and direct employer contributions to it? Notably, the Conservative manifesto is silent on the proposals; and
- The prospects of getting amendments made to the troublesome 2003 Privacy and Electronic Communications Regulations? These regulations cut right across the current drive to engage with individuals about their DC savings and benefit options by potentially outlawing as "marketing" unsolicited electronic communications from pensions providers to DC savers

The election has also created significant uncertainty about the way forward on more general pensions initiatives which will directly impact DC schemes, trustees, sponsors and providers:

First, we were hoping for further amending regulations to sort out the hastily concocted mess of the Lifetime Allowance abolition. This has become particularly urgent following HMRC's April newsletter which recommended that individuals hold off taking certain benefit decisions until the abolition legislation is corrected. The election puts the timing and implementation of these changes in doubt. This is unfortunate for the schemes and providers which are following HMRC guidance and holding up certain benefit payments and transfers pending the amendments. While a new Labour government is now unlikely to reintroduce the Lifetime Allowance or a version of it, there is speculation over whether other pensions tax reliefs could be targeted as part of its planned review. The Institute for Fiscal Studies (IFS) has published a recent blueprint for a better tax treatment of pensions which proposes National Insurance and tax-free cash reforms.

Second, we were also anticipating long overdue amendments to the flawed (red and amber flag) Transfer Conditions Regulations - particularly the poorly drafted "overseas investments" amber flag which is wrongly getting in the way of many transfers. But we will now have to wait to see when and whether these amendments materialise.

All this domestic uncertainty is without factoring in European pensions and politics. You might well ask why should we worry about legislation from the Continent following Brexit - after all, we were told that "leave means leave". Except of course that many businesses which sponsor DC plans or participate in DC master trusts, and many DC pension providers and master trust founders, are businesses with European operations which **are** affected by EU Directives.

These entities can't afford to ignore the EU Pay Transparency Directive which will require businesses employing workers in EU member states to report extensively on their gender pay gap from 7 June 2027 onwards. The definition of "pay" in the EU Directive goes way beyond basic pay to include all elements of remuneration including pension and other benefit and compensation arrangements, and requires employers to take steps to address gaps over 5%. The European Parliament estimated in 2019 that the average gender pensions gap across the EU was 35.7%. And we know that, as pensions are built up over many years and can't generally be changed retrospectively, any benefit alterations can take decades to feed through. In these circumstances, the changes being introduced by the Directive are likely to add further uncertainty into the pensions mix for DC sponsors, master trust participants, pension providers and master trust founders - and the trustee, fiduciary and management boards running their pension arrangements with whom any benefit adjustments may have to be agreed.

We opened with words of wisdom about change from a modern American politician. Where better to close than with an ancient Greek philosopher? Heraclitus is credited with the saying that the only constant in life is change. He was writing around 500BC - ages before our system of retirement benefits -- but he must surely have been thinking about pensions when he said it...

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