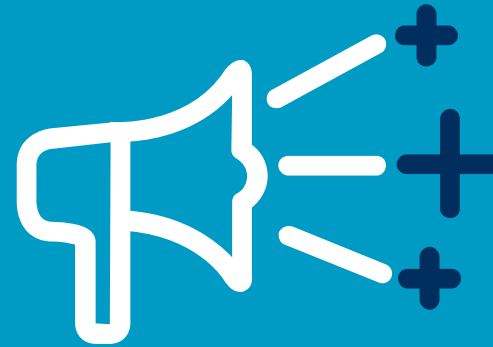


LCP DC update

Welcome to LCP's latest quarterly DC update, in which you will find our views on the key developments in the DC arena over the last three months, together with any actions and issues heading your way.

February 2019



In this edition:

- 1 Key market updates from across the industry
- 3 What's new for DC investment?
- 4 Movements in the provider market

DC & Financial Wellbeing Conference

Knowing me, knowing you - 19 March 2019

This year we aim to help you focus on truly knowing your employees and fully understanding your objectives in order to achieve the best outcomes for both your DC scheme and employees' financial outlook.

We're delighted to be joined by two outstanding guest speakers:

Holly Mackay founder and MD of Boring Money, who cuts out the jargon and talks in practical terms on how to make savvy financial decisions, and

Daniel Hulme, CEO of Satilia, who is an expert in applying Artificial Intelligence solutions to solve industry problems and how artificial intelligence (AI) can advance the future of business.

[To register and for further details visit our website.](#)

Key market updates

Cold-calling regulations come into effect - finally!

The long-awaited regulations bringing in the pensions cold-calling ban have now completed their passage through Parliament after being laid in draft form. They came into force on 9 January 2019.

We urge trustees and pensions managers to remain cautious on behalf of their scheme members as fraudsters may find alternative ways to scam pensioners. For more information on pension scams, visit the FCA [website](#).

Key market updates continued

Auto-enrolment increases - are you ready?

On 6 April 2019, the minimum contributions payable to qualifying pension schemes will increase from 5% to 8% of earnings (with the employer paying at least 3% of the 8%).

This follows the last increase in April 2018. As before, in most cases employers should not need to consult with employees, but there could be circumstances when an increase in member contributions will fall within the scope of the 'listed' changes under the Pensions Act 2004. This means legal advice will usually be required before deciding not to consult. However, it is worth checking whether any advice you received ahead of the 2018 increases also addressed the 2019 increases at the same time.

For any particular auto-enrolment questions or concerns, please get in touch with our [DC team](#).

Brexit – what's next?

Good pension outcomes for savers are not always necessarily dependent on the actions of governments and regulators, but rather the health of the economy in general.

This means that with the current uncertainties about the economy post-Brexit, it remains a challenge to gauge the short-term effects on pensions regulation. As you would anticipate, we will continue to monitor this closely and report any developments in future DC updates.

What's the latest on the Pensions Dashboard?

The dashboard is an online service which is designed to allow people to see information on multiple pension entitlements in one place. On 3 December 2018 the DWP initiated a consultation with the industry to gather its thoughts on how the Government should facilitate an industry-led pensions dashboard, asking interested parties to submit responses by 28 January 2019, with a promise to respond by the end of April 2019.

So after long delays by the Government, the concept of the pensions dashboard looks like it will be going ahead.

We will continue to monitor developments in this area, so keep an eye out for our future updates.

Collective Defined Contribution (CDC) schemes: are they the next 'big thing' in UK pensions?

In November 2018, the Government launched a [Consultation](#) on CDC schemes, against a background of the proposed developments in this area by the Royal Mail and the Communication Workers Union (CWU).

Whilst this type of scheme has many potential attractive features, they are quite niche and generally only suitable for larger employers and schemes.

Steven Taylor, Partner at LCP, highlights some of the key features and challenges for CDC schemes in his [blog](#).

Simplified annual statements – clear, concise, consistent?

We know annual statements can often be quite difficult to understand, particularly due to the use of jargon and complex language. This is why we're backing the industry's latest announcement of the launch of the [new simplified annual pensions statement](#).

Essentially, the simplified statement is a two page template which sets out clearly and in plain English the key information that savers want and need to know about their pensions, namely:

- How much money is in their pension plan;
- How much is it likely to be worth at retirement; and
- Simple suggestions of what savers could do to make their pot worth more.

Launch of simplified annual statements: ready for take-off?

For some time now our 'Future Pensioner Hub' has been a platform for calls to make pensions more accessible and easier for Future Pensioners to understand and engage with, so the recent announcement of the launch of the new simplified annual pensions statement is music to the ears, says Laura Myers.

[Read more.](#)

Key market updates continued

The future of workplace benefits: a briefing with Charles Cotton, CIPD

Join us on Tuesday 26 February to hear Charles Cotton, CIPD, and Dipa Mistry Kandola, LCP, discuss the various approaches that you can adopt to successfully achieve an employee benefits offering which meets the needs of your people whilst demonstrating added-value to the business.

Find out more and register [here](#).

PQM launches new standards to drive better retirement outcomes for savers

The Pensions and Lifetime Savings Association is [launching updated standards](#) for its Pension Quality Mark (PQM) to help raise the quality of single-employer DC pension schemes.

PQM is an accreditation scheme designed to increase confidence in workplace pensions by helping employers demonstrate the quality of their scheme. There are currently 190 schemes accredited with PQM covering over 650,000 active savers.

If you are PQM accredited, you need to ensure you are meeting the new standards, and update any member literature accordingly.

What's new in DC investment?

Environmental, Social and Governance (ESG), Statement of Investment Principles (SIP) and getting the language right for DC savers

ESG really started to climb up the pensions agenda last year, with initiatives such as the DWP legislating that ESG considerations are included in SIPs from 1 October 2019 (please see the previous [DC update](#)).

ESG investing can take various forms, so greater education and clarity will help increase understanding about this for our future pensioners. Our in-house research team will continue to monitor developments in this area, but in the meantime, you can hear all about how to get the language right for your DC savers from Sapna Patel, Consultant in our Investment Department, [here](#).

Caribbean or care home: saving smart for comfort in retirement?

Laura Myers considers what Future Pensioners might want and need in retirement – and how to pay for it.

[Read the blog.](#)

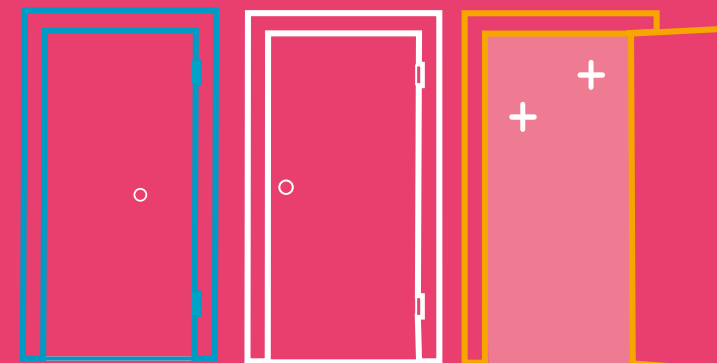


60% of schemes offer more investment flexibility, but how will this benefit members?

LCP's latest DC Scheme survey shows that since the introduction of Freedom and Choice in 2015, **60%** of schemes now offer three or more investment and lifestyle strategies which allow members to target different retirement outcomes.

Although this is a positive step, trustees and employers need to be mindful of overwhelming DC savers by offering too much choice without clear explanations. We need to communicate in language that members can understand, so that they can make better informed decisions about their retirement.

Find out more about our findings, and get our top tips, by downloading the publication [here](#).



Movements in the provider market

Zurich Part VII: update

In October 2017, Scottish Widows [announced](#) that it would acquire Zurich's £19bn workplace pensions and savings business as part of a long-term strategic deal to expand the Scottish Widows retirement offering.

Some of Zurich's business, including investment products, began transferring to Scottish Widows in April 2018.

For the transaction to be fully completed, Zurich will submit its proposal to the Court for approval in February 2019. Providing there are no material concerns, there will be a Final Hearing in June 2019 and, subject to Court (and regulatory) approval, the transfer is scheduled to go ahead on **1 July 2019**.

We will continue to monitor this development and keep you updated.

Further developments in the Master Trust market

As you may know, the [law](#) covering Master Trust authorisation came into force from 1 October 2018. Since then:

- 6 schemes have exited the market;
- 29 have triggered their exit from the market;
- 49 schemes are expected to apply for authorisation or trigger their exit from the market in coming months; and
- 6 authorisation applications have been submitted, including applications from Legal & General and Willis Towers Watson (LifeSight).

Whilst there is a pronounced move towards the Master Trust model, it doesn't necessarily mean that everyone will (or should) follow suit. But this movement in the market now offers you an opportunity to make sure that you reflect on the services being offered by your current provider(s), to make sure you're still getting value for money.

Get in touch with either Laura Myers, Philip Audaer or Simon Jackson to discuss your requirements.

Making financial wellbeing more than a tick box exercise in 2019

The phrase 'financial wellbeing' was the HR buzzword of 2018, but what does it really mean? And how can we make sure that any solutions designed to help employees are relevant and effective in 2019?

Laura Myers asks if financial wellbeing matters, and what we can do to help.

[Read more.](#)

Any questions?

If you would like any assistance or further information on the contents of this update, please contact one of the team below.



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Visit the [preference centre](#).