The Pensions Regulator
Making workplace pensions work

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Rt Hon Stephen Timms MP
Chair
Work and Pensions Committee
House of Commons
London
SW1A 0AA

21 July 2020

Dear Mr Timms

We welcome the findings of The Work and Pensions Committee's report into the coronavirus outbreak in relation to workplace pensions. I am writing to respond to conclusions and recommendations that were relevant to The Pensions Regulator (TPR).

Automatic Enrolment (AE)

We continue to focus on the 10 million people who have been automatically enrolled into a pension scheme since the launch of AE in 2012. Our guidance issued at the start of the Covid-19 crisis set out our expectations or how employers can meet their AE duties within the law, to ensure savers receive the pensions they are due.

The AE easements we introduced applied to all pension schemes, allowing them more time to work with their employers who might be experiencing challenges meeting payment obligations. The missing contribution or late payment process is initiated by the scheme provider, in accordance with our guidance.

We understand that smaller employers may find it extremely challenging to keep up with payment obligations. NEST, for example, provide pension schemes to roughly 67% of all small and micro employers that have declared their compliance with AE with us. We work closely with NEST through regular meetings, to ensure guidance and support is offered to these employers. The Government's Coronavirus Job Retention Scheme (CJRS) is due to end in October and the hardest times may still be ahead for many employers and for that reason, we will keep our approach under review as the impacts of the pandemic continue to unfold.

We continue to maintain a regular and open dialogue with key stakeholders, many of whom are communications partners. We provide them with communications material and links to our employer guidance which they share with employers and their advisers through their own communications channels. This helps to maximise the reach of our key messages on the actions that employers need to take to comply with their workplace pension duties, and where to go for guidance and support.

The stakeholders we work with are representative of all employers and their business advisers, and include employer bodies (such as FSB, BCC, and FPB) professional bodies (such as ICAEW, CIPP, ICB), regulatory bodies (such as BEIS, HMRC), key pension and payroll providers (such as Nest, B&CE, Sage), trade associations (such as BBPA, BIRA), and local business networks (such as growth hubs/LEPs).

We are pleased to announce the Cabinet Office has approved funding to run a campaign alongside the CJRS. The campaign will run from August and remind employers they have ongoing duties regardless of whether staff are furloughed or not under CJRS. As with all our messaging, we'll consider the pressures of COVID-19 upon employers and how they may be trying to recover from an extremely difficult time.

Regarding your concerns over re-enrolment, as you know the legal requirement is that employers carry out re-enrolment every three years. TPR does not have powers to bring that date forward. However, our guidance for employers does make it clear that employees may choose to opt back into a scheme earlier than their employer's re-enrolment date. We, of course, do not have powers to require employers to encourage employees to opt back in early. I would also like to highlight that we are not seeing widespread cessations or opt outs, but there are some, so we continue to monitor the situation and will continue to update our guidance when appropriate. We will keep this situation under careful review.

We are aware of the potential increased benefit to savers of making pension contributions while market values are low, a point made in evidence to the committee by TPR's Executive Director of Regulatory Policy, Analysis and Advice, David Fairs.

We place the saver at the heart of what we do. In our recently published Corporate Plan [1], we set out how we will ensure jobholders have an opportunity to save into a qualifying workplace pension through automatic enrolment. Our focus this year will be to ensure that the integrity of the automatic enrolment regime continues, while supporting employers through difficult times from the impact of COVID-19, and where required providing appropriate easements. Maintaining the extremely high levels of compliance in the current climate will be a challenge, but we will remain vigilant and maintain our resolve for the longer term. We will monitor this situation area by making sure;

- Employers are continuing to re-declare and new employers are making their declarations for the first time in line with their duties for automatic enrolment.
- Jobholders have been put into qualifying schemes.
- Employers make accurate and timely contributions to their schemes on behalf of their workforce.

Defined Benefit (DB) Schemes

We believe that the best support for a pension scheme is a strong employer. We have published guidance that aims to help trustees balance the need to protect the interests of the scheme's members and supporting an employer in distress. A recent study by the Pensions Management Institute shows three-quarters of schemes have found our advice during the COVID-19 crisis helpful [2].

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[1] https://www.thepensionsregulator.gov.uk/en/document-library/corporate-information/corporate-plans/corporate-plan-2020-21

[2] https://www.pensions-pmi.org.uk/knowledge/policy-and-public-affairs/pmi-pulse-june-2020/

In response to the immediate crisis, we were quick in issuing guidance, which included asking trustees of DB schemes to remain open to requests from employers to suspend or reduce deficit repair contributions (DRCs). We have expanded on this with an update on 16 June by clarifying the due diligence trustees are expected to undertake when faced with these requests. Additionally, trustees are asked to resume reporting certain key information to TPR to ensure risks are being managed and savers protected. Any information provided to us will be investigated further if we have concerns. Areas we expect trustees to report against include:

- Suspended or reduced contributions – we require a revised recovery plan or a report of missed contributions
- Late valuations and recovery plan not agreed
- Delays in cash equivalent transfer value quotations

While we expect there will be a need for DRCs deferrals to continue, trustees should only consider them for an employer with immediate or demonstrable cashflow problems and after undertaking due diligence. We expect pension schemes to receive equitable treatment compared with other creditors and shareholders. We have made it clear trustees must ensure their scheme is not unfairly prejudiced by other creditors being inappropriately repaid in priority or through the paying of dividends while DRCs have been deferred.

As a result of the current environment, we have refocused our relationship supervision of schemes to discuss and address issues arising either through the pandemic, or as a result of it. We will continue to speak to trustees and employers of relationship-managed schemes to better understand their position and the risks and issues they are facing.

In addition, our event supervision team is liaising with other schemes, taking a risk-based approach where we see that schemes are displaying a range of risk indicators or where it appears that the easements we have put in place are not being used in line with our guidance

Pension Scams

The Committee’s focus on the danger of scams is very welcome. Fears over the impact of Covid-19 on markets has increased the vulnerability of savers to pension scams. We remain committed to tackling pension scams and part of this is continuing to raise awareness amongst savers that scammers are out there and are targeting retirement savings.

We acted quickly issuing a joint statement with the FCA and MaPS to urge savers not to rush any decision on their pensions and to seek free impartial guidance from the Pension Advisory Service (TPAS). This was supported by a communications campaign that funnelled people looking to find out more, towards the TPAS dedicated COVID-19 page. The campaign has driven an increase in people seeking further information, with 86,000 accessing free, impartial guidance from TPAS.

We have made our expectations clear to pension trustees that for the foreseeable future, anyone looking to transfer their pension must be sent a warning letter stating that transferring now is unlikely to be in their best long-term interests. The letter also points them towards the guidance offered by TPAS.

We have been collaborating with members of Project Bloom since 2013 to run communications campaigns that aim to raise awareness of the risk of pension scams and in doing so, help savers protect their money[3].

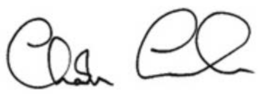
This year, we continue to partner with the FCA on the ScamSmart campaign [4]. During 2019 the campaign reached three-quarters of pension savers between 45-65 urging them to get to know the warning signs of a scam and to always check who they are dealing with.

The current crisis and economic uncertainty will have left many savers worried about their finances and whether their pension is safe. Therefore, we've joined forces with five other pension bodies to answer common pension concerns and help savers find the right support. Our co-published new guide "COVID-19 and your pension - where to get help" [5] will help answer many questions that savers may have, if concerned about the impact of the pandemic on their retirement. One of guides primary focuses was to highlight the risk of scams to those most vulnerable.

In addition, our campaign work has increased the due diligence amongst trustees and administrators in identifying suspicious activity and preventing savers for transferring savings into scams vehicles. ScamSmart will continue to educate trustees, advisers and providers on how they can help prevent scams. Education is our greatest weapon, which is why we support the high-profile ScamSmart pensions scams advertising campaign and provide information across a number of channels to help consumers identify and avoid pension scams.

I hope this information is helpful to the Committee and we look forward to working with you on future inquires.

Yours sincerely



Charles Counsell
Chief Executive

[3] Project Bloom was created to bring together government departments, agencies, regulators, law enforcement bodies and representatives of the pension industry to tackle pension scams
[4] https://www.fca.org.uk/scamsmart
[5] https://www.ppf.co.uk/sites/default/files/2020-05/COVID-19-and-your-pension.pdf