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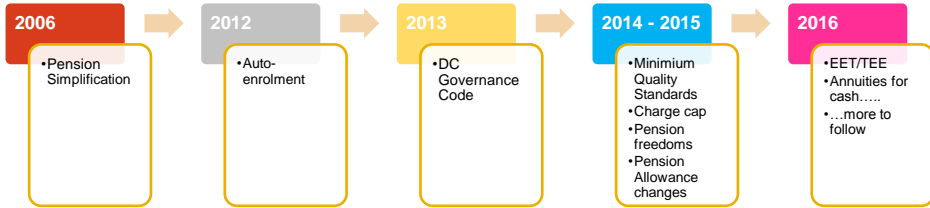
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## Workshop focus

Topic
Accelerated change in the DC Landscape
Increasing DC Governance
Pension Freedoms
The Summer Budget
The consultation – EET or TEE
Questions

## Accelerated change in the DC landscape



**Increasing DC governance**

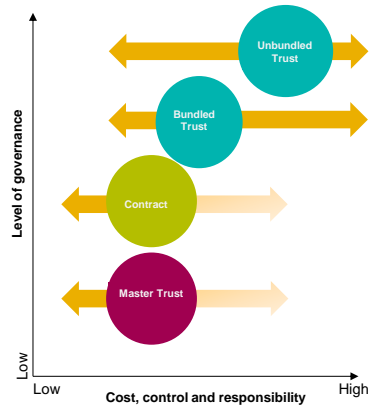
## Different responsibilities

### Trust

- Employer is responsible for scheme design and remitting contributions
- Trustees are responsible for the scheme governance/management and investment offering
- Increased focus on governance following the Code of Practice 13
- New minimum governance standards and Annual Chair Statements from 2016

### Contract (GPP/Stakeholder)

- Employer is responsible for selecting the provider and remitting contributions
- Employer can identify investment ranges including default investment options
- No legal duty for employer governance structure required
- Provider must appoint an Independent Governance Committee (IGC)
- IGC responsible for compliance with new minimum governance standards



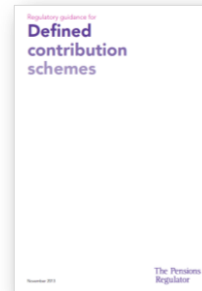
## Code in the spotlight



## The Pensions Regulator

### Thursday 21 November 2013:

- TPR Code of Practice 13 came into effect *"Governance and administration of occupational defined contribution trust-based pension schemes"*
- DC Regulatory guidance
- New consultation on AVCs expected late 2015



## DWP - minimum governance standards from April 2015

- All schemes must be governed by a body with “a duty to act in members’ interests” – and explain how any conflicts of interest are handled.
- The governing body must consider:
  - the design and net performance of default investment strategies
  - standards of administration and processing of core financial transactions
  - costs and charges borne by scheme members (value for money)
  - levels of knowledge and understanding.
- Additional conditions on ‘independence’ for Master Trusts (excluding NEST) and contract-based schemes.

Trustee bodies must have a ‘Chair’, who must produce a statement to include in the scheme’s annual report and accounts, explaining how the scheme has performed against the minimum standards.



*Implementation of the new standards will require changes to how many trust-based and contract-based schemes are governed*

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## tPR survey on DC quality features

- Key findings**
- Large pension schemes (>1,000 members) display more of the 31 quality features than small (12-99 members) and medium schemes (100-999 members).
- Smaller employers**
- tPR is urging small employers who are preparing for automatic enrolment to choose a high quality scheme such as a master trust or a group personal pension plan.
- Problem areas**
- Security and liquidity of scheme assets
  - Value for money and transparency of member charges
  - Scheme record keeping
  - Processing core transactions
  - Robust retirement process
  - Member communications



\*Graphic shows results of Towers Watson own analysis of DC schemes governance

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**Pension freedoms**

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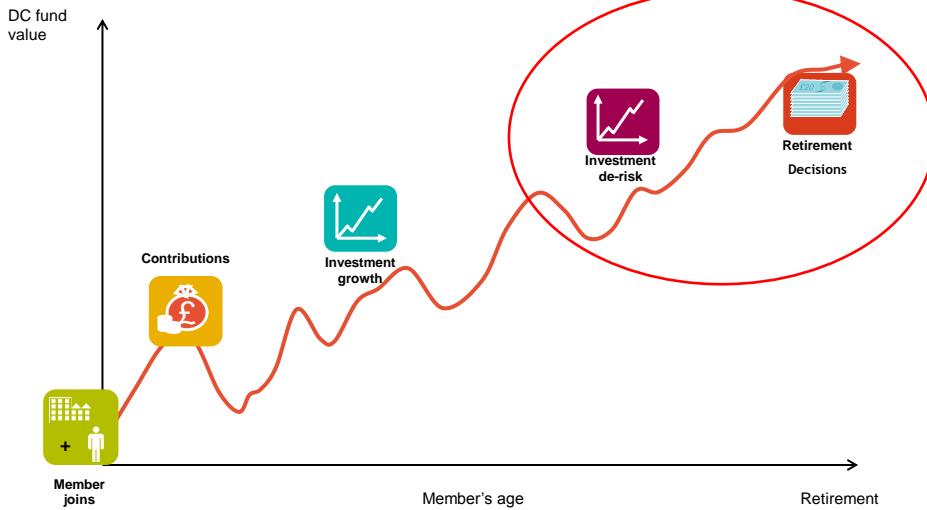
**Remember the headlines**



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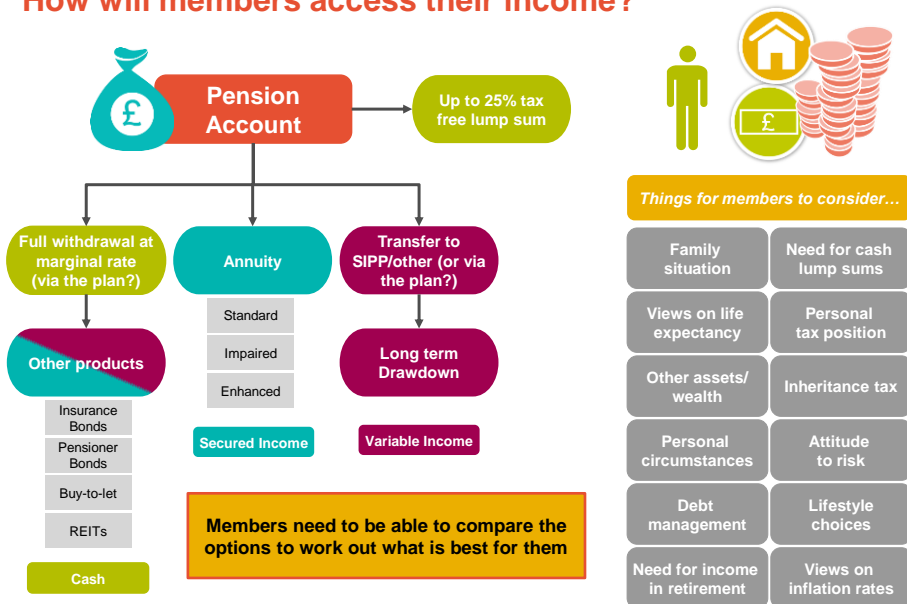
## Impact on member DC journey



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## How will members access their income?



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## Member behaviours – Standard Life



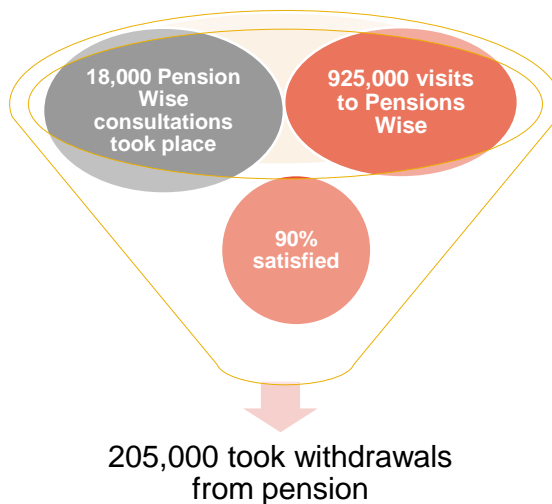
Source: Standard Life 8 October 2015

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## Guidance/advice gap



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# The Summer Budget

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## More change

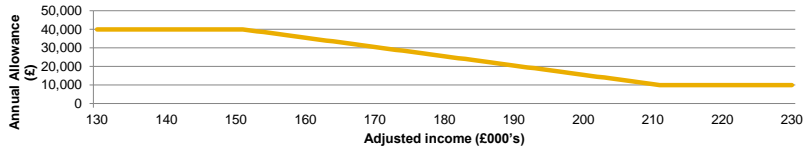
<p>AA reduced for some* LTA reduced for all</p> 	<p>Opportunity for higher pension contribution in 2015/2016 <b>£80k</b></p>	
<p><b>April 2016</b> <b>Estimate reduced AA</b></p> 	<p><b>LTA</b> <b>Register for protection</b></p>	
<p><b>Strategic review</b></p>	<p><b>Communications</b></p> 	<p><b>Alternative savings</b></p>

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## Changes to Pension Allowances



## Green paper consultation

<b>The principles</b>	<p>Reform should be:</p> <ul style="list-style-type: none"> <li>• Simple and transparent</li> <li>• Support personal responsibility</li> <li>• Build on the early success of automatic enrolment</li> <li>• Be sustainable (in terms of cost to the Exchequer)</li> </ul>
<b>Why now?</b>	<p>Two reasons:</p> <ul style="list-style-type: none"> <li>• Increasing longevity; and</li> <li>• Move from DB to DC pension provision with the latter likely to prove inadequate to meet individuals' retirement expectations.</li> </ul>
<b>Exempt-Exempt-Taxed</b>	<p>Current model:</p> <ul style="list-style-type: none"> <li>• Contributions are exempt from tax when paid</li> <li>• Roll-up is exempt</li> <li>• Payments are taxed (but 25% can be taken tax-free)</li> </ul>
<b>Taxed-Exempt-Exempt or...</b>	<p>Options:</p> <ul style="list-style-type: none"> <li>• Moving to a TEE system with a government top-up on contributions; to</li> <li>• Retaining the current system and altering the lifetime and annual allowances</li> <li>• ... and anything in between!</li> </ul>



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