2019: A year in review

With the ongoing NHS tax crisis, a record year for bulk annuity deals, and the rise and fall of the Pension Schemes Bill in 2019, Jack Gray looks back on what has been a busy year in the pensions industry

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Taxing on your health

Senior NHS staff have been taking fewer extra hours and opting out of the pension scheme as the restrictions imposed by the tapered annual allowance on pension contributions continued to affect the health service. Despite calls from the industry to scrap the taper to lessen the tax penalisation experienced by staff, the government has refrained from committing to getting rid of the taper and has instead offered to make pension arrangements more flexible. In November, NHS England confirmed an emergency plan to allow pension tax bills incurred by doctors to be paid through the 'scheme pays' option. Both the Labour and Conservative Parties' manifestos promised to 'review' the taper, but made no promise to scrap it.

Record-breaking year

This year saw records being broken and re-broken for bulk annuity transactions as companies and their schemes sought to reduce the risk they were subject to. In June, Legal & General and Rolls-Royce completed a then-record £4.6 billion buyout, which transferred the assets and liabilities of around 33,000 members. Its title as the largest bulk annuity deal in UK history was short-lived however, as three months later Telent and the trustees of its GEC 1972 defined benefit scheme completed a buyout with Rothesay Life worth £4.7 billion. The deal secured the benefits of all 39,000 members, including 11,000 deferred members. Aon predicted that total UK bulk annuity deals could reach £40 billion, surpassing the record set in 2018 when around £35 billion worth of bulk annuity deals were completed.

Universities strike back

University and College Union (UCU) members at 60 UK universities went on strike at the end of November over changes to the Universities Superannuation Scheme (USS). The employer, Universities UK (UUK), agreed to contribution increases from 8 per cent to 9.6 per cent of salary for members and from 18 per cent to 21.1 per cent for the employer in August. However, UCU were seeking an agreement of 'no detriment' for its members and has been unable to reach an agreement with UUK, despite numerous attempts. The union warned that if universities failed to make improved offers then further waves of strike action could follow in the new year. In a separate case, USS fired whistleblower Jane Hutton from the scheme's trustee board after she raised concerns with The Pensions Regulator (TPR) that her efforts to find out whether the USS deficit was exaggerated were blocked.

Pensions in party manifestos

In the build up to the General Election on 12 December, the major political parties published their manifestos, including the changes they would make to pensions were they to win. The Liberal Democrats promised to "act on the pensions crisis" affecting the NHS, retain the state pension triple lock and review rules concerning pensions for the self-employed. The Conservatives also pledged to hold an "urgent review" of the NHS tax crisis, retain the triple lock, while also outlining plans to reintroduce the Pension Schemes Bill. Labour went a bit further in its manifesto, promising to freeze the state pension age at 66, create an independent Pensions Commission and pledged to offer a compensation package for women born in the 1950s affected by state pension age changes, at a cost of £58 billion.

Back to 60

Labour's compensation promise comes after women affected by changes to the state pension age, and how it was communicated, lost their case at the High Court. Two claimants, backed by the Backto60 organisation, argued that equalising the state pension age for women born in the 1950s "unlawfully discriminated against them on the grounds of age, sex, and age and sex combined". The court found that there was no "direct discrimination" on the grounds of sex. The Backto60 movement has been campaigning on behalf of the estimated 3.8 million women affected by the state pension age changes and lodged an appeal with the High Court in late October. No date for the appeal hearing has been set.

Rise and fall of the Pensions Bill

The Pension Schemes Bill was announced in the Queen's speech in October after months of rumours about its existence and what it would contain. It announced legislation to implement the pensions dashboard, which would allow savers to see their pension pots in a digital format, and enhanced powers for TPR to help tackle irresponsible employers and protect savers. It also would have provided the legislative framework for the introduction of collective defined contribution (CDC) schemes in the UK. However, with the announcement of a General Election on 12 December, the Pension Schemes Bill was put on hold while parliament was dissolved. However, the bill reportedly has cross-party support, and is expected to be reintroduced by the next government, albeit more delayed than was hoped.

Big deal

Back in February, the Cardano Group agreed to purchase 100 per cent of workplace pension provider Now Pensions from the Danish pension fund Arbejdsmarkedets Tillaegspension. Although the cost of the acquisition was not disclosed, it will result in Cardano's total assets under management exceeding £25 billion. The deal was completed in late September, after Now Pensions' master trust was granted authorisation by TPR. Now Pensions is the third largest auto-enrolment provider in the UK, with 1.7 million pension savers across 30,000 businesses. Cardano hopes that the deal will combine its investment experience in the DB and DC markets with Now Pensions' auto-enrolment and administration capabilities.

Completely authorised

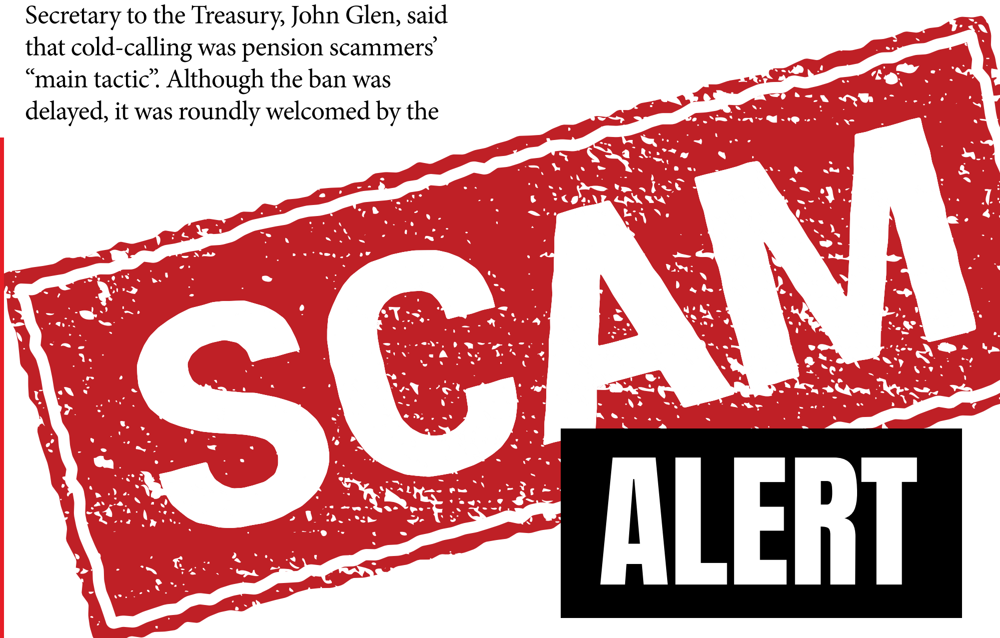
In November, TPR concluded its defined contribution master trust authorisation regime for existing schemes with the approval of the Financial Conduct Authority Pension Plan and the Salvus Master Trust. There are now 37 authorised master trusts, which contain 16 million UK savers, with half of all employees who have been automatically enrolled into a pension saving into a master trust. As a result of TPR implementing the new law the market has since reduced in size by nearly 60 per cent, from 90 schemes to 37 authorised master trusts. The regime began in October 2018 and concluded in November 2019, although new master trusts can apply to enter the market at any time. TPR said that master trust savers are now "better protected" due to the authorisation regime.

Revolving door

Another year, another new Work and Pensions Secretary. In response to the government's policy regarding Brexit and the expulsion of "loyal moderate Conservatives", Amber Rudd resigned from the position in early September. She was replaced by former Minister of State at the Department for Environment, Food and Rural Affairs, Thérèse Coffey, who is the MP for Suffolk Coastal. Rudd had survived Prime Minister Boris Johnson's cabinet reshuffle in July but resigned from her role and surrendered the whip later in the year. Pensions Minister Guy Opperman also retained his position in Johnson's reshuffle and remains as Pensions Minister, a role he has held since 2017.

Calling all scammers

The year began with the government taking the step to make cold-calling illegal in an attempt to tackle scammers. The ban made it illegal for any member of the public to receive unsolicited calls about their pension. Companies that fall foul of the regulations could face enforcement action and fines of up to £500,000. The legislation was originally intended to be introduced in June 2018, however, the government admitted it had missed the deadline, launching a consultation in its place. Economic Secretary to the Treasury, John Glen, said that cold-calling was pension scammers' "main tactic". Although the ban was delayed, it was roundly welcomed by the industry as a way to help savers protect their pensions.



Keeping execs in check

The Investment Association (IA) announced in February that it will be targeting companies that pay directors pension contributions at rates above the majority of their workforce's. Later in the year (September) it told companies that they must pay all executive directors the same pension contribution levels as the majority of their workforce by the end of 2022 or risk shareholder action. In response, Standard Charted chief executive, Bill Winters, agreed to take a cut of 50 per cent, or £237,000, to his annual pension allowance. Lloyds Banking Group chief executive, Antonio Horta-Ososrio, then followed suit, announcing that he will take a pension allowance cut from 33 per cent to 15 per cent of base salary in 2020, while the chief executives of Barclays and Santander also agreed to similar pension allowance reductions.

Written by Jack Gray