

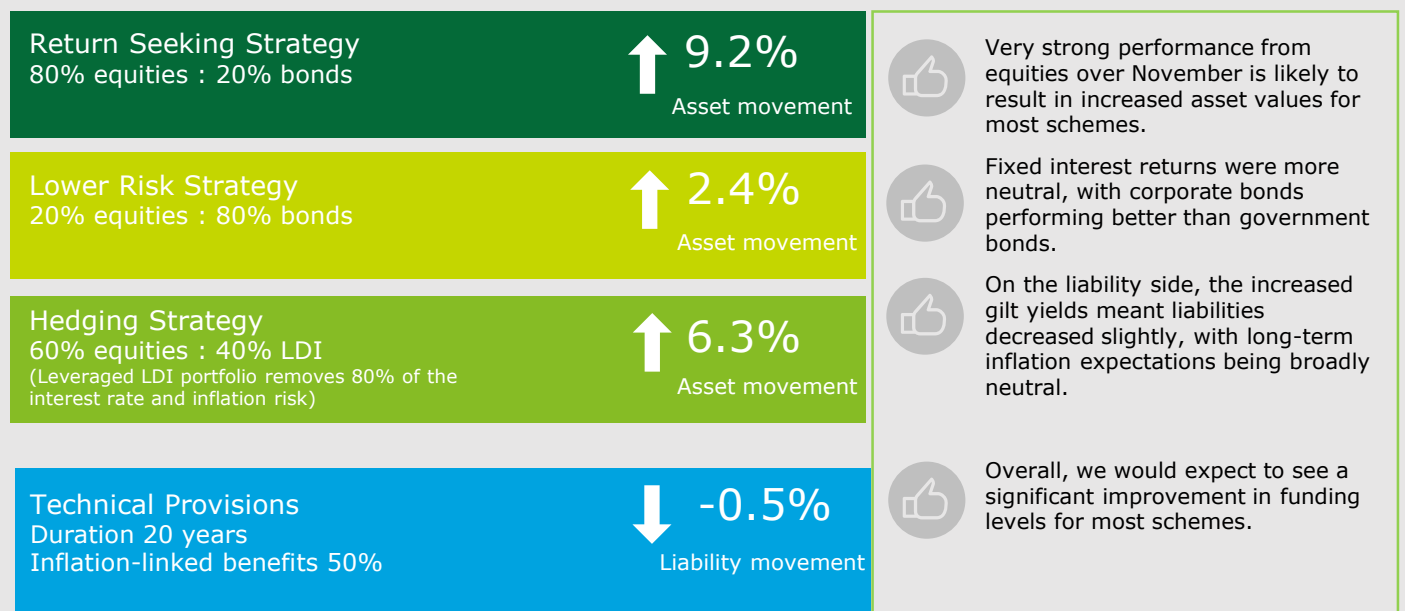
Pensions Update

2020, Issue 12

“The latest update in the GMP equalisation saga may prove one of the most challenging yet. Trustees will potentially have to track down the benefits of ex-members who took a transfer value up to 30 years ago, and who may since have moved house, moved country, changed name or even died.”

Mike Ingram, **Deloitte Pensions Associate Director**

How scheme asset and liability levels have changed over November



The figures above illustrate the likely movement in assets for three typical investment strategies, and liabilities for a typical scheme.

Developments in pensions

Pension Schemes Bill

The Pension Schemes Bill is expected to be finalised by the end of the year, receiving Royal Assent early in 2021. A helpful Parliament briefing paper is [here](#).

RPI changes confirmed

The government has confirmed that, from 2030, the calculation of the Retail Prices Index (RPI) will be brought into line with that of the Consumer Prices Index including owner-occupied housing costs (CPIH).

As the CPIH typically increases by around 1.0% pa less than the RPI, this has a number of implications for pension schemes. Implications include the level of future increases to member benefits and the valuation of RPI-linked assets such as index-linked gilts.

GMP equalisation update

The latest stage in the GMP equalisation saga is that the courts have now ruled that historic transfer values must be equalised.

Trustees have to proactively consider how to address contacting past members who took a transfer value in respect of service between 17 May 1990 and 5 April 1997, with a view to paying additional equalisation sums where appropriate. In many cases, data in respect of these members is likely to be non-existent or at least out-of-date, making it challenging for trustees to be proactive in this respect.

Excess mortality returns with second COVID-19 wave

The latest Mortality Monitor published by the Continuous Mortality Investigation shows that, to 4 December, there have been around 69,500 excess deaths in the UK, of which 8,600 are in the second wave.



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Developments in pensions (continued)

Stronger nudge to pensions guidance

The DWP has published a statement of policy intent setting out proposed measures to encourage pension scheme members to access appropriate pensions guidance.

The aim is to promote informed decisions, particularly on retirement. This will be primarily achieved by trustees "nudging" members towards Pension Wise guidance when they seek to access their pension. [Pension Wise](#) is a government service which provides "free and impartial" guidance about options for defined contribution scheme members.

Dashboard update

The Pension Dashboard Working Group has released an update on the Pensions Dashboard Programme.

The update confirms that pension schemes will be required to make available data for display on pensions dashboards from 2023. This raises challenges for many pension schemes around how to ensure data can easily be transferred to the dashboard.

Deloitte has joined with [PASA](#) as their Data Expert Partner for 2020/21. In addition, Kristy Cotton, an Associate Director in Deloitte's Birmingham office, continues to chair PASA's Data Working Group."

TPR tells trustees to be ready for sponsor distress

The Pensions Regulator has published guidance which requires trustees to be alert to signs of possible sponsor distress. In particular, this requires trustees to ensure that their Integrated Risk Management plans are effective.

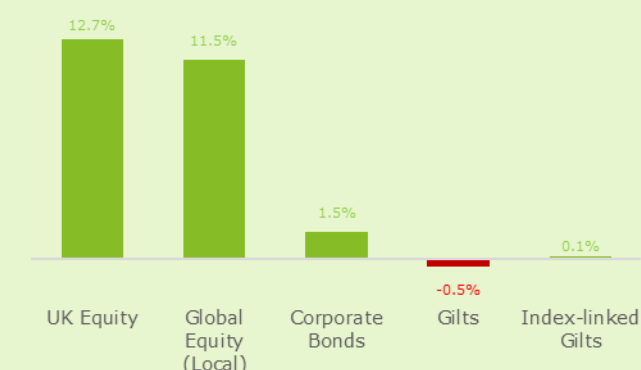
PPF issues Purple Book

The Pension Protection Fund has issued its 2020 Purple Book. The Purple Book is an annual publication which contains various facts about UK pension schemes such as:

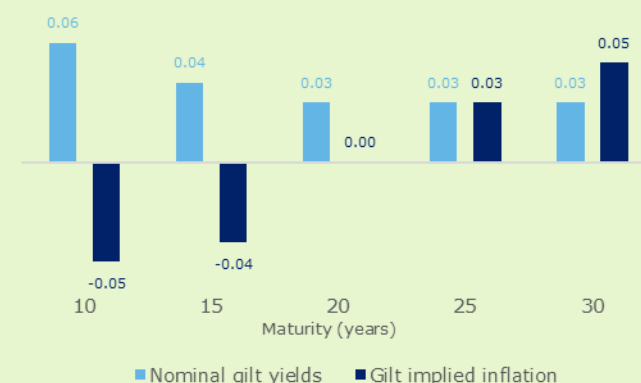
- Aggregate funding levels dropped to 94.9% as at March 2020, compared with 99.2% the previous year.
- 46% of defined benefit schemes are now closed to future accrual, up from 44% last year.

Key investment market indicators

November 2020 Asset Returns



November 2020 Change in Yields



The bigger economic picture



Despite being made to wait for the election result and Trump's refusal to concede defeat, markets have reacted positively to President Elect Joe Biden's victory in the US presidential election. The result is expected to pave the way to a more generous fiscal stimulus package and greater stability in US trade policy.



The resurgence in COVID-19 cases seen during November caused many countries to re-impose strict lockdown restrictions. However, despite the obvious economic disruption, which has become increasingly evident in economic data, equity markets have continued to perform positively buoyed by the news of several viable vaccine alternatives. Sectors which have proved most sensitive to the COVID-19 outbreak outperformed as a result, with investors seeing a clearer path back to economic normality.



Turning to fixed income, the confirmation that RPI would be aligned with the CPIH early in 2030 had minimal impact on gilt implied inflation. With no compensation being offered, the lack of market impact has been surprising given the typical difference historically between the RPI and the CPIH. This is further evidence of the distortion caused by excess demand for index-linked gilts and strengthens our view regarding the existence of an inflation risk premium.



With uncertainty subsiding surrounding the US presidential election and news of vaccines easing COVID-19 concerns, the issue of Brexit and the lack of progress in UK-EU trade discussions became increasingly prominent during the month.

Deloitte.

Deloitte is pleased to be able to announce that two members of our pensions team have been shortlisted for “**Actuary of the Year**” and “**Pensions Actuary of the Year**” in the 2020 Actuarial Post Awards.



Michael Ingram
Shortlisted for
“Actuary of the Year 2020”

Vote via <http://deloi.tt/VoteActYear2020>



Andrew Watcham
Shortlisted for
“Pensions Actuary of the Year 2020”

Vote via <http://deloi.tt/VotePenActYear2020>

Michael is an Associate Director at Deloitte and leads Deloitte’s GMP Equalisation team. His work includes advising on projects that cross all aspects of the DB pensions world including M&As, restructuring, pensions strategy, scheme funding, de-risking consolidation, scheme administration and the day-to-day running of pension schemes.

Andrew is a Scheme Actuary at Deloitte. His work includes advising some of Deloitte’s largest (and smallest) trustee clients, working on the ground-breaking Deloitte Pensions Master Plan and leading our PPF levy consulting team.

Finding out more

If you would like to speak to us about any of the points raised in this update, contact one of our team below or your usual Deloitte contact.



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