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## EY Pensions Covenant Advisory snapshot series

15 October 2019

# The new Pensions Bill: moving the dial in the right direction

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The new Pensions Bill will grant enhanced powers to TPR to ‘tackle irresponsible management of pension schemes’

Queen's Speech  
14 October 2019

The announcement of the forthcoming Pensions Bill, together with EY's most recent assessment of the outlook for corporate Britain, is a timely reminder to UK pension trustees and their sponsors of the need to ensure their house is in order.

Although the lack of a majority may impact the Government's ability to enact these proposals during this Parliament (and it was silent on a number of key issues), the Bill provides a clear statement of intent and further reinforces the need for long-term solutions rather than short-term fixes, which is positive.

This comes at a time of significant uncertainty in corporate Britain: profit warnings are running at record recent levels and 64% of EY pension clients recently surveyed anticipate the UK to enter recession within the next year.

Against this backdrop, trustees and sponsors should be taking the time now to assess their current position and the associated robustness of their governance, processes and protocols. Any shortfalls need to be identified and addressed to avoid both adverse reputation and regulatory sanctions being imposed.

### **The new Pensions Bill includes increased powers for the Pensions Regulator (TPR):**

- ▶ Enhanced powers to ‘tackle irresponsible management of pension schemes’ and against those who ‘recklessly risk peoples’ pensions benefits’, allowing it to act more quickly and forcibly
- ▶ New criminal offences with up to seven years’ prison and civil penalties up to £1m
- ▶ Greater power to access information from employers on a timely basis to support enforcement activity

## What action do you need to take for your scheme?

- ▶ Planning and early stakeholder engagement are critical to manage pension schemes through change – in both the economic environment and the regulatory landscape
- ▶ Contact us to conduct our covenant health-check (see box)

### EY's pensions covenant health-check

Sponsors and trustees need to have and (crucially) evidence the following:

1. Effective system of governance and information protocols, proportionate to the scheme
2. Robust and integrated risk management, focused on key risks
3. Timely monitoring, with triggers prompting action when required
4. Clear understanding of the sponsor's ability to afford its ongoing commitments
5. Appropriate recovery plan
6. Agreed 'Long Term Objective', and a defined strategy to get there
7. 'Equitable treatment' of pension scheme obligations, relative to the sponsor's other commitments and resources
8. Downside stress testing and scenario planning relating to all the above



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