Pensions in 2024 - are you ready for the new normal?

In 2023, pensions policy became a political hot topic and a wave of risk transfer transactions changed the focus and pace of the industry. This year will be busy, with new legislation, regulatory guidance, policy developments and record-breaking risk transfer deals. This overview highlights the key developments that will dominate trustee, employer and pensions industry agendas.

Pensions policy developments in 2024

Pensions and the economic growth agenda

In 2023, the Chancellor's Mansion House speech and Autumn Budget Statement set out and developed ambitious policies for pensions to support the government's economic growth agenda. This looks set to continue in 2024 with the release of consultations and further statements in March's Spring Budget Statement.

For defined benefit (DB) schemes, this is likely to focus on policies aimed at encouraging DB consolidation (via superfunds and a public sector consolidator) and surpluses (identified by the government as being a barrier to investment in productive finance). New guidance on productive finance is also expected to be issued in the first half of 2024.

The government is also likely to press ahead with plans to encourage (or force) the consolidation of LGPS pooled funds and to set goals for exposure of LGPS investments to private equity and/or other UK-based productive finance investments.

Developments in defined contribution

Defined contribution (DC) pensions will continue to be a focus for policy development and implementation in 2024. As part of the government's economic growth agenda, we expect to see announcements on the:

- consolidation of occupational DC pension schemes;
- value for money framework;
- lifetime provider model (also known as 'pot follows member'); and
- development of collective DC (CDC).

In addition, there will be follow up on requiring schemes to provide DC decumulation options. Finally, the government may push forward with changes to make automatic enrolment available to more people (by lowering the threshold age from 21 to 18) and increasing savings by removing the lower qualifying earnings threshold.

Pensions legislation and guidance in 2024

DB scheme funding

The new DB scheme funding regime is likely to come into force in Q3 2024 (with 1 October 2024 being the most likely effective date).

To achieve this, regulations will be laid before parliament in Q1 2024 and are likely to become law on 6 April 2024. TPR's revised code of practice on DB scheme funding is expected to go into force in Q2 2024. All of this is, however, subject to available parliamentary time being available.

Corporate transaction notifiable events

The Pension Schemes Act 2021 introduced two new notifiable events relating to corporate transactions. Under the new regime, sponsors will have to notify TPR when a 'decision in principle' is made in relation to certain transactions. Neither have yet been brought into force by regulations. This may happen in April 2024, but November 2023's Regulatory Initiatives Grid does, however, state that there remains "significant uncertainty around delivery".

TPR's General Code

The General Code will consolidate 10 of TPR's 15 Codes of Practice into a single code of practice. The remaining freestanding Codes of Practice are then expected to be incorporated into the General Code in due course.

November 2023's update of the Regulatory Initiatives Grid gives April 2024 as the expected date for TPR's General Code to be in force, although again, this is stated as being "subject to the parliamentary timetable".

Abolition of the lifetime allowance

In the Spring Budget 2023, the Chancellor announced the abolition of the lifetime allowance regime. Following this, the government published draft legislation to repeal the provisions of the Finance Act 2004 relating to the lifetime allowance. This will come into force on 6 April 2024. As well as abolishing the lifetime allowance, two new lump sum allowances will be introduced. Scheme rules will need to be reviewed and may need to be amended to bring them up to date with HMRC's revised authorised payments regime.

Pensions industry in 2024

The year of the buy-in mega deals?

2023 may turn out to have been a record-breaking year for the total value of insurance-based risk transfer deals. Even if the year falls short of the record, it has been a notably busy period for the pensions risk transfer industry.

2024 is likely to remain busy, but perhaps not as frenetic as 2023. Some key developments to watch out for are the first transaction worth over £10 billion, a slew of multi-billion deals and new entrants to the insurer market.

Other trends in pensions risk transfer

In addition to greater insurance capacity, we predict that the risk transfer market as a whole will overcome its capacity constraints in 2024.

Continuing a trend from previous years, 2024 will see new technological solutions deployed to help manage the sheer volume of scheme data.

There will also be an increased focus on the role of superfunds and other alternatives to buy-ins.

Pensions disputes in 2024

Appeals in *BBC* and *Virgin Media* cases

In 2024, the Court of Appeal will hear appeals in two key pensions cases (*BBC v BBC Pension Trust Ltd* and *Virgin Media Ltd v NTI Pensions Trustees II Ltd*).

The former focuses on the interpretation of the amendment power contained in the BBC pension scheme's trust deed and rules. The latter considers the effect on scheme amendments of the absence of an actuarial confirmation under section 37 of the Pension Schemes Act 1993.

Possible trends in pensions litigation in 2024

- Resolving issues that relate to possible failures to comply with **formalities in amending schemes** (e.g. execution and other risks).
- Potential **LDI-related claims** following the mini-budget of September 2022.
- Cases involving issues arising from **surpluses in schemes** (whether "trapped" or otherwise).