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Pension Schemes Bill

A Pension Schemes Bill was announced in last week's Queen's Speech as part of a wide-ranging package of reforms.

The Bill contains largely uncontroversial matters which have been well-trailed and appear to have cross party support. It may, however, be delayed during its passage through Parliament if there is a general election and if there is a change in Government.

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Contents of the Bill

The main elements of the Bill are:

- **Providing a framework for establishment, operation and regulation of collective money purchase schemes**.
- **Strengthening the Pensions Regulator's powers and the existing sanctions regime**, including the introduction of new criminal offences for employers who do not take their responsibilities seriously. The Regulator will also be given greater powers to obtain information about schemes and their sponsoring employers in a timely manner.
- **Providing a framework to support pensions dashboards**, including the power to compel pension schemes to provide accurate information to members.
- **Limiting the right to take a statutory transfer**.
- **Requiring trustees of defined benefit pension schemes to publish a statement on their funding and investment strategy**.
- **Amending the legislation for the Pension Protection Fund compensation regime**.

Collective money purchase schemes (commonly known as collective defined contribution (CDC) schemes

The Royal Mail and Communication Workers Union have agreed to introduce such a CDC pension scheme for post office workers and providing a legislative framework for the introduction of CDC was inevitable.

CDC pension schemes will have to apply to the Pensions Regulator for authorisation (using a framework similar to that for master trusts) and once authorised will be subject to Regulator supervision. These schemes allow contributions to be pooled and invested to give members a target benefit level.

Strengthening the Pensions Regulator’s powers and the existing sanctions regime

The Regulator’s powers are to be strengthened with the introduction of new criminal offences to tackle irresponsible management of pension schemes. These include:

- failure to comply with a contribution notice
- avoidance of an employer debt
- conduct risking accrued scheme benefits.

The most serious new offences allow the court to impose a maximum prison sentence of seven years and/or an unlimited fine. Alternatively, the Regulator has the power to impose a civil penalty of up to £1million in respect of the above three offences.

Changes are also being made to the notifiable event framework and the Regulator’s information gathering powers are being strengthened.

Providing a framework to support pensions dashboards

The Pensions Regulator will oversee this and is given powers to ensure compliance. Most of the detail is to be set out in regulations. There is to be a new requirement for trustees and sponsoring employers to provide pension information to members via a dashboard.

Limiting the right to take a statutory transfer

The wide nature of the existing right of members to take a statutory transfer has at times prevented trustees from stopping a transfer even where they suspect a pension scam. The Bill limits the statutory right to take a transfer to circumstances which will be set out in regulations. Whilst we await full details this will include a requirement that members transferring to an occupational pension scheme must establish a genuine employment link between the employer and the scheme.

Statement of funding and investment strategy

Trustees of defined benefit pension schemes are to be required to produce a statement of strategy, including information on mitigating risks, signed by an appointed Chair of the trustee board. Further details are to be set out in regulations.

Amending the legislation for the Pension Protection Fund compensation regime

Changes were necessary to enable the Fund to comply with recent EU case law.

Comment

The Bill does not contain reference to defined benefit pension scheme consolidation and thus nothing on the regulation of superfunds. It also does not contain any amendments to the auto-enrolment regime and, in particular, nothing about increasing contributions.

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