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The Pension Schemes Bill is back before Parliament

The Pension Schemes Bill has been reintroduced to the House of Lords by the government. It was originally introduced in October 2019, before the general election, but failed to receive Royal Assent before Parliament was dissolved ahead of the election.

The Bill proposes largely uncontroversial legislation on several well-trailed issues that appear to have cross party support. It is largely unchanged from the previous version published last year and does not cover any new items.

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Contents of the Bill – a reminder

The main elements of the Bill concern:

- **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 sponsoring employers of defined benefit pension schemes. The Regulator will also be given greater powers to obtain information about pension 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 statutory right of members to transfer their benefits to another pension scheme**.
- **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's 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; and
- conduct that risks 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 to be 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. (Much of the detail about the information pension schemes will have to provide to dashboards, and the deadlines for doing this, falls outside the scope of this legislation.)

Limiting the statutory right to take a transfer

The wide nature of the existing right of members to take a 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 sponsoring employer and the receiving 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 any provisions on defined benefit pension scheme consolidation and thus nothing on the regulation of superfunds. Neither are there any amendments to the automatic enrolment regime, following the DWPs review in 2017; in particular, there are no measures about increasing contributions. The government has also chosen not to tidy up the legislation on GMP conversion, which many in the pensions industry had been calling for.

It is possible additional items may be included as the Bill progresses through Parliament, although we may have to wait for separate legislation to provide for these other issues.

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