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Sixty second summary

The Pension Schemes Bill (reprised)

The UK's new Government has revived the *Pension Schemes Bill 2019/20* that expired when Parliament was dissolved for the general election.[1] The revitalized Bill does not appear to be substantively different: it still provides for the establishment of collective money purchase schemes, bolsters and boosts the Pensions Regulator's powers, lays the foundations for 'pensions dashboards', makes changes to the defined benefit (DB) funding regime, and allows for restriction of statutory transfer rights.

In this Sixty Second Summary we give a broad overview of the contents of the Bill. For a more-detailed synopsis of its provisions, please read our October 2019 Sixty Second Summary.[2]

Collective money purchase

The Bill recognizes a new category of occupational pensions arrangement: the *'collective money purchase scheme*'. The hope is that, by pooling investments and risks, collective schemes will be able to provide benefits that exceed those that are typically obtained through standard money purchase schemes. However, the targeted benefits will be adjusted periodically so that the expected (actuarial) cost of paying them is no greater than the available assets.

Collective money purchase (CMP) schemes will be confined initially to the private sector, and will have to be established under trust by single employers or corporate groups for the benefit of their own employees; that said, the Bill caters for their extension in future to unconnected employers and master trusts. Schemes will need the Regulator's authorization to operate, based on criteria adapted from the existing master-trust supervision regime. Annual actuarial valuations will have to be carried out to determine whether benefit adjustments are necessary: if they are not made when required by a scheme's rules it will be necessary to inform the Regulator.

The Regulator's powers

The Bill will strengthen the Pensions Regulator's hand by enhancing its investigatory powers, by requiring those involved in certain corporate transactions to notify it and make related statements, by amending the contribution-notice rules in its favour, and by introducing new criminal offences and civil penalties for misbehaviour in connection with DB schemes.

Dashboards

The Bill contains legislation to support the creation of pensions dashboards, including powers to compel trustees and other pension providers to cooperate.

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[1] https://services.parliament.uk/Bills/2019-20/pensionschemes.html.
[2] https://www.hymans.co.uk/media/uploads/1910_pension_schemes_bill_60SNS.pdf.

Scheme funding

Trustees of DB schemes will be required to formulate and agree with the employer a '*funding and investment strategy*' (FIS) describing the targeted funding level and the investments that they intend to hold by the time they reach it. The amount required, on the scheme-specific funding basis, to meet a scheme's liabilities will have to be calculated consistently with the FIS. Having consulted the employer, trustees will have to produce a '*statement of strategy*' describing their FIS, as well as the extent to which it is being implemented, the main risks to its successful implementation, and their reflections on any important decisions taken. The statement will be signed on the trustees' behalf by their chairperson, and sent to the Regulator. Providing false or misleading information in a statement of strategy will be a criminal offence, punishable by imprisonment for up to two years' or a fine of unlimited amount (or by both). The Government will also gain power to prescribe the factors that are relevant when determining whether a recovery plan is '*appropriate*' to a scheme's circumstances.

Statutory right to transfer

The Government will have power to make the statutory right to transfer subject to conditions about the member's employment or place of residence. It is expected to be used to oblige members who wish to transfer to occupational schemes to produce evidence of earnings from a sponsor of the receiving scheme, or of residence in the place where that scheme is based (or both). The goal is to make it harder for bogus occupational schemes to be used in connection with scams.

Despite what you might have read elsewhere, the Bill is not quite identical to last year's (for a start, it is two pages longer). Most of the differences are unremarkable, but there are a small number of substantive (if somewhat esoteric) changes, for example involving the new employer-resources-based ground for contribution notices. Nevertheless, we suspect that when the Pensions Minister said that the Bill had been '*refined*' many people might have been led to expect more.[3] Calls have been made for the Government to narrow the circumstances in which the new criminal offences (in particular the one targeting conduct detrimental to the likelihood of scheme members receiving their accrued benefits) will apply. They will now have to be answered during the Bill's progress toward Royal Assent.

[3] twitter.com/dwppressoffice/status/1207632985778016256.