

Sixty second summary

Taking the brakes off pensions in the King's Speech

The [King's Speech](#), following the general election, revealed that a Pensions Schemes Bill forms part of the new Government's legislative plans. [Background briefing notes](#) on the Bill suggest that Labour is picking up its Tory predecessor's 'Mansion House' reforms, breathing new life into legislation that missed the cut as the curtain rang down on the previous Parliament, and applying a blob of salve to the Pensions Ombudsman's wounded pride...

What will be in the Bill?

The King's Speech itself gave little clue as to the contents of the forthcoming Pensions Schemes Bill, other than that it would be about '*pension investment*'. However, the overarching theme of the Speech and the Government's agenda is 'unlocking' economic growth. That provided a hint as to the likely contents of the Bill, which was confirmed by the background briefing notes: the first four of the six bullet points set out therein were constituents of former Chancellor Jeremy Hunt's July 2023 speech or the proposals as further developed in his Autumn Statement.

Automatic consolidation of small DC pensions pots

The notes say that the Bill will '*enable an individual's deferred small pots to be automatically brought together into one place*'. There are no further details of the form that the small-pot consolidator will take. The Department for Work and Pensions (DWP) had previously favoured a 'multiple consolidator' model that would enable a few authorised schemes to act as automatic destinations for inactive defined contribution (DC) pots valued at under £1,000, using a central clearing house. However, it was also exploring the possibility of a 'lifetime provider' (or 'pot for life') model, despite a generally negative response from the industry to that idea.

Value for money framework

The Bill will establish a standardised test for value for trust-based DC schemes (the notes say that the Financial Conduct Authority will require that contract-based arrangements meet the standard too). This too featured in the July 2023 Mansion House package, but was something that the Pensions Regulator and FCA had been working toward previously. The aim is to drive under-performing schemes out of the arena, leaving behind fewer, better-value, larger schemes that can facilitate greater investment in growth assets.

Decumulation solutions

Occupational DC scheme trustees will be obliged to make retirement-income ('decumulation') solutions available to their members, with default propositions for those who don't make active choices. In post-Mansion House discussions, it was said that schemes would be able to satisfy the requirement themselves or by partnering with suitable product or service providers. It is hoped that, as an incidental outcome, funds will remain invested in productive assets for longer.

Commercial DB superfunds

Details of the intended legislation on defined benefit (DB) superfunds are sparse. We presume that it will involve a continuation of earlier DWP plans to establish a statutory regulatory regime for commercial consolidation vehicles. There is currently only one such scheme in existence (Clara-Pensions), operating under an interim, non-statutory approval regime, put in place by the Pensions Regulator.

Recognizing the Ombudsman's competence

The notes say that the Bill will confirm that the Pensions Ombudsman is a 'competent court' in benefit-overpayment cases. Underlying this announcement is the confirmation in a November 2023 Court of Appeal decision that the Ombudsman isn't a 'court' for statutory purposes, and that trustees and scheme managers cannot therefore rely solely on Ombudsman determinations to enforce a scheme beneficiary's obligation to return payments made in error.¹ As a consequence, they have had to take the additional step of obtaining a court order before recouping overpayments from ongoing pension instalments.

Special rules for end of life

Lastly, the notes announce that the Bill will amend the definition of '*terminally ill*' in the legislation governing the Pension Protection Fund (PPF) and Financial Assistance Scheme (FAS). The goal is to allow the PPF and FAS to make lump sum payments to members who are expected to die within a year, whereas they are currently able to do so only if life expectancy is no more than six months. The previous Parliament had been considering a *Pensions (Special Rules for End of Life) Bill 2023/24*, which would have made the changes, but it was lost when Parliament was dissolved to allow for the general election.

National wealth service

The notes also announce the Government's intention to introduce a National Wealth Fund Bill. This will meet a manifesto promise to establish a National Wealth Fund, capitalised with £7.3bn over the course of this Parliament, with the aim of attracting three times as much investment from the private sector.

Some were surprised by the inclusion of a pensions bill, but it's clearly a key component of the Government's growth-stimulation plan. The initial contents are matters set in train by the previous Government, but perhaps during the legislative process we'll get additional clauses with a distinctively 'Labour' stamp. Overall, it's a strong start, but with plenty of challenges left to tackle (e.g. turbocharging retirement savings as well as the economy). We hope for an announcement about the promised pensions review as part of the Chancellor's first Budget, in the autumn.

¹ *The Pensions Ombudsman v CMG Pension Trustees* [2023] EWCA Civ 1258.

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