

# Pension Schemes Bill heralds significant change for UK pensions



## What you **need to know**

- The Pension Schemes Bill 2019-20 was issued on 8 January 2020. It is substantively the same as the 2019 Bill, which was lost when Parliament was dissolved before the general election.
- In the coming months the Bill will make its way through Parliament before becoming law. Some of the detail will be set out in regulations which will follow later.
- However, some aspects will be very relevant now. Most notably, trustees and employers should be aware of the Pensions Regulator's expected new powers and the direction of travel on defined benefit (DB) pension scheme funding and investment strategy.
- A consultation on the principles for the Regulator's new DB funding code, which is expected to follow in March, is anticipated to set out more detail on the new funding rules.
- The Bill signals changes to both DB and defined contribution (DC) schemes.



## **Actions** you can take

Along with being aware of the changes, it will be important to reflect changes in decisions being made now:

- **Understand the possible changes to funding rules now** to prevent having to rework plans later if agreeing funding and investment strategy for DB schemes.
- **Assess whether collective DC is now another option** for your scheme if you are considering benefit design.
- Take account of the future **need to supply data for use in dashboards** when undertaking any data projects.
- Employers and trustees should **be aware of proposed new Regulator powers and sanctions** in any corporate activity.

## The major changes in the Pension Schemes Bill

Item	DB	DC	Impact of change
<b>Funding rules</b>	✓	✗	Funding and investments set in line with long term strategy
<b>Informing the Regulator</b>	✓	✗	New notifiable events and statement on corporate activity
<b>Moral hazard powers</b>	✓	✗	New grounds for Contribution Notices
<b>Regulator sanctions</b>	✓	?	New criminal and civil sanctions for wrongdoing
<b>Collective DC</b>	✗	✓	New framework for risk sharing across DC members
<b>Dashboards</b>	✓	✓	Establishes dashboards to collate information on individuals' pension benefits





# The finer detail: Key items covered by the Pension Schemes Bill 2019-20

<b>New DB funding rules</b>	Trustees and employers will be required to agree a funding and investment strategy. This is expected to include a long term funding objective, a timeframe to get there and for funding and investment strategy to be aligned. More detail is expected in the Regulator's revised Code of Practice on DB Funding with a consultation on the principles of the code expected in March.
<b>New notifiable events</b>	Additional employer notifiable events will be introduced. The detail will follow in regulations but these are expected to be sale of a material part of an employer's business or assets, and granting security on a debt giving it priority over the debt to the pension scheme.
<b>Statement on corporate activity</b>	A statement will be required to accompany certain notifiable events – including the new ones mentioned above – setting out the event, any detrimental impact on the scheme, how this is to be mitigated, and the details of any communication with trustees.
<b>Interview/inspection powers</b>	The Regulator's powers to inspect premises will be extended and it will be given a new power to interview individuals.
<b>Moral hazard powers</b>	Two new circumstances for the Regulator to issue a Contribution Notice will be introduced. Firstly, if an act, or failure to act, materially reduces the amount of debt the scheme is likely to recover from the employer on theoretical insolvency. Secondly, if an act, or failure to act, materially reduces an employer's resources.
<b>New criminal sanctions</b>	Criminal sanctions will be introduced for actions risking accrued benefits, avoiding a pension debt or failing to comply with a Contribution Notice. These may either be a fine and/or up to seven years' imprisonment (except for failure to pay a Contribution Notice).
<b>Regulator civil sanctions</b>	The Regulator will have the option to impose a civil fine of up to £1m in the above circumstances. They will also be able to impose a civil fine of up to £1m where a person knowingly or recklessly gives false information to them or trustees.
<b>Collective money purchase benefits</b>	Collective DC schemes are intended to be DC schemes that allow risks to be shared between members but where the employer would not have to fund any shortfall that arose.
<b>Pension dashboards</b>	Allows for the creation of dashboards to present individuals' pension benefits (both state and private) on one website. Sets requirements for pension schemes to provide data to dashboards.
<b>Transfer value rights</b>	Some restrictions will be placed on a member's right to a transfer value from DB schemes to help provide members some additional protection against pension scams.
<b>Pension Protection Fund</b>	A change will be made to ensure that changes made in 2018 to the treatment of certain transferred-in fixed pensions can apply retrospectively.

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