

# Queen's Speech: Pension Schemes Bill announced

## ► In brief

- Pension Schemes Bill announced in Queen's Speech
- The Bill would provide for:
  1. a framework for CDC schemes
  2. steps to increase the security of DB benefits
  3. a framework for pensions dashboards

Today (14 October 2019), the Queen announced the government's legislative programme for the next year, at the State Opening of Parliament, which included the long-awaited Pension Schemes Bill. The key areas that the Bill will cover are set out below.

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### Collective defined contribution schemes

It is proposed that the Bill will set the framework for collective defined contribution (CDC) schemes.

CDC schemes work by sharing risks between members. This compares to traditional pure defined contribution (DC) schemes (where the member bears the bulk of the risks) and defined benefit (DB) schemes (where the employer takes on the risks). In November 2018, the Department for Work and Pensions (DWP) consulted on introducing CDC schemes. This followed a request from Royal Mail that the legislation be changed, as it wishes to replace its current DB and DC schemes with a CDC scheme.

### Security of DB benefits

The government proposes that the Bill will:

1. Strengthen the powers of the Pensions Regulator (TPR), including introducing new criminal offences with maximum penalties of up to seven years in jail and a fine of up to £1 million.
2. Giving TPR more powers to request information about schemes and their sponsoring employers 'in a timely manner'.
3. Improve the DB scheme funding regime by requiring trustees to produce a statement on their funding strategy.

Stronger powers for TPR were first mentioned in the Conservative Party manifesto for the 2017 general election. The DWP's White Paper 'Protecting Defined Benefit Pensions Schemes' published in March 2018 set out proposals to allow TPR to issue punitive fines against 'those who deliberately put their pension scheme at risk', as well as a proposed new criminal offence for directors who commit 'wilful or grossly reckless behaviour in relation to a pension scheme'. It also proposed new information gathering powers for TPR and the introduction of a requirement for chairs of trustees to issue a triennial statement that covered funding (amongst other things). In other words, the above is as expected in light of the White Paper.

## Pension dashboards

The Bill will set out the framework for pensions dashboards, including powers to require pension schemes to provide 'accurate information to consumers'.

This follows on from the DWP's response published earlier this year to its December 2018 consultation on dashboards.

## Other matters

Other matters to be included in the Bill are:

- Creating regulations to set out when scheme members will have the right to take a transfer to another scheme.
- Amending the legislation governing the Pension Protection Fund so that the compensation regime works as intended.

There is no detail in the government's briefing paper on the Queen's Speech on what changes are proposed to the statutory right to take a transfer although it implies that any changes would be intended to try to protect members from being the victims of a scam.

## Missing in action?

Notably there is no mention of any provisions on consolidation of DB schemes. Last year the DWP consulted on a new legislative framework for authorising and regulating consolidation vehicles ('superfunds'). It is not immediately apparent why this has not been included in the Bill.

## Other proposed legislation

The Queen's Speech proposes an Environment Bill, which would enshrine environmental principles in law. With effect from 1 October 2019, pension schemes' statements of investment principles must include policies regarding 'financially material considerations', which include environmental, social and governance factors. Consequently, it is possible that these proposals could affect pension schemes.

## Summary

In normal times, a government would expect to have a stable majority and be able to implement its legislative agenda as set out in a Queen's Speech. However, we are living in interesting times rather than normal ones. The current government has no majority, and may have difficulty in getting any legislation through the House of Commons unless it is uncontroversial. Even if the Government does manage to get its legislation passed, it might have been amended by the Opposition. There might also be an early general election, which could change the composition of the House. If there is an early general election, then Parliament will be dissolved and any Bills that have not received Royal Assent at dissolution will fall. Pension Bills historically take at least six months and often longer to make it on to the statute book and the Government's immediate focus is likely to be legislation relating to Brexit. It remains to be seen what pensions legislation (if any) will eventually make it on to the statute book and when this might happen.

## For further information

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