
Britain passes landmark pension legislation

By Editorial Staff Thu, Feb 11, 2021

The legislation provides for the creation of collective defined contribution (CDC) schemes, which are hybrids of DC and defined benefit plans. It also boosts the powers of The Pensions Regulator (TPR), according to IPE.com.

“The biggest shake-up of UK pensions for decades,” as the British government put it, occurred this week when the UK Pension Schemes Bill received Royal Assent and became law, IPE.com reported this week.

Introduced in the House of Lords in January 2020, the bill completed its passage through parliament last month after the government gave reassurances in relation to proposed funding rules.

“This Act makes our pensions safer, better and greener, as we look to build back better from the pandemic. Its passage will reassure savers that they can, and will, have a retirement they deserve,” said Guy Opperman, minister for pensions.

The legislation provides for the creation of collective defined contribution (CDC) schemes, which are hybrids of DC and defined benefit plans. It also boosts the powers of The Pensions Regulator (TPR), introduces a framework for “pension dashboards,” and provides for pension fund climate change-related reporting and governance requirements. It also intends to combat the risk of pension scams.

Potential fines of £1m or more

The TPR’s new beefed-up powers could lead to greater use of the “voluntary clearance process,” whereby companies can inform the regulator when significant activity might affect a defined benefit (DB) scheme.

“Following recent high-profile cases of perceived pension scheme abandonment, non-compliant parties, including individual decision makers, now risk fines of £1m or more, or even imprisonment,” said Mark Grant, head of pensions at law firm CMS.

“The Pensions Regulator’s new weapons should be of concern to any corporate group with a DB pension scheme. With the risk of liability cutting through the corporate veil, all group companies—not just DB employers—urgently need to be familiar with the new regime.”

At TPR, CEO Charles Counsell said his agency would work with industry to produce the

necessary codes and guidance to ensure measures were introduced in an effective way. “We are a risk-based and proportionate regulator and this measured approach will continue,” he said. “Our work is driven and directed by the pursuit of our statutory objectives and we use our powers where appropriate and reasonable to do so.”

Auto-enrollment bill

Nigel Peaple, director of policy and advocacy at the Pensions and Lifetime Savings Association (PLSA), drew attention to talk of a further pensions bill, perhaps as soon as next year, which would ideally improve the auto-enrollment framework.

“We hope the government will use it to fulfill its promise to increase the level of automatic enrollment savings so it is based on each pound of earnings and to widen the scope of automatic enrollment so that 18 year olds, rather than only 22 years and above, are included,” he said. “The government said they would do this by the mid-2020s so a statute in 2022 leading to adoption in the years after would fit the bill.”

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