

PENSION SCHEMES BILL [HL]

EXPLANATORY NOTES ON COMMONS AMENDMENTS

What these notes do

- 1 These Explanatory Notes relate to the Commons Amendments to the Pension Schemes Bill [HL] as brought from the House of Commons on 30 March 2017.
- 2 These Explanatory Notes have been prepared by the Department for Work and Pensions in order to assist the reader of the Bill and the Commons amendments, and to help inform debate on the Commons amendments. They do not form part of the Bill and have not been endorsed by Parliament.
- 3 These Explanatory Notes, like the Commons amendments themselves, refer to Bill 125, the Bill as first printed for the Commons.
- 4 These Explanatory Notes need to be read in conjunction with the Commons amendments and the text of the Bill. They are not, and are not meant to be, a comprehensive description of the Commons amendments.
- 5 All Commons amendments were tabled in the name of the Minister.
- 6 In the following commentary, an asterisk (*) appears in the heading of any paragraph that deals with a non-Government amendment.

Commentary on Commons amendments

Commons Amendment to Clause 1: Master Trust schemes - definition

Commons Amendment 1

- 7 This amendment, which is consequential on amendment 20 (see amendment 20 below for further detail), would remove an unintended effect of the Bill in relation to mixed benefit schemes.

Commons Amendment to Clause 9: Scheme funder of last resort

Commons Amendment 2

- 8 This amendment would remove Clause 9 from the Bill (inserted at Report stage in the Lords). Clause 9 provides for a scheme funder of last resort to meet costs in the event that a Master Trust is being wound up and there are no funds available to enact the transfer of accrued benefits.

Commons Amendments to Clause 11: Scheme funder requirements

Commons Amendments 3 and 4

These amendments would allow a scheme funder to carry out activities in relation to more than one Master Trust scheme, provided that it is a scheme funder (or prospective scheme funder) of each. It would also give a power to the Secretary of State to make regulations to provide for exceptions to the requirement that a scheme funder must only carry out activities directly related to Master Trust schemes for which it is a scheme funder (or prospective scheme funder).

Commons Amendments to Clauses 25: Continuity option 1: transfer out and winding up

Commons Amendments 5 to 9

- 9 All amendments to clauses 25 and 34 and amendment 19 to clause 40 are related. The purpose of all amendments to clause 25 would be to enable the Secretary of State to make regulations for there to be a transfer of scheme members' accrued rights and benefits to a receiving scheme specified in regulations as an alternative to a Master Trust scheme when continuity option 1 is being pursued by trustees under clause 25(1)(a).
- 10 The associated amendments to clause 34 would mean that a receiving scheme that is not a Master Trust scheme could be made subject to the same restrictions under that clause on increasing administration charges, introducing new charges or charging members for leaving as receiving schemes which are Master Trust schemes. The amendments to clauses 25 and 34 use the term "pension scheme" and amendment 19 to clause 40 would define this as a "pension scheme" under section 1 of the Pension Schemes Act 1993.
- 11 Amendment 5 and amendment 8 would enable trustees pursuing continuity option 1 to propose a transfer of members' accrued rights and benefits to a pension scheme that is not a Master Trust scheme, as long as the alternative scheme has characteristics specified in regulations, and any additional requirements in the regulations are met.
- 12 Amendments 6, 7 and 9 are consequential on amendments 5 and 8.

Commons Amendment 10

- 13 Amendment 10 would confer power on the Secretary of State to make regulations about how continuity option 1 is to be pursued, where a proposed transfer of members' rights and benefits is to a pension scheme that is not a Master Trust scheme.

Commons Amendment 11

- 14 Amendment 11 is a technical one. It would remove an unnecessary word from clause 25(4)(i).

Commons Amendment 12

- 15 Amendment 12 would clarify that regulations about how continuity option 1 is to be pursued in a case where a proposed transfer is to a pension scheme that is not a Master Trust scheme may include any of the provisions mentioned in clause 25(4) and also provisions deeming a member to have entered into an agreement with a person (such as the provider under the new scheme).

Commons Amendment 13

- 16 Amendment 13 would make regulations under the new subsection (1A)(b) (specifying alternative types of pension schemes to which transfers can be proposed) subject to the affirmative resolution procedure. Regulations under the new paragraph (b) of subsection (3) (about bulk transfers to schemes other than Master Trust schemes) would also be subject to the affirmative procedure.

Commons Amendments to Clause 34: Prohibition on increasing charges etc during triggering event period

Commons Amendment 14

- 17 This amendment would confine clause 34(2) to receiving schemes that are Master Trust schemes (in consequence of the amendment to the definition of 'receiving scheme' made by amendment 16).

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Commons Amendment 15

- 18 This amendment would enable the prohibition on increasing administration charges or imposing new administration charges to be applied where members' rights or benefits are transferred to a pension scheme that is not a Master Trust scheme.

Commons Amendment 16

- 19 This amendment would amend the definition of 'receiving scheme' so that the clause can be applied to pension schemes that are not Master Trust schemes.

Commons Amendment 17

- 20 This amendment would make regulations that apply the clause to non-Master Trust schemes subject to the affirmative procedure.

Commons Amendment 18

- 21 This amendment is consequential on amendment 17.

Commons Amendments to Clause 40: Interpretation of Part 1

Commons Amendment 19

- 22 This amendment would define 'pension scheme' where it is used in Part 1 without further qualification. The definition in section 1(5) of the Pension Schemes Act 1993 catches both personal and occupational pension schemes.

Commons Amendment 20

- 23 Where a Master Trust scheme is a 'mixed benefits' scheme (providing money purchase benefits and other benefits), clause 1(2) provides for Part 1 to apply only to the 'money purchase benefits' aspect of the scheme. This produces an unintended effect for clause 11(3), as it would require the scheme funder's activities to relate only to the money purchase benefits aspect of each of the Master Trust schemes referred to which is a mixed benefit scheme.
- 24 This amendment would prevent that effect from arising, by providing that even for mixed benefit schemes, a 'scheme' in clause 11(3) means the scheme as a whole.

Commons Amendment to Clause 46: Short title

Commons Amendment 21

- 25 This amendment would remove the privilege amendment. This is a procedural requirement for a Bill that commenced in the Lords.

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