



Department  
for Work &  
Pensions

# Pension Schemes Bill 2020

## Impact Assessment

### Summary of Impacts

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# Introduction

1. The Pensions Schemes Bill 2020 (“the Bill”) ensures that the Occupational Pension Schemes system is fit for the future by:
  - Further strengthening security and increasing transparency so that savers can be confident that their pensions are protected and that the Pensions Regulator (TPR) will take action if pensions are put at risk;
  - Providing more options for employers to ensure that scheme members can adequately save for retirement and to better protect their income in later life;
  - Improving information and guidance for savers so that they can prepare for retirement with confidence.
2. Further detail on particular provisions can be found below and in the explanatory notes for the Bill.
3. The Government recognises a responsibility to consider the impact, in terms of costs and benefits, of new regulatory proposals.
4. This note summarises the Impact Assessments for the provisions contained in the Bill:
  - i. Impact assessments for The Pensions Regulator (TPR) powers measures covering:
    - an impact assessment for the information gathering powers measures including fixed and escalating penalties is at **Annex A**.
    - an impact assessment for contribution notice measure is at **Annex B**
    - a summary of impacts for sanctions and fines measure is at **Annex C**
    - an impact assessment for declarations of intent measure is at **Annex D**
  - ii. Impact assessments for Defined Benefit (DB) scheme funding measures covering:
    - an impact assessment for the trustee board’s statement and the appointment of a Chair measure is at **Annex E**
    - an impact assessment for the long term destination measure is at **Annex F**
  - iii. An Impact assessment for Collective Money Purchase (CMP) measures (also referred to as Collective Defined Contribution (CDC)) is at **Annex G**.
  - iv. Impact assessment for the pensions dashboard measure is at **Annex H**.
  - v. Impact assessments for member protection measures covering:
    - an impact assessment for transfers of rights measures is at **Annex I**.
    - an impact assessment for the administration charge measure is at **Annex J**.

# Background

5. Recent pensions reforms have meant that more people are now making provision for their retirement through saving into a workplace pension, whilst individuals also have more flexibility over their pension at retirement. In just six years 10 million people are newly saving, or saving more, into a pension as a result of automatic enrolment and, through the introduction of Pensions Freedoms, savers have more freedom and choice than ever.
6. Although most private sector Defined Benefit pension schemes are closed to new members and/or new accruals, the sector remains an integral part of the UK pensions system with around 10.4 million members relying on them. In addition, with roughly 14,000 employers currently supporting Defined Benefit pension schemes and around £1.5 trillion in assets held by these schemes, the Defined Benefit sector is of crucial importance to the UK economy.
7. The Pensions Schemes Bill 2020 (“the Bill”) ensures that the Occupational Pension Schemes system is fit for the future by:
  - Further strengthening security and increasing transparency so that savers can be confident that their pensions are protected and that the Pensions Regulator will take action if pensions are put at risk;
  - Providing more options for employers to ensure that scheme members can adequately save for retirement and to better protect their income in later life;
  - Improving information and guidance for savers so that they can prepare for retirement with confidence.
8. To support the scrutiny of the Bill, this document provides a short summary of each of these measures and then sets out what assessment has been made of the estimated impact of each measure.

## The Pensions Regulator (TPR) powers

9. These measures will tighten the rules against abuse of DB pension schemes and introduce new powers to penalise reckless behaviour. This includes:
  - (i) strengthening the Corporate Transaction Oversight framework, Contribution Notice, and Information Gathering powers to ensure that TPR is able to effectively assess risk to Defined Benefit pension schemes, and
  - (ii) introducing new civil penalties to deal with wrongdoing and new criminal offences to punish wilful and reckless behaviour, and non-compliance with Contribution Notices.

## Defined Benefit (DB) scheme funding measures

10. Measures will improve the DB Scheme funding system and TPR’s scheme funding powers through clearer funding standards and the introduction of a

Statement from the trustee board on their funding strategy. Broadly the measures will require trustees and managers to:

- (i) determine a funding and investment strategy for the scheme (to be agreed with the sponsor employer) which underpins the Statutory Funding Objective, to ensure pensions and other benefits can be paid over the long term;
- (ii) to set out in a statement of strategy to be submitted to TPR with other key documents, information about their funding and investment strategy including trustees' assessment of whether they are on track, how they intend to mitigate key risks and their reflection on past decisions; and
- (iii) appoint a Chair who signs the statement on behalf of the trustee board.

## Collective Money Purchase (CMP)

11. The measures in this part of the Bill provide a legislative framework to create a new sub-set of money purchase benefits which will allow pooled pension arrangements (collective benefit pension schemes), and to define the nature and quality features of schemes which can provide them. This will enable collective defined contribution schemes, such as that proposed by Royal Mail and the Communication Workers Union, to operate. These schemes have the potential to provide greater efficiency in pension provision for members, with lower financial risk to employers. The new legislative framework will ensure that appropriate measures for oversight and governance of these type of schemes are in place.

## Pension Protection Fund (PPF) measure

12. The PPF provides an essential safety net to members of DB schemes. It makes compensation payments to members of schemes in which the sponsoring employer has become insolvent and the scheme has insufficient assets to meet its pension liabilities.
13. The Fund has had a recent legal case which relates to the level of compensation that it is required to pay to individuals with fixed pensions and pensions attributable to their pensionable service. The measure in this Bill is necessary to make changes to rectify the unintended outcomes of the judgment in Mr Beaton's case<sup>1</sup>, to enable the Fund to continue to administer the compensation regime as the Government intended.

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<sup>1</sup> <https://high-court-justice.vlex.co.uk/vid/ch-2016-000303-69580493>

## The Pensions Dashboard

14. Pension dashboards are a 2016 Government commitment, announced at the Budget, and are digital interfaces that will allow individuals to see their pension savings in one place. The measures in the Bill will enable the pensions industry to create pensions dashboards, including allowing the Money and Pensions Service to provide their own dashboard.
15. The measures provide powers to compel pension schemes to provide information to individuals via qualifying dashboard services and impose sanctions for non-compliance with those requirements.

## Member Protection

16. The measures in this part of the Bill build on the commitment to ‘enable more people to save, with greater confidence, while they are working, so they can enjoy greater security and independence when they retire’. The measures:
  - (i) prevent people from being enticed into transferring their pension savings into fraudulent schemes (scams); and
  - (ii) amend the definition of “administration charge” to ensure that it covers all appropriate charges.

## Summary of Impacts

17. This section summarises the impact of each measure on key groups.
18. As a whole, the impact of the Bill measures is a moderate net cost to pension schemes and employers, in order to ensure the millions of private pension scheme members across DB and DC schemes benefit from increased security of their pension benefits, reduced risks of scams, and better information around their pension saving.
19. A summary of the regulatory impact to businesses is set out below. These are calculated using the Regulatory Policy Committee’s measure of equivalent annual net direct cost to business (EANDCB).

*Table 1 Business impacts of the Bill measures*

<b>Measure</b>	<b>EANDCB (£m p.a. 2016/17 prices)</b>	<b>Status</b>
TPR powers – information gathering powers	£0.9m	NQRP (non-qualifying regulatory provision)
TPR powers – contribution notice powers	£0.2m	NQRP
TPR powers – sanctions and fines	£0.0m	NQRP
TPR – new criminal offences and civil sanctions	£0.0m	NQRP
TPR declarations of intent	Not quantified	To be determined at secondary legislation stage
DB scheme funding – trustee statement and appointment of Chair	£17.3m	RPC verified
DB scheme funding – long term funding and investment strategy	£0.2m	NQRP
CMP	Not quantified	To be determined at secondary legislation stage
PPF compensation regime – Beaton	£0.0m	NQRP
The pensions dashboard	Not quantified	RPC verified
Member protection - transfers	£0.6m	NQRP
Member protection – administration charge	£0.0m	NQRP

20. The following tables summarise the impact of each measure on key affected groups.

<b>Measure: The Pensions Regulator (TPR) powers– information gathering powers (see Annex A for further details)</b>	
Summary of Measures	<p>This measure seeks to extend and enhance the Pensions Regulator’s (TPR) Information Gathering Powers. The proposed changes are to harmonise and extend TPR’s powers so that:</p> <ol style="list-style-type: none"> <li>i. It can interview a person it believes has relevant information in connection with any of its functions- without the need for written request for information to have already been issued under section 72 of the Pensions Act 2004.</li> <li>ii. It can enter a wider range of premises where relevant records or information are held, for the purposes of inspection.</li> <li>iii. It can issue civil penalties for non-compliance with section 72 notices, interview or inspections where more appropriate than a criminal prosecution.</li> </ol> <p>TPR’s current information gathering powers are in primary legislation. The proposed changes here can only be made through amending primary legislation.</p>
Sections & Schedules	Part 3
Impact on Members	<p>There will be no costs to members as there is no need for them to familiarise with the changes or implement them.</p> <p>Where TPR can obtain relevant information in a timelier and accurate manner they are likely to be able to take more effective and efficient action. This is expected to help increase the security of member benefits.</p>
Impact on Businesses (employers and pensions industry).	<p>There are existing information gathering powers in the baseline. Businesses will incur costs at the familiarisation stage of approximately £8.9 million. Both trustees and employers will be required to familiarise with the changes.</p> <p>When compared against the baseline we assess the additional on-going cost to be either zero or negligible. In gross terms, participating in and preparing for an interview/inspection results in a cost. However, this is just a different form of gathering the same information that schemes/businesses are obliged to provide in the baseline.</p>
Impact on Government and public sector	We anticipate costs and savings to TPR resulting from the changes with the net effect to TPR broadly cost neutral.
Wider impacts	Any improvement to the security of DB scheme members’ pension savings may also improve public attitudes towards the pensions industry, which may in turn act as an additional incentive to save.

<b>Measure: The Pensions Regulator (TPR) powers– Contribution Notice powers (see Annex B for further details)</b>	
Summary of Measures	<p>This measure seeks to amend The Pensions Regulator’s Contribution Notice (CN).</p> <ul style="list-style-type: none"> <li>• Contribution Notices recover any losses caused to a Defined Benefit pension scheme as a result of avoidance behaviours.</li> </ul> <p>Four amendments to the CN regime are being pursued to clarify and strengthen the legislation. The aim is to clarify and strengthen the existing legislation to ensure that TPR’s CN powers are up to date and fit for the future.</p> <p>TPR’s current CN powers are in primary legislation. Any amendments must be made through primary legislation.</p>
Sections & Schedules	Part 3
Impact on Members	<p>There are no costs incurred by members as a result of these changes as the CN regime is not designed to cause action for scheme members.</p> <p>The clarification and strengthening of the existing CN regime may result in a benefit of increased security of pension benefits and reassurance that the pension promises will be met.</p>
Impact on Businesses (employers and pensions industry).	<p>Both employers and schemes will be required to familiarise with the changes to the CN regime. The estimated cost of familiarisation is £1.7 million.</p> <p>Ongoing costs could have an impact on business if they result in</p> <ul style="list-style-type: none"> <li>• A change in the volume of CNs</li> <li>• A change in the value of a CN</li> </ul> <p>The CN regime is a fault based mechanism, where the target has decided to act or failed to act knowing that it could have material detriment to the pension scheme. A CN is only issued in this case of wrongdoing and therefore any change in the value or volume of a CN would be treated like a fine and not a cost to business for EANDCB purposes.</p>
Impact on Government and public sector	<p><u>TPR</u></p> <p>We anticipate both costs and savings to TPR resulting from the changes to the CN. We broadly assess the impact on TPR to be neutral.</p> <p><u>PPF</u></p> <p>We anticipate that there will be limited impact to the PPF as a result of these changes. However, it is expected that any impact will be marginal, given the small number of cases and the fact that an insolvency event would have to occur for the PPF to be involved in the scheme.</p>

Wider impacts	The measure is designed to contribute to improving the security of DB scheme members' pension savings. Any improved security may also improve public attitudes towards the pensions industry, which may in turn act as an additional incentive to save.
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<b>Measure: The Pensions Regulator (TPR) powers– sanctions and fines (see Annex C for further details)</b>	
Summary of Measures	<p>This measure seeks to deter occupational pension scheme sponsoring employers or scheme trustees from engaging in wrongdoing in relation to their pension scheme. This will be done by:</p> <ul style="list-style-type: none"> <li>• Extending the list of duties and requirements which attract a civil sanction,</li> <li>• Introduce a new £1 million civil penalty to appropriately address more serious breaches</li> <li>• Introduce new criminal offences for: <ul style="list-style-type: none"> <li>○ Wilful or reckless behaviour in relation to a pension scheme</li> <li>○ Failure to comply with a Contribution Notice.</li> </ul> </li> </ul>
Sections & Schedules	Part 3
Impact on Members	There will be no costs for scheme members as they will not need to do anything. The enhanced sanctions regime is expected, in some cases, to deter 'wrongdoing', which would otherwise put the scheme and its members' pensions at risk - hence a potential benefit to members.
Impact on Businesses (employers and pensions industry).	<p>There are no changes in the requirements but a different sanctioning power will apply where the requirements are not met as a result of 'wrongdoing'. In other cases, the existing requirements have been amended or new offences are being introduced, in those cases they are assessed either in impact assessments or within this summary bill impact assessment. The subject of this section is just sanction and fines.</p> <p>Schemes have to be familiar with what defines wrongdoing in the baseline. The ongoing cost to business is assessed to be nil. This is primarily on the basis that sanctions or fines, which result from wrongdoing, are not to be treated as a cost. Equally, not issuing a fine, where issuing one is reasonable, is not treated as a benefit to business due to the same argument.</p> <p>There may be some costs to business arising where a sanction or fine is applied by TPR but later successfully appealed. The challenge process carries a cost and where a sanction is applied incorrectly the associated adverse monetary implications on business are to be treated as a cost. The legal system allows for compensation where punishment has been applied incorrectly. We do not claim that that necessarily reduces any damages to zero; but we anticipate</p>

	any net costs associated with sanctions being (ultimately) incorrectly applied as negligible.
Impact on Government and public sector	<p><u>TPR</u></p> <p>TPR is anticipated to incur both costs and gross benefits. Civil sanctions will be dealt with directly by TPR; and in relation to criminal sanctions, TPR will form the prosecution. Net impact will depend on several factors, including how the deterrence effect plays out, which is not possible to quantify with any certainty.</p> <p><u>DWP</u></p> <p>Any downstream costs as a result of the new criminal offence and any appeals to the upper tribunals will be paid for by the Department for Work and Pensions (DWP).</p> <p>There may be costs incurred to HM Prison service because of the new criminal sanction and custodial sentence for ‘Wilful or reckless behaviour in relation to a pension scheme’.</p> <p>It is estimated that the cost incurred to HM Prison Service is £26,274 in the first year and then £52,548 per annum thereafter.</p>
Wider impacts	These measures are designed to deter wrongdoing in relation to pension schemes. This may lead to improved security which may also improve public attitudes towards the pensions industry, and in turn act as an additional incentive to save.

<b>Measure: The Pensions Regulator (TPR) – New criminal offences and civil sanctions</b>	
Summary of Measures	<p>This measure seeks to deter occupational pension scheme sponsoring employers or scheme trustees from engaging in wrongdoing in relation to their pension scheme. This will be done by introducing new requirements. These include:</p> <ul style="list-style-type: none"> <li>• requirements pertaining to wilful and reckless behaviours in relation to a pension scheme;</li> <li>• knowingly/recklessly providing false information to trustees; and,</li> <li>• knowingly/recklessly providing false information to TPR.</li> </ul>
Sections & Schedules	Part 3
Impact on Members	There will be no costs incurred for scheme members as they will not need to do anything. The changes proposed here are intended to deter wrongdoing in relation to pension schemes and therefore designed to help secure members’ pensions.
Impact on Businesses (employers and pensions industry).	<p><u>Wilful/reckless behaviours in relation to a pension scheme</u></p> <p>Although these will be new requirements for pension schemes and their employers, there is already a requirement in the baseline to ‘not compromise the scheme’. These offences are also based on the contribution notice (CN) framework, and as</p>

	<p>such are linked to existing requirements. As such, we argue that there are no familiarisation costs incurred to businesses as a result of these changes.</p> <p><u>Knowingly/recklessly providing false information to trustees.</u></p> <p>This is similar to the current requirements for not providing false information to TPR. It is expected that employers and schemes should be complying with this in the baseline and so there aren't expected to be many changes from this proposed change. Therefore, we assume familiarisation and ongoing costs to be negligible.</p> <p><u>Knowingly/recklessly providing false information to TPR.</u></p> <p>This is already an existing criminal offence. The changes here simply allow a civil penalty to be applied to this offence. Therefore, there are no familiarisation or ongoing costs incurred as a result.</p>
Impact on Government and public sector	TPR is anticipated to incur both costs and benefits as a result of the proposed changes.
Wider impacts	These measures are designed to deter wrongdoing in relation to pension schemes. This may lead to improved security which may also improve public attitudes towards the pensions industry, and in turn act as an additional incentive to save.

<b>Measure: The Pensions Regulator (TPR) Declarations of Intent (see Annex D for further details)</b>	
Summary of Measures	<p>The measure seeks to reduce risks to DB pension schemes and enable trustees and TPR to take action where necessary to protect the pension scheme.</p> <p>It will do so by:</p> <ul style="list-style-type: none"> <li>- Introducing a requirement for corporate planners to make a Declaration of Intent which would be issued TPR and shared with trustees, setting out information about the transactions and how any detriment to the pension scheme is to be mitigated.</li> </ul> <p>The measure will introduce the requirement for a Declaration of Intent with primary legislation. The content of the Declaration of Intent is to be set in secondary legislation.</p>
Sections & Schedules	Part 3
Impact on Members	There will be no costs to members as they are not required to familiarise or take any action. The measure is designed and anticipated to contribute to enhancing the security of members' pensions.
Impact on Businesses (employers and pensions industry).	All 14,000 sponsoring employers will be required to familiarise with the changes. This is estimated to cost businesses around £0.71 million.

	<p>There will be ongoing costs to businesses. At this stage we are not aware of the content and so provide some indicative figures and discuss the potential impacts. We broadly think there will be three types of costs associated with the Declaration of Intent:</p> <ol style="list-style-type: none"> <li>1. Cost of preparing the Declaration of Intent including assessing the impacts of the corporate transaction with trustees. In a scenario where there are 285 declarations of intent per annum, illustrative figures indicate that this annual cost will be just under £1 million.</li> <li>2. Cost of changing the corporate transaction: Where detrimental impacts on the scheme are identified the business may need to alter the transaction in order to mitigate the impacts. This would depend on the specifics of the event which we are not aware of at this stage. In some cases, this may potentially result in some of the business gains foregone.</li> <li>3. Costs of delaying the corporate transaction: Where the process of assessing and producing a Declaration of Intent delays the benefits from the transaction.</li> </ol>
Impact on Government and public sector	<p><u>TPR</u></p> <p>TPR will have increased operational costs from having to review and respond to Declarations of Intent. These have not been quantified at this stage. TPR may also benefit from efficiency savings as a result of being told earlier when businesses are planning on completing certain corporate transactions.</p> <p><u>PPF</u></p> <p>Introduction of the Declaration of Intent is intended to help protect DB pension scheme members' benefits and in turn reduce the likelihood that a scheme will enter the PPF, also reducing costs to the PPF (and potentially benefitting businesses indirectly through a reduction in the pension protection levy).</p>
Wider impacts	<p>No significant impacts identified. The measure is designed and anticipated to contribute to improving the security of DB scheme members' pension savings. This improved security may also improve public attitudes towards the pensions industry, which may in turn act as an additional incentive to save.</p>

**Measure: Defined Benefit (DB) scheme funding –statement of strategy and appointment of Chair (see Annex E for further details)**

Summary of Measures	<p>This measure is intended to support decision-making by the trustee board and their engagement with the sponsoring employer, as well as TPR's scheme funding enforcement.</p> <p>It will do so by introducing:</p>
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	<ul style="list-style-type: none"> <li>- a new requirement for a Statement from the trustee board setting out their funding and investment strategy, and approach to risk management</li> <li>- a requirement for all DB trustee boards to appoint a Chair to the Board.</li> </ul> <p>The content and detail of the statement will be set in secondary legislation.</p>
Sections & Schedules	Part 5
Impact on Members	<p>These measures will not result in any costs to scheme members as they will not have to familiarise or implement any of the requirements. The requirement to have a Chair and for the trustee board to regularly produce and report their funding strategy to TPR is designed to improve scheme governance and decision making, which in turn is intended to ensure scheme running is both more efficient and more secure for members.</p>
Impact on Businesses (employers and pensions industry).	<p><i>Familiarisation/Implementation costs</i></p> <p>We expect that all 5,524 schemes will have to familiarise with the new requirements for the statement- even if they already have a Chair in place. We estimate that this familiarisation is approximately £1m.</p> <p>As schemes will be required to submit a Statement with an actuarial valuation even where there is scheme funding (SFO measure) surplus - we assume schemes will incur negligible familiarisation costs as they are already aware of how to submit the valuation if they were to be in deficit.</p> <p><i>Ongoing Costs</i></p> <p>For the schemes that don't already have a Chair, there will be an ongoing additional cost because of the higher pay associated with being a Chair rather than a trustee. We estimated a scope of around 850 schemes that did not already have a Chair of the trustee board, this represents just over 15% of DB schemes. We estimate the ongoing costs incurred to businesses to be £19.5 million per year. The cost incurred to each scheme is assumed to vary depending on the size of scheme.</p> <p>Costs of preparing and reviewing the Statement will directly depend on the content, to be set out in secondary legislation. At this stage we do not quantify the costs of producing the Statement.</p> <p>There will be some associated costs with submitting the valuation for schemes in surplus. It is estimated that it will cost around £9,000 in total for businesses to submit a valuation where they are in surplus per annum.</p> <p><i>Benefits</i></p> <p>This measure is expected to support trustees and their sponsoring employers to make the best possible long-term decisions to meet the pension liabilities of all members of the pension scheme over time. It is not possible to quantify the</p>

	benefits as many other factors drive improvements in governance and it is difficult to estimate the baseline and the counterfactual. Quantifying the benefit would be disproportionate and therefore is not included in the EANDCB estimate.
Impact on Government and public sector	We anticipate there to be both costs and benefits associated with the proposed changes to TPR. We will review these impacts at the secondary legislation stage.
Wider impacts	The measure is designed and anticipated to contribute to improving the security of DB scheme members' pension savings. This improved security may also improve public attitudes towards the pensions industry, which may in turn act as an additional incentive to save.

<b>Measure: Defined Benefit (DB) scheme funding – long term funding and investment strategy (see Annex F for further details)</b>	
Summary of Measures	<p>This measure aims to support clearer funding standards for Defined Benefit occupational pension schemes. This will ensure schemes have a funding and investment strategy to reach their long term destination in the relevant timeframe and be more prepared to manage risks to reaching this destination as they occur.</p> <p>The primary legislation includes a provision to require trustee boards to:</p> <ul style="list-style-type: none"> <li>- set a long term funding and investment strategy for the scheme,</li> <li>- to incorporate this into the Statutory Funding Objective.</li> </ul> <p>The measure also includes provisions to ensure TPR can enforce the new requirement to set a long term destination.</p>
Sections & Schedules	Part 5
Impact on Members	There will be no costs to members as they are not required to familiarise or take any action. The measure is designed to contribute to enhancing the security of members' pensions.
Impact on Businesses (employers and pensions industry).	<p>Impacts will be determined by the factors to be set in secondary legislation, and the long-term funding and investment strategy that is set by the trustee board.</p> <p>We anticipate there to be minor familiarisation and implementation gross cost to business, partially offset by savings associated with improved clarity of the requirements. There are also expected savings as a result of an improved funding position. The new requirement for trustees to set a long-term strategy is not expected to have a significant impact on schemes and their sponsors who already have an existing obligation to meet their pension liabilities/promise.</p>

Impact on Government and public sector	We anticipate there to be both costs and benefits associated with the proposed changes to TPR. We will review these impacts at the secondary legislation stage.
Wider impacts	The measure is designed and anticipated to contribute to improving the security of DB scheme members' pension savings. This improved security may also improve public attitudes towards the pensions industry, which may in turn act as an additional incentive to save.

<b>Measure: Collective Money Purchase (CMP) (see Annex G for further details)</b>	
Summary of Measures	<p>This measure would introduce a framework to create a provision for the pensions industry to CMPs. This legislation will:</p> <ul style="list-style-type: none"> <li>- Amend parts of the Pension Schemes Act 1993 to create a new sub-set of money purchase benefits which will allow pooled pension arrangements (collective benefit pension schemes), and to define the nature and quality features of schemes which can provide them.</li> <li>- Provide powers to flesh out the technical aspects of the new regime, for example how schemes with pooled benefits should undertake valuations of their assets and liabilities.</li> <li>- Provide powers to apply (with necessary modifications) existing pensions legislation to enable the Pensions Regulator to authorise and oversee pooled schemes.</li> </ul>
Sections & Schedules	Part 1 and 2
Impact on Members	<p><i>Costs</i></p> <p>Where the counterfactual is DB, all members are expected to face more uncertainty in their pension income under CMP. Where the counterfactual is DC, on an individual basis, some members may could face lower pension income under CMP for the following reasons:</p> <ul style="list-style-type: none"> <li>- CMPs will smooth out the benefits gained in 'strong' economic scenarios.</li> <li>- Opportunity forgone for those that would rather have an individual DC scheme.</li> </ul> <p><i>Benefits</i></p> <p>Where the counterfactual is DC, a CMP can provide a more stable outcome for members at a lower cost than individual DC. There are a number of reasons for this:</p> <ul style="list-style-type: none"> <li>- Ability for CMPs to smooth out the losses incurred in 'bad' economic scenarios.</li> </ul>

	<ul style="list-style-type: none"> <li>- Ability for members to share their individual longevity risk with other members, so that they avoid the risk of either outliving their savings or being unnecessarily frugal with their savings.</li> <li>- Ability to invest a high proportion in growth assets (e.g. equities) throughout the scheme's whole lifetime, whereas typical DC schemes tend to move into safer, lower-returning assets as the member approaches retirement.</li> <li>- Converting DC pots into an income stream for members without the high costs of guaranteeing income through an annuity.</li> </ul> <p>Some members may prefer "hands off" access to a professionally managed investment strategy, which CMP type schemes can offer.</p>
<p>Impact on Businesses (employers and pensions industry).</p>	<p>Due to the significant uncertainty over the full impacts of the proposal, DWP has not quantified an Equivalent Annual Net Direct Cost to Business (EANDCB). Specifically:</p> <ul style="list-style-type: none"> <li>- The costs and benefits depend on the counterfactual (whether a firm's employees would in future be enrolled in a DB scheme, a DC scheme or a hybrid DB/DC scheme) which is not possible to predict. Particularly in the case for DB employers, there are uncertainties as to whether they would switch to DC in the absence of CMP legislation.</li> <li>- Consultation responses illustrated interest in CMP amongst the wider pensions industry, but did not identify plans to deliver CMP. Consequently, the potential take-up of CMPs from employers is currently unknown with only the Royal Mail Group having clear plans to deliver CMP.</li> </ul> <p>Given the voluntary nature of this legislative change, we only expect businesses to incur gross costs to create a CMP scheme if it were beneficial to do so compared to their next best alternative. As such, we assume this proposal to be zero net cost. However, we are not able to accurately quantify the scale of benefits, and so cannot treat this measure as a non-qualifying regulatory provision (NQRP) on the grounds of the equivalent annual net direct impact on business being less than £5m.</p> <p><i>Costs</i></p> <p>Where the counterfactual is DC, we do not envisage fundamental differences in direct costs to sponsoring businesses. However, we acknowledge that there may be some differences in scheme running costs when compared against DC. For example, in CMP, pension levels will need to be revalued more regularly and so incur actuarial costs.</p> <p><i>Benefits</i></p> <p>Where the counterfactual is DC, it is possible that moving to a CMP would result in benefits to employers in terms of</p>

	<p>improved employee retention, and specifically in the case of Royal Mail, improved industrial relations.</p> <p>Where the counterfactual is DB, savings to sponsoring businesses may be substantial. However, where DB commitments already exist they cannot be broken and CMP will not alter this at all; so any potential savings would only relate to new / future pensions accruals – for which businesses already have an alternative (in the form of DC) and strong financial incentives to pursue it.</p>
Impact on Government and public sector	We anticipate there to be an impact on TPR in regulating CMP schemes. We will review these impacts at the secondary legislation stage.
Wider impacts	CMP schemes are expected to be able to invest (over their lifetimes) a greater proportion in acyclical, long-term returning assets than DC. These might include, for example, investing in infrastructure projects. However, investment choices and their impacts on wider economy are always complex and hard to assess / predict.

<b>Measure: The Pension Protection Fund (PPF) compensation regime - Beaton</b>	
Summary of Measures	<p>This measure seeks to ensure that:</p> <ul style="list-style-type: none"> <li>- PPF recipients do not see their PPF compensation payments reduced or in extreme cases stop all together.</li> <li>- the PPF has a statutory basis for paying survivors benefits and inflationary increases to pension payments, and pensions that have not come into payment to maintain their value.</li> </ul> <p>The necessary changes have retrospective effect and can only be made through primary legislation.</p>
Sections & Schedules	Part 5
Impact on Members	This measure simply gives a statutory basis to the current PPF operational practices. Therefore, we do not expect any changes to the existing counterfactual regarding members.
Impact on Businesses (employers and pensions industry).	This measure simply gives a statutory basis to the current PPF operational practices. Therefore, we do not expect any changes to the existing counterfactual regarding businesses.
Impact on Government and public sector	Though this measure relates to the PPF, it simply gives a statutory basis to the current PPF operational practices. Therefore, we do not expect any changes to the existing counterfactual.
Wider impacts	No significant impacts identified.

<b>Measure: the pensions dashboard (see Annex H for further details)</b>	
Summary of Measures	<p>This measure seeks to enable citizens to securely access their pensions information online, to support better planning and preparation for retirement. It will do this by:</p> <ul style="list-style-type: none"> <li>- introducing legislation to compel pension providers to make certain data available to members via dashboards.</li> </ul> <p>Primary legislation will introduce necessary powers to set out the conditions of a qualifying dashboard service. Subsequent secondary legislation will specify the design and implementation decisions, and establish a regulatory framework to implement appropriate and robust controls to protect users.</p>
Sections & Schedules	Part 4
Impact on Members	<p>The dashboard provides an individual's pension information in one place, saving consumers time and potentially reducing costs of paid financial advice. Some consumers may benefit from recovering lost pension pots.</p> <p>We expect that increased engagement, via dashboards, could lead to better retirement planning and decision-making. This could then lead to improved retirement outcomes in the long-term.</p> <p>Although dashboards are intended to be free at the point of use, consumers may bear some indirect costs if industry pass on some costs through higher scheme charges.</p>
Impact on Businesses (employers and pensions industry).	<p><i>Familiarisation costs</i> There will be costs for the pensions industry to familiarise with new requirements. Illustrative costs are provided for familiarisation costs (£2m in year 1 only).</p> <p><i>Implementation costs</i> We expect material costs for pension schemes and providers to invest in new software/IT architecture to be able to provide data to the dashboard(s)</p> <p><i>Ongoing costs</i> To provide data, ongoing governance, and regulatory compliance on an annual basis</p> <p>One-off implementation costs and ongoing costs are estimated under three scenarios with different data requirements and coverage to highlight the potential range of impacts. Estimated one-off implementation costs range from £200m to £580m over 10 years and ongoing costs range from £245m to £1.48bn over 10 years.</p> <p>There may be some benefits to the pensions industry if the dashboard leads to less contact from members looking to</p>

	retrieve their information (e.g. fewer customer telephone calls).
Impact on Government and public sector	Costs to Government of providing State Pension data to the dashboard, convening an industry led delivery body and regulating compliance.
Wider impacts	If the dashboard led to higher engagement and increased levels of pension saving this would increase revenue for providers, but the intended behavioural effects are highly uncertain.

<b>Measure: member protection – Transfers (see Annex I for further details)</b>	
Summary of Measures	<p>This measure seeks to prevent pension benefits being transferred to fraudulent destinations in order to prevent losses of retirement income. It will do this by amending the existing statutory right to transfer provisions so that it applies only if at least one of the conditions in the regulations is met. The intention is that the regulations would provide for at least one of the following conditions regarding the transfer destination to be satisfied:</p> <ul style="list-style-type: none"> <li>- schemes operated by a firm that is authorised and regulated by the Financial Conduct Authority (FCA); or</li> <li>- authorised Master Trusts; or</li> <li>- schemes, where a genuine employment relationship between the member and the scheme employer can be established; or</li> <li>- Qualifying Recognised Overseas Pension Schemes, (QROPS) in certain circumstances.</li> </ul>
Sections & Schedules	Part 5
Impact on Members	<p>We expect significant personal benefits for those who would have lost money through pension scams. Though this will be a relatively small minority of pension scheme members, Action Fraud estimate the average loss of pension benefits because of scams to be £91,000 per member.</p> <p>There will be new administrative costs to members to provide the relevant information required for a transfer to a QROPS or where an employment link needs to be established. We estimate it would cost an individual £3.91 to locate and send evidence of the employment link, and £4.49 to provide and send the required evidence for a transfer to a QROPS to establish the residency conditions. Based on the estimated number of transfers that are requested each year this gives a total cost to pension scheme members of £0.3m per year.</p>
Impact on Businesses (employers and pensions industry).	Impacts will depend on the employment link and QROPS compliance. This will depend on the policy detail, which will be set out in subsequent regulations (secondary legislation) and which will be subject to consultation. Based on how we currently envisage the criteria working in practice and certain

	<p>assumptions, we provisionally assess the Equivalent Annual Net Direct Cost to Business (EANDCB) to be approximately £0.6 million.</p> <p>We estimate approximately 160,000 transfers take place each year, which will be subject to the regulations.</p>
Impact on Government and public sector	Potential second order savings to means tested benefits from reduced losses to members due to scams. The direct benefit to members above is set out before any tax/benefit considerations, therefore not counted here to avoid double counting of benefits.
Wider impacts	No significant impacts identified.

<b>Measure: member protection – administration charge (see Annex J for further details)</b>	
Summary of Measures	<p>This measure seeks to help trustees avoid inadvertent breaches of the charge cap measures (already in legislation), by reassuring them and their advisers about the intended scope of the definition. It will do so by amending the definition of “administration charge” in Schedule 18 to the Pensions Act 2014 and Section 1 of the Welfare Rights and Pensions Act 1999.</p> <p>The changes will make clear the purpose to which the Government intends the “administration charge” to be put.</p>
Sections & Schedules	Part 5
Impact on Members	No direct impact on members.
Impact on Businesses (employers and pensions industry).	<p>We expect that some schemes (and eventually their sponsoring businesses) will benefit from the clarification / reduced uncertainty from:</p> <ul style="list-style-type: none"> <li>• reduced familiarisation costs, and</li> <li>• reduced risk of misinterpreting the requirements and incurring any costs associated with misinterpretation.</li> </ul>
Impact on Government and public sector	No significant impacts identified.
Wider impacts	No significant impacts identified.

# Annex A



Annex A-  
Information Gathering

# Annex B



Annex B-  
Contribution Notices.

# Annex C



Annex C -  
Sanctions.docx

# Annex D



Annex D -  
Declarations of Intent

# Annex E



Annex E - Trustee  
and Board Statement.

# Annex F



Annex F - Funding  
and Investment Strate

# Annex G



Annex G - CMP.docx

# Annex H



Annex H - Pensions  
Dashboard.docx

# Annex I



Annex I -  
Transfers.docx

# Annex J



Annex J -  
Administration Charg