



House of Commons
Work and Pensions Committee

**British Steel Pension
Scheme: The Pensions
Regulator Response
to the Committee's
Sixth Report of Session
2017-19**

**Ninth Special Report of Session
2017–19**

*Ordered by the House of Commons
to be printed 18 April 2018*

Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

Current membership

[Rt Hon Frank Field MP](#) (*Labour, Birkenhead*) (Chair)

[Heidi Allen MP](#) (*Conservative, South Cambridgeshire*)

[Andrew Bowie MP](#) (*Conservative, West Aberdeenshire and Kincardine*)

[Jack Brereton MP](#) (*Conservative, Stoke-on-Trent South*)

[Alex Burghart MP](#) (*Conservative, Brentwood and Ongar*)

[Neil Coyle MP](#) (*Labour, Bermondsey and Old Southwark*)

[Emma Dent Coad MP](#) (*Labour, Kensington*)

[Ruth George MP](#) (*Labour, High Peak*)

[Nigel Mills MP](#) (*Conservative, Amber Valley*)

[Steve McCabe MP](#) (*Labour, Birmingham, Selly Oak*)

[Chris Stephens MP](#) (*Scottish National Party, Glasgow South West*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the [publications page](#) of the Committee's website and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Adam Mellows-Facer (Clerk), Katy Stout (Second Clerk), Libby McEnhill (Committee Specialist), Rod McInnes (Committee Specialist), Tom Tyson (Committee Specialist), Jessica Bridges-Palmer (Senior Media and Policy Officer), Esther Goosey (Senior Committee Assistant), Michelle Garratty (Committee Assistant) and Ellen Watson (Assistant Policy Analyst).

Contacts

All correspondence should be addressed to the Clerk of the Work and Pensions Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8976; the Committee's email address is workpencom@parliament.uk.

Ninth Special Report

The Work and Pensions Committee published its Sixth Report of Session 2017–19, [British Steel Pension Scheme](#) (HC 828) on 15 February 2018. The Pensions Regulator's response was received on 18 April 2018 and is appended to this report.

In The Pensions Regulator's response, the Committee's recommendations appear in **bold italic** and the The Pensions Regulator's responses appear in plain text.

Appendix: The Pensions Regulator Response

The restructuring of the British Steel British Pension Scheme (BSPS) was complex and the option for members to transfer their benefits to a successor scheme, before the BSPS entered the Pension Protection Fund (PPF), was highly unusual. More than 80,000 members have had the opportunity to get a higher level of benefits than they would have received if the BSPS had passed in its entirety into the PPF.

We recognise that uncertainty regarding the BSPS's future may have contributed to the sharp rise in the level of cash equivalent transfer values (CETVs) requested and that The Pensions Regulator (TPR) could have worked earlier with the Financial Conduct Authority (FCA) and The Pensions Advisory Service (TPAS) to address the issues that arose from this.

We are discussing the lessons learned with both the FCA and TPAS to ensure that these issues are managed more effectively in the future should a similar set of circumstances arise.

We have considered the committee's report and in particular the two recommendations directed specifically at The Pensions Regulator (TPR). We address each of these in turn:

1. ***We recommend TPR conduct a review of the information and support provided to BSPS members as part of the Time to Choose exercise, incorporating feedback from the scheme members. This review should be published and form the basis of an action plan to counter risks in any similar cases in future.***

The 'Time to Choose' exercise focused on the choice between transferring to the New BSPS scheme or remaining with the existing scheme, and moving with it into the PPF. The proposal for the new scheme could only be achieved by a bulk transfer 'with consent' and those not making an active choice remained with the BSPS.

The trustee took the decision to employ an external agency with expertise in delivering this type of communication to members. Twenty different bespoke communications were developed to meet the needs of scheme members in different circumstances and several channels were utilised (post, email, social media, road shows and website). TPR obtained agreement from the trustee and the Tata Steel UK Limited to review all member communications in relation to Time to Choose and object if we thought the information

being provided was insufficient for the members to make an informed decision. This resulted in a number of changes being made to the communications before they were finalised, including the provision of additional information.

As addressed in more detail below, the opportunity for a member to take a CETV was not part of this exercise but was mentioned in the communications sent to certain non-pensioners to inform these members that they still retained this statutory, but separate, right.

We will review the member communications activity and will use what we learn to provide guidance and support for trustees in the future. In addition, we are already establishing new ways of working with the FCA and TPAS to ensure that joined up, clear information is provided to pension scheme members regarding CETVs.

Transferring out

Around 42,000 non-pensioner BSPS members, who were more than one year away from their normal pension age, had the statutory right to request a CETV and transfer that pot to another pension arrangement. The regulation of financial advice provided to members on CETVs comes under the FCA's remit. Neither the trustee nor TPR is authorised to provide advice to assist members in reaching a decision on taking a CETV. As set out in our earlier written evidence in December 2017, we worked with the pension trustee to ensure that member communications highlighted the importance of only choosing a financial adviser regulated by the FCA to advise on pension transfers and that members should also watch out for scams and sharp practice. Information on CETVs was available to members via their option packs, FAQs on the BSPS website and via member newsletters.

We recognise that giving up valuable benefits linked to a members' employment is a big step and we believe that transfers from defined benefit (DB) schemes into defined contribution (DC) pension arrangements are unlikely to be in the best interests of most members, although there are certain circumstances where they may be appropriate - linked to poor health or low life expectancy for example.

We worked with the FCA and TPAS to ensure that all those members who had requested a CETV quote, but not yet made a decision, received a joint letter via the trustee making them aware of the potential impact of giving up guaranteed DB benefits for a more uncertain DC return. Additionally, we also worked with the FCA and TPAS to send a joint letter via the trustee to all those members who had recently transferred their scheme benefits to another registered pension arrangement, to ensure that members were aware of their options and where to go to for advice.

We agree we could have joined forces more quickly to reinforce these messages. The review of member communications will look at what more could have been done to help members make informed decisions on transferring out of a DB scheme.

Timing

On 11 August 2017, we gave clearance and issued a determination notice in respect of the regulated apportionment arrangement (RAA), following which there was a statutory 28-day period during which the applicants and the trustee could make a referral to the Upper Tribunal. The RAA approval notice was then issued on 11 September 2017. The option packs in respect of the Time to Choose exercise were then delivered to members in early October.

When an employer is seeking to enter into a RAA, we require strict criteria to be met and TPR sets a very high bar before giving clearance and approval. Although the RAA was agreed in principle in May 2017, TPR does not believe it would have been possible for the trustee to communicate anything meaningful to the c.125,000 members about their options at this time, as suggested in the committee's report. The RAA had not been approved and the proposals for the new scheme and the qualifying conditions it would need to meet were still being developed. Hence there was no guarantee that the RAA would be approved or that a new scheme would be established. We appreciate this uncertainty could have led to an increase in interest in transfers. The review of member communications will look into whether further messages to members would have been helpful during this period.

As acknowledged above, during the subsequent member consultation we accept that we could have worked more quickly and closely with the FCA and TPAS to ensure that members who had requested a transfer received clear and early communication on the risks of transferring out of a DB pension scheme.

2. We further recommend that, in the context of a wider effort to enhance and digitise scheme record-keeping in readiness for the pensions dashboard, TPR require all schemes to be able to calculate what each member's benefits would be under both statutory minimum indexation and PPF compensation rules.

We have brought this recommendation to the attention of the DWP. The committee's call for TPR to require all schemes to be able to calculate what each member's benefits would be under both statutory minimum indexation and PPF compensation rules would require us to be granted new legal powers. There is also currently no statutory requirement for companies to keep data in an electronic form.

In the case of the BSPS, there were previous historical data records resulting from bulk transfers from 17 other schemes, which will have added to the complexity in producing uniform illustrations for all the membership given that the data would have been recorded differently and on different systems.

TPR highlighted data standards as a corporate priority in our 2017/20 corporate plan. We have worked closely with the pension administration industry to produce guidance and have taken action, for example with the recent NOW: Pensions case, to send a message that trustees need to manage scheme data well. We are now asking schemes to report on their data quality in the scheme return. This will enable us to target our interventions on those schemes most at risk of having data issues.

Going forward with RAAs and CETV requests

The BSPS situation was highly unusual - it was a well funded scheme with a low risk investment strategy, which meant that transfer values were extremely high (this will not always be the case with other schemes entering an RAA) and with a very large number of non-pensioner members concentrated geographically in a small number of locations, making them easier to target by unscrupulous financial advisers and introducers. This is only the third time a new scheme has been set up following an RAA.

To protect members in the future, we are working much more closely and proactively in partnership with the FCA and TPAS to provide joint information and to give timely warnings to members who may also be considering taking a transfer from a DB scheme when it may not be in their interests to do so. Clearly, we cannot prevent members from exercising their right to a CETV to take advantage of the pension freedoms available to them, but we want to work with our partners to help ensure that members can make informed decisions.

The Pensions Regulator

11 April 2018