

Quarterly Pensions Watch: Pension Schemes Bill announced

What you need to know

- With the new Government now in place, pension scheme trustees and employers will be keen to know Labour's direction of travel for pension policy.
- In her first speech as the new Chancellor, Rachel Reeves stated that Labour will turn its attention 'to the pensions system, to drive investment in homegrown businesses and deliver greater returns to pension savers'.
- The first step towards this was revealed on 17 July 2024: the King's Speech set out the Government's intended legislative agenda and includes a Pension Schemes Bill. This is set to take forward some of the initiatives already in progress prior to the general election.
- As promised in Labour's manifesto, Rachel Reeves has launched a "landmark review" of the pensions landscape.
- The key pensions appointments have also now been made at the Department for Work and Pensions (DWP). Liz Kendall is Secretary of State, whilst the new Pensions Minister, Emma Reynolds, has a joint role across the DWP and HM Treasury. Sir Stephen Timms and Alison McGovern have been appointed as Ministers of State in the DWP. Let the work begin!

What to expect in the near future

Development	Comment
Pension Schemes Bill	Amongst the 39 bills announced in the King's Speech on 17 July, was a Pension Schemes Bill. This bill is largely a continuation of several policies first put forward by the previous government with a focus on consolidation and outcomes for defined contribution savers. Further detail is expected in the coming months.
Pensions review	Labour's election manifesto promised a wide-ranging review of the pensions landscape to consider the steps needed to improve retirement security, deliver better outcomes and increase investment in the UK economy. On 20 July the Chancellor launched the review, with a first stage focusing on investment with a further step starting later this year considering how to improve retirement outcomes and increase investments in UK markets.
Defined benefits (DB) funding code	The Pensions Regulator's (TPR's) new DB funding code will be the final piece of the jigsaw in the new funding and investment strategy regime. It is ready to be laid before Parliament but, due to the summer recess, is unlikely to be in force by the time the regulations take effect from 22 September 2024. The response to TPR's statement of strategy consultation is also awaited, alongside finalised covenant guidance.
Pensions dashboards: Key deadline of 8 August	Whilst the statutory deadline for connecting to pensions dashboards is 31 October 2026, trustees have until 8 August 2024 to apply to defer their connection by up to 12 months beyond this date, if the scheme meets certain criteria. This could be relevant for schemes that embarked on a buy-in/buy-out before 9 August 2023 and the ultimate buy-out date is likely to be after 31 October 2026.
Virgin Media: Court of Appeal hearing	The Court of Appeal hearing in the Virgin Media case took place at the end of June 2024 and the judgment is expected late summer / early autumn. The outcome could have widespread implications for the validity of historic rule amendments made to contracted-out DB schemes in the absence of a section 37 certificate from the scheme actuary.

Measures to be taken forward in the new Pension Schemes Bill

DB superfunds	Consolidate the DB market by establishing commercial superfunds.
Defined contribution (DC) small pots	Automatic consolidation of DC deferred small pension pots to prevent members from losing track of the pension pots and improve outcomes.
DC: value for money (VFM) framework and consolidation	Establish VFM framework for DC schemes to drive consolidation, improve member outcomes and ultimately lead to more productive investment of funds. This includes introduction of a standardised test that DC schemes will need to meet to demonstrate they deliver value.
DC decumulation	Require occupational pension schemes to offer members retirement (decumulation) products and services. This is set to improve member outcomes and lead to more funds being invested for longer, giving the potential for investment in productive assets.
The Pensions Ombudsman (TPO)	Reaffirm TPO as a competent court in relation to the recovery of overpayments so that trustees do not need to apply to the courts to enforce TPO decisions.

Other measures on the horizon, at a glance

● Overdue
 ● Awaited
 ● On track

Area	Anticipated development	Status
Options for DB schemes consultation	Response to the consultation from the DWP is awaited. Provisions for DB scheme surplus extraction and the role of the Pension Protection Fund as a public sector consolidator not signalled in the new Pension Schemes Bill.	●
Covenant guidance	A formal consultation on covenant guidance is not expected from TPR – rather, a more informal discussion with stakeholders. Finalised guidance is expected in summer 2024.	●
DC master trusts	As announced in July 2024, TPR will focus its supervision on master trusts' investments, data and innovation at retirement.	●
Lifetime allowance (LTA)	The LTA was fully abolished from 6 April 2024. Prior to the general election, HMRC confirmed further regulations are due to be laid to rectify known issues with the current legislation. Labour has stated no intention to reinstate the LTA.	●
Transfer regulations	Possible changes to incentives and overseas investment flags following the DWP's review of the 2021 conditions for transfer regulations.	●
Auto-enrolment (AE)	Primary legislation already in place to allow qualifying minimum age for AE to be reduced from 22 to 18 and removal of qualifying earnings band.	●
Notifiable events	DWP consulted in 2021 on changes to extend notifiable events regime. Consultation response and amending regulations still outstanding.	●

Find out more

For further information, please get in touch with **Ilona Spanczer** or **Caroline Ekins** or speak to your usual XPS Group contact.



Ilona Spanczer
 FIA Senior Consultant
 ilona.spanczer
 @xpsgroup.com



Caroline Ekins
 Senior Technical Consultant
 caroline.ekins
 @xpsgroup.com



xpsgroup



@xpsgroup

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