

## Pension Schemes Bill

### King's Speech

### Announcement

July 2024

## Introduction

As has been the way since the election, the Labour government continues with its work on delivering change. However, it was still a surprise to the industry that a Pension Schemes Bill has been included in the King's Speech.

The much-trailed review of pensions could have called a halt on a few projects while Emma Reynolds (our new Pension Minister) and her team got to grips with things. But no, we have a bill that promises to move forward a number of areas.

## Expected content

In particular, we expect the new Pensions Schemes Bill to include: DC changes aimed at delivering better outcomes for members through:

**Small pension pot consolidation** – The government will continue the work to develop a solution to automatically consolidate pension pots. We expect this to be the “multiple default consolidator” model which will transfer small pots into the individual's largest fund. This will take significant work for providers to build and operate but will resolve the issue of the growing number of pots that exist. It isn't clear what the government is thinking for the creation of new smaller pots. The last consultation looked at 'pot follows member' or the lifetime provider model and we will have to wait and see which option holds sway.

**Value for Money Framework** – this has been an ongoing project to ensure that all defined contribution schemes are working on a level playing field and providing good value for members, be that in a trust based or contract based arrangement. Those schemes not providing good services, good returns and good retirement options for members will be encouraged, and possibly forced, to consolidate with a better scheme.

In addition, there is work to review the charge cap. This could allow default funds to allocate member's savings into productive assets which, we are told, help the UK's growth ambitions.

**DC retirement products** – guidance on this has been promised over the summer and has been disrupted by the election. However, we are expecting all defined contribution schemes to give their members access to default retirement solutions to assist those unable to make their own decisions. This is likely to impact all schemes and will link to the Value for Money work.

Further focus on DB commercial consolidation:

**Commercial consolidator** - This is currently sparse on details, given we only currently have a single commercial consolidator, but we expect this to be the official codification of a regulatory regime for them. This may give succour to others waiting in the wings looking to set up their own consolidation vehicles.

Reinstatement of the Pensions Ombudsman as a competent court:

**The Pensions Ombudsman** - A recent court ruling has put the application of Ombudsman rulings on overpayments into chaos as they could, in some cases, require county court approval. This was unfortunate from an administrative perspective but the government look to be acting quickly in resolving this.

### **Other key items**

In addition to the Pension Schemes Bill, two further bills may have pension implications.

**National Wealth Fund** – this joint venture with UK government and business/infrastructure banks will create the products for pension schemes and members to invest in. We shall watch this with interest as this is likely to be the vehicle for ‘productive’ investment in UK business.

**Cyber Security** – a bill to combat the rise of cyber-attacks mentions requirements on regulators to ensure cyber security is taken seriously. We would therefore expect more from the Pensions Regulator on this. Many schemes will have done work in relation to the General Code but we would urge vigilance and extra steps, if necessary, to protect scheme and member data.

## **Broadstone comment**

This continued focus on consolidation and investment is understandable. Smaller numbers of larger pension schemes bring efficiencies for providers, investment opportunities for governments and easements for regulators. The hope is the combination of these will also lead to better outcomes for members.

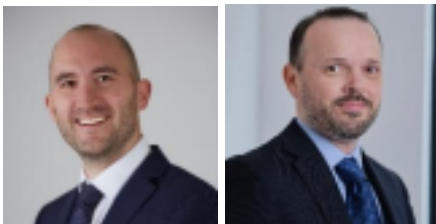
These goals clearly remain consistent with the terms of any deeper review of financial services and pensions and so can sensibly keep moving forward. Perhaps this also signals that Labour’s wider pensions review could focus on tax reliefs, state pension, levels of retirement saving, long term care and advice/guidance, all of which are areas that could benefit from some longer and considered consultations. Of course, we may also see more on the proposed public sector consolidator and lifetime provider model, both of which have taken up significant time in recent months being considered and debated by the industry.

As a final point, we know people will want to know when the Funding Code is going to progress. Like you, we eagerly await it being laid before Parliament, prior to it coming into force 40 sitting days later. As soon as we see it laid and can start to review the details of its final form, we will let you know.

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