Benefits Brief

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Proposed Major Revisions to the UK Pension Law Introduced

PUBLISHED: February 27, 2020
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As reported previously, in March of 2018, the UK Department of Work and Pensions issued a white paper calling for significant toughening of the fiduciary duties around pensions. This was in response to the collapse of a number of large defined benefit pension schemes in the UK. The government agreed with many of those provisions and outlined their response with more detail in 2019.

These proposals were put into a Pension Schemes Bill, originally introduced in the House of Commons in October 2019, but which this year has been introduced as HL Bill 4, found here: https://services.parliament.uk/bills/2019-20/pensionschemes.html. Despite the political turmoil in the UK, the pension proposals have had fairly broad support.

The bill reflects much of what was in the white paper and the government response, with numerous provisions strengthening the power of The Pensions Regulator (TPR), as well as more stringent funding requirements. These are all described in more detail in our previous article on the white paper and government response.

Included in those provisions is the prospect of up to seven years of imprisonment as well as fines if, among other things, "(a) the person does an act or engages in a course of conduct that detrimentally affects in a material way the likelihood of accrued scheme benefits being received (whether the benefits are to be received as benefits under the scheme or otherwise), (b) the person knew or ought to have known that the act or course of conduct would have that effect, and (c) the person did not have a reasonable excuse for doing the act or engaging in the course of conduct."

Additional provisions include changes to the "notifiable events framework" (similar to US reportable events), which should be of interest to both plan advisors and trustees and those involved in corporate transactions. The bill would also set up "pension dashboards", online information about an individual's pensions savings. Questions have also been raised as to the impact of the bill on climate-change related investing.

The bill would further create rules around "collective money purchase benefits", similar to what are also known as variable annuities, collective defined contribution and defined ambition plans. See, for example, here: What if You Ran a DC Plan Like a DB Plan? The UK May Be About to Find Out.

The timing of the bill becoming law is uncertain. However, multinational company managers involved in global pension governance will want to monitor the bill for its impact on UK pensions.

If you have any questions, please contact David Powell or your regular Groom attorney.

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