PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

PENSION SCHEMES BILL [*LORDS*]

Fourth Sitting

Thursday 5 November 2020

(Afternoon)

CONTENTS

Clauses 125 to 129 agreed to.
Schedule 11 agreed to.
Clauses 130 to 132 agreed to, one with an amendment.
New clauses considered.
Bill, as amended, to be reported.
Written evidence reported to the House.

PBC (Bill 165) 2019 - 2021

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not later than

Monday 9 November 2020

The Committee consisted of the following Members:

Chairs: †Mr Laurence Robertson, Graham Stringer

† Bailey, Shaun *(West Bromwich West)* (Con)
† Baker, Duncan *(North Norfolk)* (Con)
† Baldwin, Harriett *(West Worcestershire)* (Con)
† Bell, Aaron *(Newcastle-under-Lyme)* (Con)
† Buck, Ms Karen *(Westminster North)* (Lab)
† Davies, Gareth *(Grantham and Stamford)* (Con)
† Drummond, Mrs Flick *(Meon Valley)* (Con)
Eagle, Ms Angela *(Wallasey)* (Lab)
† Eshalomi, Florence *(Vauxhall)* (Lab/Co-op)
† Gray, Neil *(Airdrie and Shotts)* (SNP)
Griffiths, Kate *(Burton)* (Con)
† Malhotra, Seema *(Feltham and Heston)* (Lab/Co-op)
† Morris, James *(Lord Commissioner of Her Majesty's Treasury)*
† Opperman, Guy *(Parliamentary Under-Secretary of State for Work and Pensions)*
† Roberts, Rob *(Delyn)* (Con)
† Thomson, Richard *(Gordon)* (SNP)
† Timms, Stephen *(East Ham)* (Lab)

Kenneth Fox, Huw Yardley, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 5 November 2020

(Afternoon)

[MR LAURENCE ROBERTSON *in the Chair*]

Pension Schemes Bill [*Lords*]

2 pm

The Chair: I will just remind Members about social distancing, and that *Hansard* colleagues would be grateful if Members emailed their speaking notes to hansardnotes@parliament.uk.

Clauses 125 to 129 ordered to stand part of the Bill.

Schedule 11 agreed to.

Clauses 130 and 131 ordered to stand part of the Bill.

Clause 132

SHORT TITLE

Amendment made: 10, in clause 132, page 125, line 17, leave out subsection (2).—*(Guy Opperman.)*

This amendment would remove the privilege amendment inserted by the Lords.

Clause 132, as amended, ordered to stand part of the Bill.

The Chair: I understand that there is an agreement that all the remaining new clauses should be debated together. Is that correct? [HON. MEMBERS: "Yes."]

New Clause 1

AUTO-ENROLMENT

"(1) The Pensions Act 2008 is amended as follows—

(a) in section 3, in subsection (1)(a) leave out '22' and insert '18';

(b) in section 13, leave out subsection (1)(a).

(2) The Secretary of State shall, not later than two months after the day on which this Act is passed, lay before Parliament a statement containing a timetable for the implementation of these changes."—*(Neil Gray.)*

This new clause would lower the age threshold for auto-enrolment from 22 to 18, and remove the lower limit of the "qualifying earnings" band, so that contributions are payable from the first pound earned. It would also require the Secretary of State to lay before Parliament a timetable for implementing these changes.

Brought up, and read the First time.

Neil Gray (Airdrie and Shotts) (SNP): I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss the following:

New clause 2—*Pensions Advisory Commission*—

"(1) The Pensions Regulator shall establish a committee to be known as the Pensions Advisory Commission.

(2) The Commission shall consist of—

(a) members of the Regulator as provided under section 2(1) of the Pensions Act 2004, and

(b) five other persons appointed by Her Majesty on the recommendation of the Secretary of State.

(3) A person appointed under subsection (2)(b) shall exercise only functions in pursuance of the duties in subsections (5) and (6).

(4) The Commission shall be chaired by a person appointed under subsection (2)(b).

(5) It shall be the duty of the Pensions Advisory Commission to submit to the Secretary of State each calendar year, beginning with the year 2022, a report setting out the Commission's views on—

(a) the impact of provisions in Parts 1, 2 and 4 of this Act on—

(i) persons in different parts and regions of the United Kingdom,

(ii) equal treatment of men and women in access to pension provision, and

(iii) persons with a protected characteristic under section 4 of the Equality Act 2010; and

(b) the effectiveness of the powers in Parts 1 to 3 of this Act in enabling the Pensions Regulator to achieve its objectives under section 5 of the Pensions Act 2004.

(6) It shall also be the duty of the Commission to report to the Secretary of State by 31 October 2021 its views on when commercial operators should be able to enter the market for provision of a pensions dashboard service.

(7) The Secretary of State must lay before Parliament a copy of every report received from the Commission under this section."

New clause 3—*Employer debt: trustees' discretion*—

"The following changes are made to the Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678)—

'(1) In regulation 2, in the definition of 'scheme apportionment arrangement'—

(a) in sub-paragraph (f)(ii), after 'apply', insert 'but not if the circumstances in paragraph (h) apply';

(b) at end, insert—

'(h) the consent of the remaining employer or employers shall not be required under (f)(ii) above where all of the following conditions apply—

(i) the departing employer's debt was treated as becoming due prior to the coming into force of this provision; and

(ii) the departing employer's debt was less than 0.5% of the scheme's overall liabilities, as estimated by the trustees or managers on advice of the scheme actuary, as if the whole scheme had been winding-up at the time the debt was treated as becoming due, and

(iii) the employer in question was operating as an unincorporated business during his participation in the scheme, and

(iv) the trustees or managers consider that, in the context of the scheme overall, it would not be in the scheme's interests to seek recovery of the employer's liability share from the departing employer.'

(2) In regulation 9, after paragraph (14B), insert the following new paragraph—

'(14C) Condition L is that a debt was treated as becoming due from him under section 75 of the 1995 Act but is excluded under this Condition because—

(a) the employer's debt was treated as becoming due prior to this Condition coming into force; and

(b) the employer's debt was less than 0.5% of the scheme's overall liabilities, as estimated by the trustees or managers on advice of the scheme actuary, as if the whole scheme had been winding-up at the time the debt was treated as becoming due, and

(c) the employer in question was operating as an unincorporated business during his participation in the scheme, and

(d) at or before the applicable time, the trustees or managers have made a determination not to pursue the debt on the grounds that, in the context of the scheme overall, seeking recovery represented a disproportionate cost to the scheme.'"

This new clause is intended to enable pension scheme trustees to exercise discretion not to pursue employer debt ("section 75 debt") following an employer's exit from a pension scheme where such debt is below a de minimis threshold. This aims to support unincorporated employers who are now retired for business and for whom there are no easements within the current regulation.

New clause 4—*Employer debt: deferred debt arrangement*—

"The following changes are made to the Occupational Pension Schemes (Employer Debt) Regulations 2005 (SI 2005/678)—

(1) In regulation 6F—

(a) in paragraph (1), leave out 'A' and insert 'Subject to the provisions of paragraph (8) below, a';

(b) at end, insert—

'(8) In relation to a frozen scheme, the trustees or managers of the scheme may agree to a deferred debt arrangement where the employment-cessation event occurred at a time prior to the scheme becoming a frozen scheme, providing the conditions of paragraph (3) are met at the time the deferred debt arrangement is entered into.'"

This new clause would permit employers in a pension scheme closed to future accrual to apply for a deferred debt arrangement, providing they meet the other statutory tests. This aims to support employers who are still trading but were not able to use the existing deferred debt easement.

New clause 5—*Review of automatic enrolment*—

"(1) The Secretary of State must, by regulations made by statutory instrument, make any amendment to, or repeal or revoke any provision of, this Act, the Pensions Act 2008 or any other primary or secondary legislation in order to implement the recommendations of the Automatic Enrolment Review 2017.

(2) Any regulations made under subsection (1) must be laid before Parliament within six months of the day on Royal Assent is given to this Act.

(3) No regulations shall be made under subsection (1) unless a draft of the regulations has been laid before, and approved by, a resolution of both Houses of Parliament.

(4) Before the end of a period of two years from the day on which Royal Assent is given to this Act, the Secretary of State must lay before Parliament the report of a further review of the operation of automatic enrolment.

(5) The report under subsection (4) must make a recommendation as to whether the Government should bring forward further legislation to implement the findings of the review."

This new clause would require the Secretary of State to implement the recommendations of the Automatic Enrolment Review 2017 and require a further review of automatic enrolment within two years.

New clause 6—*Occupational pension schemes: review of support*—

"(1) The Secretary of State shall undertake a review of the level of support available under the Financial Assistance Scheme to any member of an occupational pension scheme which is a qualifying pension scheme under Regulation 9 of the Financial Assistance Scheme Regulations 2005 (S.I., 2005, No 1986), regardless of whether the employer in relation to that scheme was solvent or insolvent.

(2) The Secretary of State shall lay the review before Parliament no later than—

(a) the day which is six months from the day on which this Act receives Royal Assent, or

(b) if neither House of Parliament sits on the day specified in (a), the first day on which either House sits after that day."

This new clause would require the Secretary of State to carry out a review of the support available to Financial Assistance Scheme qualifying members, including the former ASW steelworkers.

New clause 7—*Regulation of pension superfunds*—

"(1) The Secretary of State shall publish a statement on proposals for primary legislation in relation to a duty on the Pensions Regulator to regulate pension superfunds.

(2) For the purposes of this section, a pension superfund is a defined benefit pension scheme that allows for the severance of an employer's liability towards a defined benefit scheme and one of the following conditions applies—

(a) the scheme employer is replaced by a special purpose vehicle (SPV) employer, or

(b) the liability of the employer to fund the scheme's liabilities is replaced by an employer backed with a capital injection to a capital buffer.

(3) The statement under subsection (1) shall be laid before Parliament before the end of a period of six months from the day on which this Act receives Royal Assent."

This new clause would require the Secretary of State to publish within six months of Royal Assent proposals for primary legislation to place a duty on the Pensions Regulator to regulate pension superfunds.

New clause 8—*Trustees' voting rights and engagement activities: publication of information*—

"(1) Schedule 18 to the Pensions Act 2014 is amended as follows.

(2) After paragraph 2, insert—

'2A The Secretary of State may by regulations make provision requiring the publication of information about—

(a) the exercise of the rights (including voting rights) attaching to the investments of the scheme, by or on behalf of, the trustees of the scheme; and

(b) engagement activities undertaken by or in respect of the investments, by or on behalf of, the trustees of the scheme'"

(3) In paragraph 3, omit "1 or 2" wherever it appears and insert in its place '1, 2 or 2A'."

This new clause would give the Secretary of State the power to create regulations requiring pension schemes to publish information about how voting and other engagement activities have been carried out.

New clause 9—*Duty to publish information on the statement of investment principles*—

"(1) The Pensions Act 2004 is amended as follows.

(2) In section 244, at end insert—

'(8) The most recent version of the scheme statement of investment principles must be made available to the Pensions Regulator for publication every three years.'"

This new clause is to ensure all scheme SIPs are made available to TPR.

New clause 11—*Pension accounts*—

"(1) A jobholder to whom section 3 of the Pensions Act 2008 applies may by notice require an employer to arrange for the jobholder to receive into a pension account any contribution which would otherwise be made by the employer into an automatic enrolment scheme.

(2) A contribution by a jobholder or by their employer into the jobholder's pension account shall be invested in a pension scheme offered by an approved pension provider.

(3) The Secretary of State may by regulations make provision—

(a) about the form and content of a notice given under subsection (1), or

(b) about the arrangements that the employer is required to make.

(4) The Secretary of State may make regulations to set criteria by which a pension provider may be approved for the purposes of subsection (2).

(5) Regulations under this section shall be made by statutory instrument and may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament."

New clause 12—*Duty to state how non-financial factors are taken into account—*

"(1) The Occupational Pension Schemes (Investment) Regulations 2005 are amended as follows.

(2) In sub-paragraph (3)(b) of regulation 2 (statement of investment principles), leave out sub-sub-paragraph (vii) and insert—

'(vii) how non-financial factors are taken into account in the selection, retention and realisation of investments'."

This new clause would create a duty in the OPSR 2005 for schemes to state how non-financial factors such as beneficiaries' views are considered in the development of investment policies, replacing the existing duty to state "the extent (if at all) to which" such factors are taken into account.

Neil Gray: It is good to see you back in the Chair, Mr Robertson. I wish to speak to the remaining clauses that stand in the name of the Scottish National party, and to support those tabled by other Members as part of this group. My hon. Friend the Member for Gordon will speak to proposed new clauses 3 and 4.

As we have repeatedly said, we are fully supportive of automatic enrolment. We think it has been a big success in getting people saving for their retirement who otherwise would not have, and it does so earlier, which has a compound impact on those people's ability to save for a dignified retirement. That said, there are issues, some unintended and others relating to the speed of roll-out, that we wish to see addressed. Our new clauses in this group build on the success of automatic enrolment by seeking to expand eligibility to those who were left out earlier and to address issues related to small or micro-sized pension pots.

This Bill is a clear opportunity to address inadequate lifetime savings and inequalities such as the gender pension gap by building on the successes of automatic enrolment. While we wholeheartedly support the premise, far too many have been left behind and still cannot benefit from this important measure, so we want to see the UK Government remove the lower earnings limit and the lower age limit well before the mid-2020s, so that contributions are payable from the first pound earned at the earliest opportunity for savers. We also want to see the Government have much greater ambition in raising contributions beyond 8%, but we understand, in deliberations with the excellent Clerks to the Committee, that that is not within the scope of this particular Bill.

Our amendment would lower the age threshold for auto-enrolment from 22 to 18 and remove the lower limit of the qualifying earnings band so that contributions are payable from the first pound earned. While we welcome the Pensions Minister's commitment on Second Reading that the UK Government have set a mid-2020s timetable to implement these changes, our new clause would require the Secretary of State to lay this timetable before Parliament. Automatic enrolment should be available to those currently left out at the earliest opportunity. The UK Government need to be accountable to Parliament in implementing these changes to prevent further delays.

As women disproportionately populate low-income and part-time jobs, they would disproportionately benefit from the Government's getting on with reaching more people with auto-enrolment. Similarly, by removing the qualifying earnings band, low-income workers, who otherwise have little prospect of having a decent private pension, will also benefit. We additionally support Labour's new clause, which would require the Secretary of State to implement the recommendations of the automatic enrolment review and require a further review of automatic enrolment within two years. That would do a similar job to our new clause 1 and would keep the pressure on Ministers to be far more ambitious. Why wait? We know and have trumpeted the benefits of auto-enrolment as enthusiastically as the Minister himself. Why wait for women and low-income workers to benefit?

As I alluded to earlier in the Committee's deliberations, we also recognise that an unintended consequence of auto-enrolment is the increasing number of people who move jobs frequently, such as agency workers, and therefore build up a number of small or micro-sized pension pots. Some of those pots might be small as £50 or £100, in which case hard-earned savings could be quickly wiped away by charges, fees and levies.

The Pensions Policy Institute reports that the number of deferred pension pots in the UK defined-contribution master trust market is likely to rise from 8 million in 2020 to around 27 million in 2035, but member charges often erode small deferred member pots over time and small pots can be uneconomic for providers to manage. Extra management charges and costs may eventually be passed on to members through increased charges, and financial instability in master trust schemes arising from too many small ports could, in extreme circumstances, result in trustees' triggering an event to wind up the scheme.

Our new clause 11 proposes a solution to that by providing for individual pension accounts for people to invest in their own schemes with DC providers. Where someone has earned from more than one employer, rather than having multiple employers make contributions to different schemes on behalf of the worker, the worker could set up an account with a provider and request that their employer allocate their auto-enrolment contributions to that account. That would stop their multiple plots being eaten into by charges and give greater control to the person in whose name the investments are actually being made.

We hope that the Government review pushed for by the Select Committee on Work and Pensions will come up with an answer, not just to the problem of charges that we had an opportunity to address earlier in this Committee, but also with regard to micro-sized pots. This could be an answer, and we look forward to hearing the Minister's considered perspective.

I briefly referred earlier to our new clause 2, which would see a commission established to cover the terms of this Bill. Hon. Members will know, as they have heard it long enough from SNP parliamentarians, that we support the establishment of an independent standing pensions and savings commission. At another time, when the Minister did not have a majority behind him, he may have looked at versions of some of our suggestions throughout the Bill. We are in a different place, and reasonable cross-party amendments put forward to support stakeholders across the market are being voted down.

We reiterate our call for the establishment of an independent pensions and savings commission to look holistically at pension reform, focus on existing inequalities and pave the way for a fair universal pension system.

The entire pension landscape is in need of fundamental reform, particularly given the pressing need to review and enhance automatic enrolment. We ask that the commission start its work by reviewing parts 1, 2 and 4 of the Bill and their impact on different parts of the UK, equal treatment of men and women, and persons with protected characteristics—that is where our attention is focused in new clause 2—and when commercial dashboards should enter the market. That would be the responsible way to take these issues forward.

As I said earlier, time is the wisest counsellor of all, and by taking the time on commercial dashboards, the Minister could consult and take stock with independent experts to ensure that they work for all. We want to see the Money and Pensions Service dashboard as quickly as possible. The Minister seemed to suggest the other day, when we said he needed to take time, that we wanted him to slow down the MaPS dashboard, but that is just not true. The success of the MaPS dashboard is not dependent on commercial dashboards entering the market or arriving at the same time—quite the contrary, unless there has been a deal done or a quid pro quo whereby commercial providers are incentivised to provide their data for the MaPS dashboard in return for them being allowed to develop their own commercial dashboards independently and immediately.

New clause 2 would allow us to take the time to ensure that people are protected. That would ensure that we get it right, and would bring people in on a cross-party basis. That is how the best policy is developed.

Ms Karen Buck (Westminster North) (Lab): It is a pleasure to conclude our consideration of the Bill under your chairmanship, Mr Robertson. As the Committee has agreed, I will make a short contribution on new clauses 5, 6, 7 and 8. New clause 5 is on the theme of auto-enrolment, and I will echo a number of the comments of the hon. Member for Airdrie and Shotts. The new clause would require the Secretary of State to implement the recommendation of the 2017 auto-enrolment review and conduct a further review three years on.

It is a source of great pride that the previous Labour Government introduced auto-enrolment, which transformed the pensions landscape and reversed a long-term decline in pension savings. We now have 10 million more people saving into a pension at work. The policy is widely agreed to have been a success and is praised on both sides of the House. It is a model of good policy making, rooted in consensus.

However, it is always essential to keep such schemes under constant review and develop them if they are to keep pace with changing patterns in the workplace. We are therefore concerned that, even after 10 years, there are an estimated 12 million people under-saving for retirement. To look at the reasons for that and potential solutions, it was welcome that the Government commissioned a review of the policy in 2017. The review found that:

> "Current saving levels risk a significant proportion of the working-age population not meeting their retirement expectations. In addition the current structure of automatic enrolment means there are gaps in coverage, in particular for those in low paid part-time jobs and younger workers".

The review made two recommendations: that the age threshold for auto-enrolment be lowered from 22 to 18, and that the lower limit of the qualifying earnings band be removed so that contributions are payable from the first pound earned by an employee. They are yet to be implemented, so I would welcome some indication from the Minister as to whether he has a timetable in mind for these significant changes.

There is also the question of contribution rates and whether it will ultimately be necessary for them to be increased to ensure that individuals have adequate savings for their retirement. The 2017 review noted that the contributions of 8% are unlikely to give individuals the retirement to which they aspire. As my hon. Friend the Member for Birmingham, Erdington (Jack Dromey) said,

> "8% cannot be the summit of our ambition."—[*Official Report*, 4 May 2020; Vol. 675, c. 471.]

I would welcome the Minister's comments on what further work he hopes to do on contribution rates and when he will bring the matter forward to the House.

2.15 pm

New clause 6 seeks a review of support for the Allied Steel and Wire pensioners. The plight of the pensioners in that fund is desperate. ASW Ltd was put into receivership in July 2002 and placed in insolvent liquidation in April 2003. The two pension schemes covering the workers—the ASW pension plan and the ASW Sheerness Steel group pension fund—wound up underfunded.

The two schemes are in the financial assistance scheme. Although the workers were assured that they would receive approximately 90% of their expected pensions, the FAS simply has not delivered for them. Former ASW steelworkers have told us how, because of the limited maximum payment, limited indexation and no backdating of payments prior to 2005, many members are receiving considerably less than 90% of their expected pensions incomes, with some receiving only 40% or 50% of what they had hoped for.

The consequence is that many of those individuals worked for decades, paying 100% of their pension contributions, only to find many years later that they would receive half of what they were entitled to. Despite their campaigning leading to legal changes that protected the retirement funds of many other members of wound-up schemes, their situation remains unresolved. We applaud them for their committed and effective campaigning efforts, but it is not right that they have had to fight for their full pensions for almost 20 years. Tragically, some have now died before getting the retirement income that should have been theirs to begin with.

In the light of that sad situation, we make two requests of the Pensions Minister. Will he confirm that he will meet with the former ASW steelworkers, who have been campaigning for 18 years for pensions justice, and will he engage with the intensely difficult situation they find themselves in and work cross-party to find a solution?

New clause 7 would oblige the Secretary of State to bring forward legislation for the regulation of pension superfunds. As my hon. Friend the Member for Stalybridge and Hyde (Jonathan Reynolds) noted on Second Reading, we were rather surprised to see that the Bill was entirely silent on the creation of pension superfunds. It is potentially an extremely significant development, as I know the

Minister recognises, and we do not believe it is appropriate for the Government to leave it in the hands of the Pensions Regulator to rule on this matter.

An interim regime is not enough. We need proper regulations that have been subjected to Parliamentary scrutiny. The Minister said on Second Reading that

"the Government do need to address it in due course".—[*Official Report*, 7 October 2020; Vol. 681, c. 959-60.]

Is he now in a position to give us further detail? The Government knew of the concerns that we have raised, and concerns have also been expressed by the Governor of the Bank of England and many people in the industry. The Minister has previously accepted that superfunds, as a new market, come with risks, particularly as they will hold large amounts of assets in one vehicle.

We do not understand why measures to regulate superfunds are not in the Bill, and are left to be dealt with "in due course" on such an unspecified timescale. We would be grateful for the Minister's comments on when he intends to bring forward regulations of the type proposed in Labour's amendment, and what is currently delaying the process.

Finally, new clause 8 deals with transparency, an issue that will be addressed by my right hon. Friend the Member for East Ham. New clause 8 would give the Secretary of State the power to create regulations requiring pension schemes to publish information about how voting and other engagement activities have been carried out by their trustees. It would be a big step towards clearer, comparable voting disclosure by institutional investors looking after other people's money.

At the moment, asset managers are allowed to decide which votes to disclose—any they deem "significant"—and there is no consistent voting disclosure template in use by the asset management sector. That renders it extremely onerous for savers or other third parties to compare the voting record of particular schemes against each other in the market. It is a huge challenge even for pension scheme trustees to see how voting has happened across different investment funds, let alone for ordinary savers with an interest in issues such as executive pay or climate change objectives. Too many fail to make their voting records easily accessible.

The hon. Member for Delyn said on Tuesday that individuals with an interest in particular issues, such as climate change or executive pay, would go and seek out information themselves to inform their saving habits, but it is clear that there are significant barriers to doing that. The amendment would help to allow savers to make more informed use of their pension freedoms by comparing the voting records of particular schemes against others. This is something the Minister should strongly support, as it could make a significant contribution to his climate change agenda. Will he work with us on this important issue before Report stage?

Richard Thomson (Gordon) (SNP): It is good to see you back in the Chair, Mr Robertson.

I rise to speak to new clauses 3 and 4, which stand in my name and those of my hon. Friends the Members for Airdrie and Shotts, for Perth and North Perthshire (Pete Wishart), and for Kilmarnock and Loudoun (Alan Brown). I should make it clear to the Minister that it is our intention to make amendments of this nature on Report, so we will hear with interest what he has to say in response to the points we make today.

On Second Reading, I spoke about the impact that section 75 of the Pensions Act 1995, which deals with employer debt, could have on an individual employer within a multi-employer pension scheme. I cited the example of the Plumbing and Mechanical Services (UK) Industry Pension Scheme, but in reality the issue could apply to any scheme of a similar nature. I appreciate that not all of us go to sleep at night and dream of the implications of section 75 of the 1995 Act, so if members of the Committee will bear with me for a moment, I will run through them.

Section 75 sets out regulations that are intended to deal with deficiencies in assets in pension schemes; those regulations have evolved and been amended since they were first introduced in the 1995 Act. The key change came into force in September 2005: any employer who left a scheme or prompted a trigger event, such as retiring or moving from being a sole trader to a partnership or a limited company, was required to pay a section 75 debt. That debt is calculated on a buy-out basis, which assumes that the whole scheme is being bought out by an insurance company, so it is a very expensive way of valuing a pension scheme. Also, part of that buy-out debt comprises the orphan liabilities of past employers, who may have become insolvent or left the scheme before 2005 but did not pay their own section 75 debts, so not only is the scheme being valued generously, but those who remain in it are left to pick up the debt of others who have been able to leave it without that burden being placed upon them.

In the case that I raised, the scheme trustees for the Plumbing and Mechanical Services (UK) Industry Pension Scheme estimate that some 60% or £1.3 billion worth of the total scheme's liabilities are, in fact, orphan. The trustees did not apply the section 75 debt when the provision was introduced in 2005, saying that, because of the nature of the scheme, it would have been impossible to do so. During that period, they lobbied Government to change the legislation, but the employers were unaware that the legislation was not being applied or indeed that any debts were even due until spring 2016, when they became aware of that situation.

I am given to understand that that has had some pretty serious consequences for the plumbers who have since retired and who have triggered the section 75 debt. It particularly affects a small group of around 30 retired plumbers aged between their late 60s and early 90s, who retired between 2005 and 2016. Some easements were introduced to the section 75 legislation over that period, but none of them apply to this small group, because the trustees did not advise them. I am told that they had a section 75 debt until 2018, and onwards.

The individual debts that I am talking about here have a wide range—up to £1.2 million, but with the majority being in the region of about £700,000. Such debts are totally unaffordable for this group, who were unincorporated sole traders for the most part. Naturally, they and their families are absolutely beside themselves with worry about this situation. If the debt is pursued, as legally it must be, it could lead to their bankruptcy and the repossession of their homes, all in pursuit of assets that, even if they are realised, would still fail to repay the outstanding debt.

As I say, there have been some easements. Deferred debt arrangements were introduced in April 2018 as a statutory easement, to allow an employer who had triggered the section 75 debt simply to defer debt but retain a liability to the scheme. That has allowed employers to continue to trade without facing possible insolvency, dependent on the size of the debt, and it allows employers to continue supporting the scheme. However, this scheme closed to benefit accrual in June 2019. Employers who triggered section 75 before the closure of the scheme, and who continue to trade, are not able to use that easement, as it is only available while a scheme is still open. That is one of the proposals in the new clauses.

The second proposal is to amend legislation to allow the application of a deferred debt arrangement in a closed scheme environment. New clause 3 gives flexibility to waive a debt in certain circumstances, as set out in the clause, where the debt is below a de minimis level; 0.5% for the fund value is suggested, bearing in mind that is a reasonable valuation of the fund and of buying it out on a commercial basis. However, new clause 4 would extend the availability of existing deferred debt arrangements for employers who are still trading, but who do not qualify to use the existing easement at present.

Hopefully we all understand the purpose of section 75, but the obligation to apply it in this case is causing untold misery to groups of small employers who have never sought to do anything other than the right thing by those in their employ. I struggle to believe anyone would have deliberately written that legislation or set up and operated the scheme in such a way to engender this kind of outcome. New clauses 3 and 4 would allow the Minister to resolve this issue mathematically, without undermining the important role that section 75 plays in safeguarding the funding of pension schemes. It is our intention to return to this issue on Report, but I would be grateful for the Minister's observations on how we might tackle this. If we are not to tackle it in this way, in what way—if any—can the Minister envisage it being addressed in the future?

Stephen Timms (East Ham) (Lab): It is a pleasure to serve under your chairmanship, Mr Robertson. I am very interested by the points raised so far; I am particularly interested—as many others are—in what the Minister has to say in response to the points raised by the hon. Member for Airdrie and Shotts and my hon. Friend the Member for Westminster North about auto-enrolment and where we are going on that.

I will speak to new clauses 9 and 12, and I am grateful for the briefing provided by the organisation ShareAction on the issues raised in these new clauses. One thing I did not need any briefing about was the fact that, 22 years ago, I became the Pensions Minister for the first of two terms in the role. My hon. Friend the Member for Wallasey was a Minister in the Department at the time, which was then called the Department of Social Security. I picked up some work on ethical investment in pension funds started the previous year by my predecessor in the job, John Denham. John made quite a groundbreaking speech on this in July 1998. He wanted a fair hearing for ethical investment to encourage open and honest debate on the issues it raises for the pensions world, and the legal framework within which all pension fund investment must be carried out. It prompted a big debate and much discussion.

One of the officials told me he was given the task of making John's wish to support pension funds in adopting ethical—although the term was changed quickly to socially responsible—investment policies a reality. At the time, the conventional wisdom was that pension funds had a statutory obligation to maximise the returns on pensions savings and were not allowed by law to take any other considerations into account. The official told me he went around the City looking for ideas and drew a blank until he happened to speak to a senior member of staff at the central finance board of the Methodist Church, who explained how they had been applying ethical principles to their investment strategy for years. One weekend, I remember thinking about all of this, and the official put a copy of a speech—or rather, a sermon—delivered by John Wesley in my red box to help me to understand where all this was heading.

2.30 pm

The insight from that conversation with the central finance board of the Methodist Church led to regulations which I introduced in June 1999, and which paved the way for lots of developments since, including the welcome ones in clause 124. The Occupational Pension Schemes (Investment, and Assignment, Forfeiture, Bankruptcy etc.) Amendment Regulations 1999 contained a regulation headed "Additional content of statement of investment principles", which refers to

"other matters on which trustees must state their policy in their statement of investment principles".

There are two such matters: one is the

"exercise of the rights (including voting rights) attaching to investments"—

picked up in the new clause that my hon. Friend the Member for Westminster North just spoke to—and the other, the first, is

"the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments".

That was the first time that those issues were put into the statute book in relation to pension funds. The wording was carried over to the Occupational Pension Schemes (Investment) Regulations 2005, which is the measure the new clause would amend.

Well before that, pension schemes had been legally required to publish a statement of investment principles. The argument of the new clause is that the Department for Work and Pensions and the Pensions Regulator should create a central repository for such statements, so that savers can access them and compare the investment policies of their scheme with others. The modern slavery registry could serve as a model.

A recent report by the UK Sustainable Investment and Finance Association, which under its former name was involved in the discussions I had in 1999, found that two thirds of schemes were not compliant with their legal duty to publish their statement of investment principles. The new clause would therefore create a requirement for trustees to send a copy of the latest version of their SIP to the Pensions Regulator for publication. TPR would also create and maintain a public repository of SIPs. The Minister in the other place, responding to a debate on the issue, indicated that the Government were looking to create a SIP repository. I hope that the Minister will be able to confirm that for us this afternoon, and perhaps indicate when he expects it to be available for the public.

New clause 12 is a straightforward modification of the words I read out from the Occupational Pension Schemes (Investment) Regulations 2005. The regulations state that each scheme's statement of investment principles should be updated at least every three years, and set out seven areas in which policy should be spelt out in the statement of investment principles. The last of those areas, the seventh, is the one that I read earlier—

"the extent (if at all) to which"

non-financial matters

"are taken into account in the selection, retention and realisation of investments".

The new clause simply replaces

"the extent (if at all) to which",

with "how", so increasing the presumption that non-financial matters should be taken into account.

The principal aim of new clause 12, as indicated in the explanatory statement, is that the views of scheme members should be among the non-financial matters taken into account. Research into people's views on sustainable investment published last September by the Department for International Development, shortly before its regrettable abolition, found that more than two thirds of UK savers would like their investments to be responsible and to have a positive impact. However, few pension schemes routinely seek to understand their members' views and even fewer go on to design investment strategies that match their members' preferences and hopes.

How best to solicit members' interests and views would depend on the size and resources of a scheme. It could be simply offering the opportunity to comment on a draft investment policy, or it could be a survey or focus groups to help develop policies to reflect members' priorities and interests. Scheme decision makers would not be bound by the result of consultation with members, but the findings would inform the decisions they make.

Strong and emerging evidence shows that asking members for their views on environmental, social and governance issues can help to increase engagement with pension saving, building a sense of ownership and potentially driving up savers' contribution levels. Half of those surveyed in the DFID research said that they would save more if they knew that their savings and investments would make a positive difference in the world. Those are important opportunities, and I hope the Minister agrees that we ought to take advantage of them.

The Parliamentary Under-Secretary of State for Work and Pensions (Guy Opperman): It is a pleasure to serve under your chairmanship, Mr Robertson. I am beginning to regret agreeing to address 11 separate new clauses at once—it seemed like a great idea before lunchtime. Given the multitude of speeches I have heard and the multitude of notes to which I have to refer, I am sure that the next 15 minutes will be entertaining. Here goes. I will try to address the new clauses in sequential order to assist colleagues in their understanding, and at least then my notes will prove relatively useful.

On new clauses 1 and 5, the former Secretary of State, David Gauke—he is much missed in this place—set out provisions for the automatic enrolment review to be enacted by this and future Governments. There is a cross-party approach, particularly on automatic enrolment, that was started by the Labour Government, continued by the coalition Government and brought forward on an ongoing basis by the Conservative Government. In my view, the DWP's single biggest achievement on pensions in the last couple of years has been the double jump to 8% of automatic enrolment in 2019. Opt-outs were very low and the increase in savers has been massive, with well over 10 million people now saving. Savings by young people and women have increased from approximately 40% to well above 80%.

Our thanks are due to all the businesses who provide support on that. That goes to the heart of the issue: even though it is a defined-contribution system, contributions are not made purely by the individual concerned; a 3% contribution is made by businesses, with some assistance from the Chancellor and tax rebates.

We will unquestionably implement the automatic enrolment review, as previously stated, by the mid-2020s. As I said earlier, my view is that there will be a further pensions Act in this Parliament with a view to implementing that. It will, without a shadow of a doubt, require primary legislation both to institute the short points necessary for automatic enrolment and to give an indication of its direction. Primary legislation is also needed for superfunds. I was told that CDCs would need relatively little legislation until, after a lot of work, our 52 clauses were drafted, but I believe that automatic enrolment would require a relatively small Bill. However, there is no doubt that superfunds would need a large Bill, and I will come to that later. The mid-2020s remain our target.

Clearly, we have to balance the current fiscal situation and the fact that this Government, with the support of all Members of the House, have put additional burdens on business, whether by raising the living wage—the rate of which has been massively increased for low-income workers since the days of the minimum wage—or other costs. For certain larger businesses, there is the apprenticeship levy among other things. Unquestionably, the Chancellor, the Prime Minister and the Secretary of State for Work and Pensions have to look at the fiscal framework, and they will have to decide how to do that and whether there should be an increase above 8%.

To the question about whether we will reduce the lower earnings threshold and raise the age groups, the answer is yes, we will. I have made and continue to make that point repeatedly in Parliament.

Stephen Timms: I welcome the Minister's commitment to legislate in this Parliament. Can he give us some indication of when in the next four years that Bill might be introduced? December 2024 would be rather late to legislate for something to take effect the following year. Will he reassure us that it will be done a little earlier than that?

Guy Opperman: I am always nervous about saying that the legislation will come in on this or that particular date because—as the right hon. Gentleman will understand, having held my current job—it is way above my pay grade. I have been trying to get this Bill into this House for a considerable time: well over a year, in fact. The election got in the way of the first attempt, and clearly other things are taking place—whether relating to covid or other legislation.

All I can say is that we will, I hope, have time for such legislation at some stage. It is a matter for the Prime Minister, the Chancellor and the Cabinet, and the usual write-around process that applies, to decide when there will be a further piece of pensions legislation. I cannot be any more specific. Frankly, if I gave a date, the Whip, my hon. Friend the Member for Halesowen and Rowley Regis, would wrestle me down and say that it is not for me to make Government policy and announce a specific date.

I can only say that our intention is that what we are discussing should take place in the mid-2020s. As we all know, summer can be a very long month when one is defining things in Parliament; I take the point that, if it is to happen in the mid-2020s, legislation has to be in order at some particular stage.

The great advantage of the Government's review of automatic enrolment, "Maintaining the Momentum", is that it sets out the procedures through which the Government are going to proceed in terms of the lower earnings rate and the change of age. Because of the way payroll works and the sophistication of payroll now that we have automatic enrolment up and running, I am advised that the changes are relatively easy to make. I accept that businesses will need some time, but it will not be like the original version of automatic enrolment, when we had to completely invent a system; this is an expansion of a pre-existing system. The right hon. Gentleman can remind me of that when things do not necessarily go like a Swiss watch, but that is my confidence on the matter. I hope that that provides assurances.

I will touch on one particular point: expansion of 8%. I endorse the comment that 8% is not sufficient—there is common belief about that. We are looking at international models, and Australia is the best example of the way forward. Clearly, I hope that in the longer term we would increase automatic enrolment, but there has to be a balance as to who is going to contribute to that. Will the employer have a larger role, paying more than the 3% that they do at present? Alternatively, will it be solely down to the individual? How can one offset that in respect of tax rebates and other such things?

Such policy work needs to be done on an ongoing basis and will take a little time. We have to be mindful of the fact we are in the middle of particularly difficult fiscal times because of covid. Imposing further burdens on businesses has to be balanced with the desire, which all of us have, to ensure that people have greater savings on an ongoing basis. This is a work in progress. I do not have any difficulty in being held to account for that: quite right, too—I would like to make progress as well. How we make progress is complicated.

The next amendment that the hon. Gentleman for Airdrie and Shotts brought forward was new clause 11, regarding automatic enrolment again. On the simple point about small pots, I should say that the matter is already a work in progress. I endorse so much of the broad thrust of what the amendments are saying. I totally endorse the principle the issue of small pots needs to be examined. The Work and Pensions Committee, to be fair to it, is beginning to look into that, as we discussed earlier. We have convened at the Department. I have asked all the industry sector and some of the third sector people, who clearly matter in this light, to come together and give me a report before the end of November, on a very provisional basis, about what they see as the key challenges and approaches going forward.

I would clearly be surprised if I were not summoned before the Work and Pensions Committee in due course to discuss these matters, in order to try to formulate policy. It seems to me that there is great scope, and a desire, to address a small problem on a long-term basis. In my view, that has to be wrapped up with a consideration of costs and charges as a whole. I would not want to deal with the issue in a bite-sized piece; if I can do it, I will attempt to do it in the round.

2.45 pm

On amendment 2, which relates to the Pensions Commission, the hon. Member for Airdrie and Shotts and I have debated this issue on many occasions. There is no doubt that the Pensions Commission, which produced the automatic enrolment review, did a great job. I will always be grateful to it. I accept the broad principle of having a cross-party approach. I would like to think that I have gone to great efforts to have such an approach on an ongoing basis, but it is not the case that the Bill will not have ongoing scrutiny. Clearly, the CDC regime is a subject matter for the Pensions Regulator.

In respect of part 4 of the Bill, the Money and Pensions Service already submits an annual report to the Secretary of State, which is then laid before Parliament. The dashboard is subject to thorough governance requirements and oversight, and detailed processes are in place to ensure that the Pensions Regulator has powers to exercise in respect of annual assurance assessments and quarterly accountable reviews with the chief executive. I do not discount future reviews of some elements of the pensions system. A state pension age review is always done, as legislated for, on an ongoing basis. The Cridland review was the last one, and there is legislation in place that means another one has to take place.

I move on to new clause 6, in respect of the FAS. Although I have great sympathy with the assertions made by the hon. Member for Westminster North on behalf of the ASW, it should be said that the financial assistance scheme has been the subject of a number of reviews throughout its existence. The level of support available to members, and the coverage of the scheme, has improved since its inception in response to criticism that it was less generous than the pension protection fund. Clearly, that dates back to in between the two times that the right hon. Member for East Ham was the Pensions Minister, and to the process by which the FAS was set up.

The scheme, which was set up under the Labour Government and has been endorsed by all Governments since, was never intended to provide a complete replacement for lost pensions. Rather, it was designed to ensure that, in the event of a scheme falling into difficulty, its members were not left with little or none of their expected benefits. I have to make the point again: it is also funded by taxpayers, so any changes that would increase expenditure would need to address those issues and the fact that it is paid for by other taxpayers, especially in the light of this period of high economic uncertainty—albeit that those taxpayer contributions come via the Government. In my opinion, it would not be appropriate to commit to a review at this challenging time. I am happy to engage with the ASW in the future, but I do not wish to get its hopes up about amendments and changes being made to the FAS on an ongoing basis.

The hon. Member for Westminster North raised the issue of pension superfunds. I welcome her support for the broad principle of those. I believe that the DWP has done two very significant things in the creation of CDCs, which is what the Bill does, and in the interim superfund regime. For the first time, we have alternative products for schemes to invest in and proceed with, whereas there was no choice previously. There was a genuine gap in the market—either a scheme was sufficiently funded and was able to proceed to an insurance buy-out or in whatever way it wished to proceed, or it got into difficulties and went into the pension protection fund. There was no alternative or middle ground, but collective defined contributions and superfunds provide that alternative.

There were not many abiding successes of lockdown, but one was the work of the pension protection fund and TPR—I am deeply grateful to its team—in producing the interim regime and doing a Government write-around in the middle of lockdown in order to produce a superfunds interim regime. If there was any doubt about it before covid, there is now no question that superfunds are appropriate, given the impacts of the virus. I massively support them. I cannot give an assurance about producing regulations and the statutory basis within the timeframe given, but I am keen to do so.

I do not dispute that we must put this on a statutory footing; we accept that. However, I have looked at the process for superfund legislation, and it is definitely complex. We will have to respond to the present consultation, having considered the interim regime, and I know that superfund legislation will require at least a 50-clause Bill and probably close to a 100-clause Bill. Such legislation is not a simple undertaking; it will require a proper piece of parliamentary and statutory legislation that will take time.

I am afraid the timeframe envisaged by new clause 7 cannot be met, but the intent is definitely there, in the fullness of time, to proceed by statute, subject to all the usual provisos of requiring Government write-round and the progress of the interim regime as suitably monitored by the Treasury Committee and the Work and Pensions Committee.

The hon. Member for Westminster North raised transparency and stewardship. The Government believe that new clause 8 is unnecessary in part because section 1,277 of the Companies Act 2006 already provides for transparency in the exercise of voting rights. The Act already provides the Secretary of State with the powers to make regulations to require occupational pension schemes to publish information about the exercise of voting rights that are attached to shares.

In relation to transparency of engagement, DWP regulations from 2018 require defined contribution schemes to publish how they have implemented their policies on engagement. Further regulations in 2019 enhanced that and extended it to defined-benefit schemes. The 2019 legislation also introduced a requirement on both DC and DB schemes to describe voting behaviour by or on behalf of trustees, including details of the most significant votes. However, our work in this area continues. I know that the hon. Member for Birmingham, Erdington—he would raise this if he were here—is keen for us to meet and discuss key matters, and a cross-party discussion on the key issue of stewardship on climate change would be worthwhile. He has been pressing me for that for some time, and I will be happy to sit down and thrash that out with him, taking his views and those of other interested parties.

I turn to new clauses 3 and 4, tabled by the hon. Member for Gordon, on plumbers' pensions. I have met a number of plumbers affected both in various parts of Scotland and in Lancashire and responded to a debate in the main Chamber led by the former Member for Angus early in my time as Minister for Pensions. I am acutely aware of the difficulties, stress and upset experienced by many of the individual plumbers' firms—small and medium-sized enterprises and decent people—who are trying, as one person put it, to "just plumb away" and have got themselves in a difficult position. It is exceptionally difficult to find a way to resolve the situation as the hon. Gentleman wishes.

As I have made clear in correspondence with colleagues and in the previous debate, a series of easements have been entered into, but I am afraid that the Government cannot agree to the proposal the hon. Gentleman seeks. There are a number of reasons for that, some of which he will be aware of and have been explored previously, but I will set them out in more detail.

The proposal would change legislation for one group of employers to the detriment of scheme members, other employers and, potentially, the Pension Protection Fund. I accept that, as discussed in the House of Lords and by the hon. Gentleman, a threshold set at 0.5% of the scheme's total liabilities would enable a large number of unincorporated employers to depart schemes without payment, passing a significant level of debt on to the remaining employers. However, although 0.5% sounds like a small amount, multiple instances can quickly add up to a large amount of money being written off. The Government recognise the difficulty facing employers in managing that debt, but they cannot offer any further easements beyond those already provided for in legislation. To be fair to the hon. Gentleman, he set out the amendments and the differences in legislation that came forward in 2017 and 2018. We are providing assistance to the individual plumbers on an ongoing basis.

The current employer debt system is intended to be equitable to all employers, including those that remain and those that have already paid the debts due from them. It is designed so that if all employers leave the scheme, it will be fully funded on a buy-out basis in order to be able to secure fully the members' benefits. For the individuals concerned, this particular problem is very emotive and understandably so, but it was specifically addressed in the defined benefit Green Paper and in the White Paper in 2017 and 2018, with a view to trying to see whether there was a way forward on multi-employer schemes. The hon. Gentleman will understand that there are a significant number of multi-employer schemes and, save and excepting the plumbers' scheme, there is not a call for the change that is sought by way of this new clause. That is the product of the extensive consultation that took place in respect of the DB White Paper and the DB Green Paper.

I accept that new clause 4 is intended to help employers in frozen non-associated multi-employer schemes whose debt became due before the scheme was frozen, by enabling them to agree with the scheme trustees to defer their employer debts. However, the new clause would weaken the protections contained in the current deferred debt arrangement system. We need to balance the needs of the affected employers with the risks to scheme members and other employers.

The new clause would be unfair to those employers previously connected with the scheme who have already paid their section 75 debt and it only offers employers a temporarily reprieve at best, since the debt would still exist and would have to be paid in the future. The employer would have to pay a larger section 75 debt in future if the scheme's funding position were to decline further, and the employer would remain liable for deficit repair contributions. I respectfully suggest that the new clause would not help sole traders who want to retire or have retired and want to completely end their liability for the schemes.

However, my officials will continue to engage with concerned employers on this issue, especially in relation to the Plumbing and Mechanical Services (UK) Industry Pension Scheme. I understand from the scheme's annual accounts and financial statements for the year ending 5 April 2019 that,

"the trustees do not calculate or pursue an employer debt where the costs in doing so are considered disproportionate from a financial perspective".

I am also acutely conscious that there are ongoing legal proceedings in respect of these matters, and a debate as to whether further legal proceedings should take place, so it is probably best that I do not comment further on this particular matter, but I regret that I cannot accede to that new clause.

I turn finally to the new clauses tabled by the right hon. Member for East Ham, the Chair of the Select Committee. I am pleased to say that we are already addressing the points that he seeks to raise. I fear that the proponents of new clause 11, in particular, are not aware of the depths of the TCFD consultation from August of this year, because I understand the specifics of that consultation address those particular points—*[Interruption.]* It helps if I turn to the right section; I am meant to be talking about new clause 9. Like the hon. Member for Feltham and Heston, I am losing my voice.

New clause 9 is not required, as in August this year, the TCFD consultation was issued on exactly the same proposals and the Pensions Regulator has already committed to action on that point. The DWP has made proposals, as it has been uncovered by the UK Sustainable Investment and Finance Association and others that compliance with the statement of investment principles regulations has been poor in some cases.

Our consultation made proposals to require trustees of occupational pension schemes to provide a web link to the published SIP directly to the Pensions Regulator. We have proposed inclusion of the address of the SIP as part of the scheme return, which is provided from trustees directly to the regulator for most schemes every year. New clause 9 would require trustees to reactively send the information to the Pensions Regulator for publication every three years. It is a far less streamlined approach than that on which the Government have already consulted. We will publish our response on that early next year.

3 pm

Stephen Timms: I want to press the Minister on the timescale. I take the point that a response will be published early next year, so when does he expect the arrangements to be in place so that people can see the statements online?

Guy Opperman: My note says early next year. I cannot elaborate further than that but I will write to the right hon. Gentleman before Report and set out in more detail the precise position in respect of the timetable and when we are expecting that to go.

Finally, I turn to new clause 12. I was not aware that it had been selected, so my response to it will be relatively limited. I know the organisation that is in favour of the proposal, but the best argument against it is that the Law Commission, which is definitely not Government and is an esteemed body, looked at this particular point on two occasions, and rejected it both times. There are reasons why. It takes the view that while it is entirely right and proper for the likes of ESG to influence investment, the individual decision-making processes of the trustees should not be influenced as is proposed by the proponents of this argument. I bow to the Law Commission on that, and it is certainly not DWP policy to take that way forward.

There is, however, a current requirement on trustees to disclose, via their statement of investment principles, how they take into account members' views. Giving trustees the option not to follow those views, which may be from a subset of members, is appropriate and flexible. The regulations already allow trustees to consult members, ensuring that investment decisions are taken in the interest of the membership as a whole, and not driven in one direction by a small cohort of highly engaged individuals. I accept that there is a balance—the Law Commission took this view—between members being allowed to have their say and being involved in the process and a small cohort of particularly active members dictating a policy that would apply to the many. With respect, I rely upon the Law Commission in this, and invite colleagues to withdraw the new clause.

I think I have addressed all 11 new clauses and my voice is beginning to go. If I have not done so or have misspoken, because—as the Committee is aware—I am not able to take notes saying, "Minister please correct that for the record", I will undertake to do that, as I will throughout this process. I therefore invite colleagues to withdraw the new clauses, except for those that they wish to put to a vote.

Neil Gray: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 5

Review of automatic enrolment

"(1) The Secretary of State must, by regulations made by statutory instrument, make any amendment to, or repeal or revoke any provision of, this Act, the Pensions Act 2008 or any other primary or secondary legislation in order to implement the recommendations of the Automatic Enrolment Review 2017.

(2) Any regulations made under subsection (1) must be laid before Parliament within six months of the day on Royal Assent is given to this Act.

(3) No regulations shall be made under subsection (1) unless a draft of the regulations has been laid before, and approved by, a resolution of both Houses of Parliament.

(4) Before the end of a period of two years from the day on which Royal Assent is given to this Act, the Secretary of State must lay before Parliament the report of a further review of the operation of automatic enrolment.

(5) The report under subsection (4) must make a recommendation as to whether the Government should bring forward further legislation to implement the findings of the review."—*(Seema Malhotra.)*

This new clause would require the Secretary of State to implement the recommendations of the Automatic Enrolment Review 2017 and require a further review of automatic enrolment within two years.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 9.

Division No. 11]

AYES

Buck, Ms Karen
Eshalomi, Florence
Gray, Neil
Malhotra, Seema
Thomson, Richard
Timms, rh Stephen

NOES

Bailey, Shaun
Baker, Duncan
Baldwin, Harriett
Bell, Aaron
Davies, Gareth
Drummond, Mrs Flick
Morris, James
Opperman, Guy
Roberts, Rob

Question accordingly negatived.

New Clause 7

Regulation of pension superfunds

"(1) The Secretary of State shall publish a statement on proposals for primary legislation in relation to a duty on the Pensions Regulator to regulate pension superfunds.

(2) For the purposes of this section, a pension superfund is a defined benefit pension scheme that allows for the severance of an employer's liability towards a defined benefit scheme and one of the following conditions applies—

(a) the scheme employer is replaced by a special purpose vehicle (SPV) employer, or

(b) the liability of the employer to fund the scheme's liabilities is replaced by an employer backed with a capital injection to a capital buffer.

(3) The statement under subsection (1) shall be laid before Parliament before the end of a period of six months from the day on which this Act receives Royal Assent."—*(Seema Malhotra.)*

This new clause would require the Secretary of State to publish within six months of Royal Assent proposals for primary legislation to place a duty on the Pensions Regulator to regulate pension superfunds.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 9.

Division No. 12]

AYES

Buck, Ms Karen
Eshalomi, Florence
Gray, Neil
Malhotra, Seema
Thomson, Richard
Timms, rh Stephen

NOES

Bailey, Shaun
Baker, Duncan
Baldwin, Harriett
Bell, Aaron
Davies, Gareth
Drummond, Mrs Flick
Morris, James
Opperman, Guy
Roberts, Rob

Question accordingly negatived.

Question proposed, That the Chair do report the Bill, as amended, to the House.

Guy Opperman: I rise briefly, Mr Robertson, to thank you and your fellow Chair; thank the Clerks, who have worked with all colleagues to a massive degree, which is extraordinarily difficult in times of covid; and thank the *Hansard* team. I would normally thank the Doorkeepers, but they have not had to listen to us—lucky them. I particularly want to thank colleagues who have proceeded to pass a 132-clause, 200-page Bill in under a day and a half.

Ms Buck: With proper parliamentary scrutiny.

Guy Opperman: With proper parliamentary scrutiny where it particularly mattered, while working on a cross-party basis on other things. I also thank my team at the Department for Work and Pensions, who have put in Herculean efforts to produce this Bill, and it would not be inappropriate to thank the Whips for keeping us in due order throughout this wonderful process.

The Chair: I give my thanks to everybody for their good humour and co-operation, and to the Clerks for their help.

Question put and agreed to.

Bill, as amended, accordingly to be reported.

3.8 pm

Committee rose.

Written evidence reported to the House

PSB20 Carys Boughton, Gareth Ludkin, John Hardy & (on behalf of Divest Parliament) Joel Moreland (Principal Consultant, Social and Environmental Finance), Mark Campanale (Founder & Executive Director, Carbon Tracker Initiative), and Robert Noyes (Divest / Invest Campaigner & Researcher, Platform)

PSB21 Caroline Pearson, Pensions Manager, L&Q

PSB22 Aimee Chadha

PSB23 Steve Delo, PAN Trustees

PSB24 Pensions Policy Institute

PSB25 Dr Kathryn Waite, Associate Professor in Digital Marketing, Edinburgh Business School, Heriot Watt University, Edinburgh, and Professor Tina Harrison, Professor of Financial Services Marketing and Consumption, University of Edinburgh Business School, University of Edinburgh

PSB26 Willis Towers Watson